

### III. MONEY AND BANKING

Monetary developments in 2002-03 were significantly influenced by the record increase of Rs9,672 million in the net foreign assets of the Bank of Mauritius, reflecting the surplus on the current account of the balance of payments. However, for the first time since 1992-93, the net foreign assets of Category 1 banks declined, falling by Rs2,078 million. As a result, net foreign assets of the banking system as a whole increased by a net amount of Rs7,594 million during the year.

Reflecting a slowdown in the demand for funds, a cautious approach adopted in the granting of credit as well as relatively attractive yields offered on Treasury Bills, Category 1 banks, for the second consecutive year, directed a large part of their surplus into investment in Government securities. Consequently, net credit to Government from banks expanded by a substantial amount of Rs10,283 million. Banks' average liquid assets ratio went up from 21.8 per cent in 2001-02 to 28.1 per cent in 2002-03.

Government's borrowing requirements for the year being more than met by Category 1 banks and the non-bank sector, central bank credit to the Government contracted largely for the fourth consecutive year by an unprecedented amount of Rs7,787 million, representing an accumulation of Government deposits. Average reserve money increased by 13.8 per cent in 2002-03, up from 12.5 per cent in 2001-02. With average money supply M2 expanding at a lower rate of 11.2 per cent in 2002-03, the average money multiplier fell from 8.67 in 2001-02 to 8.47 in 2002-03.

The Bank intervened in the money and foreign exchange markets, based on its Reserve Money Programme and liquidity forecasting framework. Primary auctions of Treasury Bills and repurchase transactions remained the main operating tools for the implementation of monetary policy.

The Bank of Mauritius continued to provide overnight collateralised advances to Category 1 banks through the Lombard Facility. The interest rate payable for the use of this facility, the Lombard Rate, which is the Bank's signalling mechanism of its monetary policy stance, was reduced by a total of 125 basis points during 2002-03, from 11.50 per cent to 10.25 per cent. Category 1 banks adjusted

their deposit and lending rates in line with the changes in the Lombard Rate.

In November 2002, Barclays Bank PLC acquired the banking activities of Banque Nationale de Paris Intercontinentale (BNPI) with a view to strengthening its presence in Mauritius.

In May 2003, the Bank of Mauritius approved the merger between New Co-operative Bank Ltd and Mauritius Post Office Savings Bank to form Mauritius Post and Cooperative Bank Ltd.

Following the establishment of a Primary Dealer System for Mauritius in February 2002, the Bank of Mauritius ceased, effective 1 October 2002, its over the counter sale of Government of Mauritius Treasury Bills to individuals and non-financial corporations. Individuals and non-financial investors may carry out deals in Treasury Bills during normal banking hours with any one of the four established primary dealers, namely, Barclays Bank PLC, State Bank of Mauritius Ltd, The Hongkong and Shanghai Banking Corporation Limited and The Mauritius Commercial Bank Ltd.

#### Monetary Policy: 2002-03

The basic thrust of monetary policy was directed towards keeping inflation in a stable and narrow range and promoting monetary conditions conducive to the reduction of the inflation differential with major trading partners. Initially, an inflation rate of 6.0 per cent was targeted for the financial year. This was subsequently revised to 5.0 per cent.

Against the background of an increase in the value-added tax rate, from 12 per cent to 15 per cent in July 2002, the after-effects of cyclone Gerry and ongoing fiscal consolidation, the monetary policy stance adopted by the Bank enabled the rate of inflation to be contained at 5.1 per cent during fiscal year 2002-03.

Through the Lombard Facility, the Bank continued to provide overnight collateralised advances to Category 1 banks. The interest rate payable for the use of this facility, the Lombard Rate, which is the Bank's signalling mechanism of its monetary policy stance, was reduced on four occasions during fiscal year 2002-03 by a total of 125 basis points: from 11.50 per cent to 11.25 per cent on 13 November 2002 and further to 11.00 per cent on 11 December 2002, to 10.50 per cent on 5

February 2003 and to 10.25 per cent on 7 May 2003. Category 1 banks adjusted their deposit and lending rates in line with the changes in the Lombard Rate. The lowering of the Lombard Rate signalled an easing of the monetary policy stance of the Bank, mainly geared towards stimulating investment and enhancing business confidence and thereby supporting growth in the economy through a reduction in lending rates.

