

OVERVIEW

International Developments

In September 2012, the US dollar, on average, depreciated vis-à-vis the euro, the Pound sterling and the Japanese yen. The US dollar, under pressure after Moody's warning of a downgrade of the United States' credit rating, fell to a seven-month low against a basket of major currencies after the US FOMC announced its third round of quantitative easing measures (QE3) to further stimulate the economy.

The euro traded at an average of US\$1.2852 in September 2012 compared to an average of US\$1.2398 in August 2012. The single currency reached a two-month high against the US dollar after the ECB at its policy meeting on 6 September 2012, while keeping its key interest rate unchanged at 0.75 per cent, announced a new and potentially unlimited bond-buying programme aimed at lowering borrowing costs for stressed member states. The euro further consolidated its gains, attaining an intra-month high of \$1.3136, indirectly supported by the Fed's third round of monetary stimulus. Subsequently, the euro suffered from the mounting worries about Spain's reluctance to request for a bailout. The losses of the euro were, however, short-lived as Spain unveiled a crisis budget and announced a detailed timetable for economic reforms.

The Pound sterling appreciated against the US dollar in September 2012, trading at an average of US\$1.6098 compared to an average of US\$1.5707 in August 2012. Sterling garnered support from the release of some better-than-expected UK data and prospects of more monetary stimulus from the ECB and the US Federal Reserve.

Global equities gained in September 2012, as central banks geared up to boost liquidity and revive their flagging economies. Over the month, the Dow Jones Industrial Average, NASDAQ, FTSE and the Nikkei rose by 2.7 per cent, 1.6 per cent, 0.5 per cent and 0.3 per cent, respectively, while CAC-40 dropped 1.71 per cent. Among emerging stock markets, Shanghai SEC, Bombay SENSEX and JALSH added 1.9 per cent, 7.7 per cent and 1.0 per cent, respectively.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$94.6 a barrel in September 2012, slightly up from US\$94.3 a barrel in August 2012. ICE Brent Crude averaged US\$113.0 a barrel during the month under review, up from US\$112.5 a barrel in August 2012. NYMEX and ICE Brent Crude settled at intra-month highs of US\$99.0 a barrel on 14 September 2012 and US\$ 116.9 a barrel on 13 September 2012, respectively.

COMEX gold futures, on average, went up from US\$1,634.4/Oz in August 2012 to US\$1,751.7/Oz in September 2012 and traded in an intra-month closing range of US\$1,694.0/Oz-1,780.5/Oz compared to US\$1,590.7/Oz-1,687.6/Oz in the preceding month. Gold prices peaked at US\$1,780.5/Oz on 27 September 2012.

Domestic Developments

In the September 2012 issue of National Accounts published by Statistics Mauritius, the growth rate of the economy for 2011 has been maintained at 3.9 per cent as estimated in June 2012. For 2012, the growth rate has been forecast at 3.2 per cent, lower than the initial estimate of 3.5 per cent. Lower growth is being forecast in 'Public administration and defence' (2.2 per cent) and 'Manufacturing' (1.0 per cent), while the 'Hotels and restaurants' sector is expected to decline by 0.5 per cent.

August 2012 data on tourist arrivals showed a decrease of 1.4 per cent to 65,896 from 66,865, a year earlier. Gross tourist receipts decreased by 6.6 per cent, from Rs3,033 million in August 2011 to Rs2,832 million in August 2012. In the period September 2011 to August 2012, tourist arrivals increased by 0.1 per cent to 964,354 from 963,078 recorded in the previous corresponding period. Tourist receipts in the period September 2011 to August 2012 rose by 7.9 per cent to Rs44,791 million, from Rs41,523 million in the previous corresponding period.

The Consumer Price Index (CPI) rose from 133.2 in August 2012 to 133.3 in September 2012. The main contributors to the rise in the index between August 2012 and September 2012 were vegetables and other goods and services, each registering an increase of 0.1 index point. Milk registered a decrease of 0.1 index point.

Division-wise, an increase of 0.4 per cent was recorded for “Furnishings, household equipment and routine household maintenance” followed by “Restaurants and hotels” (+0.2 per cent), “Food and non alcoholic beverages” (+0.1 per cent), “Clothing and footwear” (+0.1 per cent), “Housing, water, electricity, gas and other fuels” (+0.1 per cent), “Health” (+0.1 per cent) and “Transport” (+0.1 per cent). “Miscellaneous goods and services” recorded a decrease of 0.7 per cent, while “Alcoholic beverages and tobacco”, “Recreation and culture”, “Communication” and “Education” recorded no change in their indices.

The rate of inflation for the twelve-month period ended September 2012 stood at 4.4 per cent, down from 4.6 per cent for the twelve-month period ended August 2012. Year-on-Year inflation rate rose from 3.7 per cent in August 2012 to 3.9 per cent in September 2012.

Between August 2012 and September 2012, for the twelve month period, CORE1 inflation fell from 3.9 per cent to 3.7 per cent while CORE2 inflation remained unchanged at 3.2 per cent. TRIM10 inflation stood at 2.9 per cent in September 2012, down from 3.1 per cent for the twelve-month period ended August 2012.

Net foreign assets of depository corporations went down by Rs41,894 million, or 10.8 per cent, from Rs387,510 million at the end of July 2012 to Rs345,616 million at the end of August 2012, solely as a result of the decrease in the net foreign assets of the other depository corporations. Net foreign assets of the other depository corporations went down by Rs42,396 million to Rs262,527 million as at end-August 2012 while the net foreign assets of the Bank of Mauritius increased by Rs502 million to Rs83,089 million as at end-August 2012.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs1,841 million, or 0.5 per cent, from Rs380,409 million at the end of July 2012 to Rs382,250 million at the end of August 2012. Net claims on budgetary central Government decreased by Rs391 million, or 0.9 per cent, from Rs43,762 million at the end of July 2012 to Rs43,371 million at the end of August 2012. Claims on other sectors, that is, credit to the private sector went up by Rs2,232 million, or 0.7 per cent, to Rs338,879 million in August 2012.