### Monetary Aggregates

Net foreign assets of the banking system increased for the fifth consecutive fiscal year, mainly by way of increases in the net foreign assets of the Bank of Mauritius. These increases fully offset the drop in the net foreign assets of Category 1 banks, which recorded negative growth for the first time since 1992-93. Net foreign assets of the banking system rose by Rs7,594 million, from Rs39,974 million at the end of June 2002 to Rs47,568 million at the end of June 2003, or 19.0 per cent, lower than the rise of 28.0 per cent recorded in 2001-02. Net foreign assets of the Bank of Mauritius increased by Rs9,672 million, from Rs29,912 million at the end of June 2002 to Rs39,584 million at the end of June 2003, or 32.3 per cent, marginally lower compared to the rise of 32.6 per cent registered in 2001-02. Net foreign assets of Category 1 banks fell by Rs2,078 million, from Rs10,062 million at the end of June 2002 to Rs7,984 million at the end of June 2003, or 20.7 per cent, as against an increase of 16.1 per cent recorded in 2001-02.

Domestic credit grew by Rs7,531 million, from Rs99,396 million at the end of June 2002 to Rs106,927 million at the end of June 2003, or 7.6 per cent, lower than the rise of 7.9 per cent recorded in 2001-02. The rise in domestic credit in 2002-03 was driven by increases in both of its components, namely, net credit to Government by the banking system and credit to the private sector from Category 1 banks, with the latter accounting for around 68 per cent of the increase.

Net credit to Government from the banking system expanded by Rs2,496 million, from Rs18,980 million at the end of June 2002 to Rs21,476 million at the end of June 2003, or 13.2 per cent, compared to an increase of 8.0 per cent in 2001-02. Net credit to Government from the Bank of Mauritius fell for the fourth consecutive year,

dropping by Rs7,787 million, from a negative figure of Rs3,169 million at the end of June 2002 to a negative figure of Rs10,956 million at the end of June 2003, or 245.7 per cent, compared to a drop of 233.4 per cent in 2001-02. Net credit to Government from Category 1 banks went up by Rs10,283 million, from Rs22,149 million at the end of June 2002 to Rs32,432 million at the end of June 2003, or 46.4 per cent, compared to an increase of 45.7 per cent in 2001-02.

Credit to the private sector from Category 1 banks increased by Rs5,104 million, from Rs79,976 million at the end of June 2002 to Rs85,080 million at the end of June 2003, or 6.4 per cent, lower than the increase of 8.1 per cent in 2001-02. Loans and advances went up by Rs7,576 million, from Rs66,035 million at the end of June 2002 to Rs73,611 million at the end of June 2003, or 11.5 per cent, lower than the rise of 13.1 per cent recorded in 2001-02. Category 1 banks' investment in shares and debentures issued by the private sector fell by Rs2,664 million, or 23.1 per cent, from Rs11,545 million at the end of June 2002 to Rs8,881 million at the end of June 2003.

Broad money supply M2 increased by Rs12,938 million, from Rs110,467 million at the end of June 2002 to Rs123,405 million at the end of June 2003, or 11.7 per cent, lower than the rise of 13.0 per cent registered in 2001-02. Both components of M2, namely, narrow money supply M1 and quasi-money, contributed positively to the increase.

Narrow money supply M1 rose by Rs2,303 million, from Rs15,136 million at the end of June 2002 to Rs17,439 million at the end of June 2003, or 15.2 per cent, lower than the increase of 19.1 per cent recorded in 2001-02. The demand deposit component of M1 went up by Rs1,282 million, from Rs8,669 million at the end of June 2002 to Rs9,951 million at the end of June 2003, or 14.8 per cent, lower than the rise of 24.3 per cent recorded in 2001-02. Currency with the public went up by Rs1,022 million, or 15.8 per cent, from Rs6,466 million at the end of June 2002 to Rs7,488 million at the end of June 2003, compared to an increase of 12.7 per cent in 2001-02.

Quasi-money, the other component of M2, registered an increase of Rs10,634 million, or 11.2 per cent, from Rs95,332 million at the end of June 2002 to Rs105,966 million at the end of June 2003, lower than the rise of 12.1 per cent in 2001-02. Savings deposits, one of the components of quasi-

money, grew by Rs4,568 million, or 10.2 per cent, from Rs44,861 million at the end of June 2002 to Rs49,429 million at the end of June 2003, lower than the rise of 15.2 per cent recorded in 2001-02. Time deposits rose by Rs4,748 million, or 12.8 per cent, from Rs37,061 million at the end of June 2002 to Rs41,809 million at the end of June 2003. Foreign currency deposits went up by Rs1,318 million, or 9.8 per cent, from Rs13,410 million at the end of June 2002 to Rs14,728 million at the end of June 2003.