Broad Money Liabilities (BML) went down by Rs327 million, or 0.1 per cent, from Rs344,333 million at the end of July 2012 to Rs344,006 million at the end of August 2012.

The monetary base increased by Rs149 million, or 0.3 per cent, from Rs46,145 million at the end of July 2012 to Rs46,294 million at the end of August 2012. Currency in circulation went up by Rs422 million, or 1.9 per cent, from Rs22,150 million to Rs22,572 million and liabilities to other depository corporations went down by Rs161 million, or 0.7 per cent, from Rs23,702 million to Rs23,541 million.

In September 2012, the Bank issued Government of Mauritius Treasury Bills (GMTB) for a total nominal amount of Rs2,936 million against a total tender amount of Rs3,200 million through the auctions of single maturity instruments. There was a net redemption of Treasury Bills for Rs1,622 million in September 2012 compared to Rs749 million in August 2012. Given the comfortable liquidity level in the banking system, all auctions of GMTB were oversubscribed with the bid cover ratio ranging between 1.10 and 4.14. Two auctions of 91-Day GMTB, one auction each for 182-Day and 273-Day GMTB and three auctions of 364-Day GMTB were held during the month. The Bank continued its offer to buy-back Bank of Mauritius Notes from banks.

On a point-to-point basis, compared to the last auctions held in August 2012, the weighted yields of the 91 Day went up by 1 basis point and that of the 273-Day and 364-Day GMTB rose by 3 basis points each to 3.10 per cent, 3.46 per cent and 3.91 per cent, respectively, at the end of September 2012. However, the weighted yield of the 182-Day GMTB, on a point-to-point basis, went down from 3.38 per cent as at end-August 2012 to 3.27 per cent as at end-September 2012.

The overall weighted yield for September 2012 stood at 3.60 per cent, up from 3.56 per cent for August 2012.

The Three-Year Government of Mauritius Treasury Notes (GMTN) issued on 25 November 2011 and bearing a coupon rate of 5.50 per cent, was re-opened at an auction held on 14 September 2012 for issue on 16 September 2012. Out of the 25 bids received for a total nominal amount of Rs1,677 million, 19 bids for a total nominal amount of Rs1,400 million were accepted. The lowest yield and the highest yield accepted were 4.30 per cent and 4.94 per cent, respectively, whilst the weighted yield on accepted bids was 4.73 per cent.

At the same auction, Three-Year Bank of Mauritius Notes bearing coupon of 5.50 per cent, were issued for an amount of Rs100 million at the weighted yield of 4.73 per cent.

Ten-Year Government of Mauritius Bonds due on 21 September 2022 were issued through an auction held on Wednesday 19 September 2012 for an amount of Rs1,000 million for settlement on Friday 21 September 2012. Out of the 81 bids received for a total nominal amount of Rs2,818.1 million, 14 bids for a total nominal amount of Rs995 million were accepted. The lowest yield and the highest yield accepted stood at 7.35 per cent and 7.60 per cent, respectively, whilst the weighted yield was 7.49 per cent. The coupon rate, which was market determined, was set at 7.35 per cent.

Fifteen-Year Government of Mauritius Bonds due on 3 August 2027 and bearing coupon rate of 8.29 per cent, was re-opened through an auction held on Wednesday 26 September 2012 for an amount of Rs1,500 million for settlement on Friday 28 September 2012. Out of the 58 bids received for a total nominal amount of Rs3,677.8 million at the auction, 16 bids for a total nominal amount of Rs1,064.4 million were accepted. The lowest yield and the highest yield accepted stood at 7.75 per cent and 8.15 per cent, respectively, whilst the weighted yield was 8.06 per cent.

During the month under review, Government Securities for an amount of Rs2.2 million were sold over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers increased from Rs103.2 million in August 2012 to Rs184.6 million in September 2012.

Transactions on the overnight interbank money market in September 2012 totalled Rs6,885 million compared to Rs19,250 million in August 2012. The daily average

amount transacted stood at Rs287 million in September 2012 compared to a daily average of Rs621 million in August 2012. Transactions with a high of Rs575 million and a trough of Rs15 million were recorded in September 2012. The weighted average overnight interbank rate declined from 1.81 per cent in August 2012 to 1.67 per cent in September 2012.

During the period under review, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of USD58.1 million whilst it sold USD32.5 million to its customers.

Under the Special Line of Credit made available to Small and Medium Planters, disbursement amounted to Rs151.2 million during the month under review and an amount of Rs513.8 million was outstanding as at end of September 2012 while for the Special Line of Credit in Foreign Currency, an amount of EUR3.95 million had been disbursed in September 2012. The total amount disbursed and outstanding, as at end September 2012, stood at EUR5.2 million.

The weighted average dealt selling rates of the rupee, which are calculated on the basis of transactions of US\$30,000 and above, or the equivalent in other foreign currencies conducted by banks and Bank of Mauritius, appreciated, on average, against the US dollar, but depreciated against the Euro and the Pound sterling between August and September 2012.

At the end of September 2012, the gross foreign exchange reserves of the Bank of Mauritius increased to Rs87,799 million from Rs86,746 million as at end-August 2012. The end-September 2012 level of gross official international reserves of the country, based on the value of imports of goods, *FOB* and non-factor services for the year 2011, represented 5.1 months of imports, compared to 5.0 months as at end of August 2012.