The increase of 11.7 per cent registered in broad money supply M2 in 2002-03 resulted from the positive contributions of 6.9 percentage points of net foreign assets of the banking system and 6.8 percentage points of domestic credit, respectively. Net other items accounted for a negative contribution of 2.0 percentage points. Comparatively, in 2001-02, net foreign assets of the banking system and domestic credit both impacted positively by 8.9 percentage points and 7.4 percentage points, respectively, on the growth of 13.0 per cent in broad money supply M2.

Chart III.1: Real GDP Growth Rate, Inflation Rate and Average M2 Growth Rate

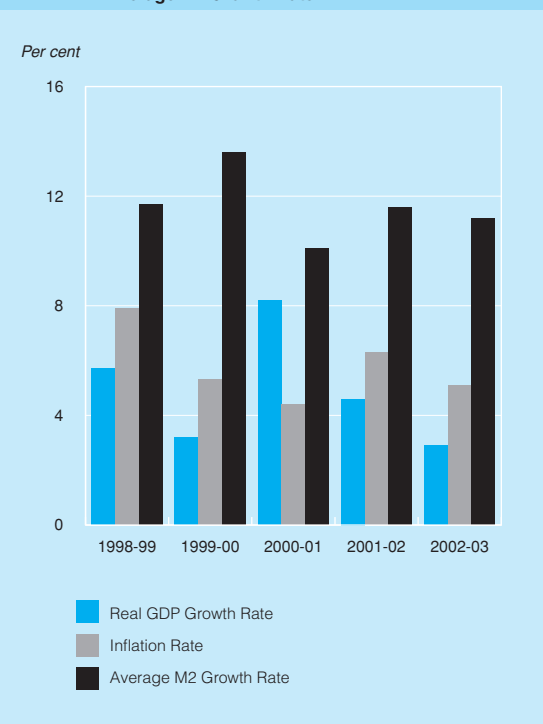


Table III.1: Monetary Survey

	(Rs million)				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>1. Net Foreign Assets</b>	<b>22,086.7</b>	<b>24,708.7</b>	<b>31,232.2</b>	<b>39,974.0</b>	<b>47,567.9</b>
(a) Bank of Mauritius	15,314.9	17,454.8	22,561.6	29,911.6	39,583.5
(b) Category 1 Banks	6,771.8	7,253.9	8,670.6	10,062.4	7,984.4
<b>2. Domestic Credit</b>	<b>76,727.2</b>	<b>86,459.1</b>	<b>92,159.2</b>	<b>99,395.9</b>	<b>106,927.0</b>
(a) Net Credit to Government	16,013.5	18,468.9	17,578.4	18,980.1	21,476.2
(b) Claims on Private Sector	60,106.3	67,271.4	74,015.8	79,975.7	85,080.1
(c) Claims on Category 2 Banks	32.7	283.8	283.8	283.8	338.1
(d) Claims on Non-Bank Deposit-Taking Institutions	574.7	435.0	281.2	156.2	32.7
<b>3. Assets = Liabilities</b>	<b>98,813.9</b>	<b>111,167.8</b>	<b>123,391.4</b>	<b>139,369.9</b>	<b>154,494.9</b>
<b>4. Aggregate Monetary Resources</b>	<b>80,203.8</b>	<b>88,937.6</b>	<b>97,753.4</b>	<b>110,467.2</b>	<b>123,404.5</b>
<b>(a) Money Supply</b>	<b>10,905.6</b>	<b>11,068.2</b>	<b>12,711.8</b>	<b>15,135.6</b>	<b>17,439.0</b>
(i) Currency with Public	4,875.8	5,171.6	5,735.4	6,466.4	7,487.9
(ii) Demand Deposits	6,029.8	5,896.6	6,976.5	8,669.2	9,951.1
<b>(b) Quasi-Money</b>	<b>69,298.2</b>	<b>77,869.3</b>	<b>85,041.5</b>	<b>95,331.6</b>	<b>105,965.6</b>
(i) Savings Deposits <sup>1</sup>	31,830.5	35,702.2	38,931.7	44,860.8	49,428.8
(ii) Time Deposits	30,239.2	33,938.7	34,052.3	37,060.7	41,808.9
(iii) Foreign Currency Deposits	7,228.5	8,228.4	12,057.5	13,410.1	14,727.9
<b>5. Other Items, net</b>	<b>18,610.0</b>	<b>22,230.2</b>	<b>25,638.0</b>	<b>28,902.7</b>	<b>31,090.4</b>

<sup>1</sup> Include margin deposits.  
Figures may not add up to totals due to rounding.

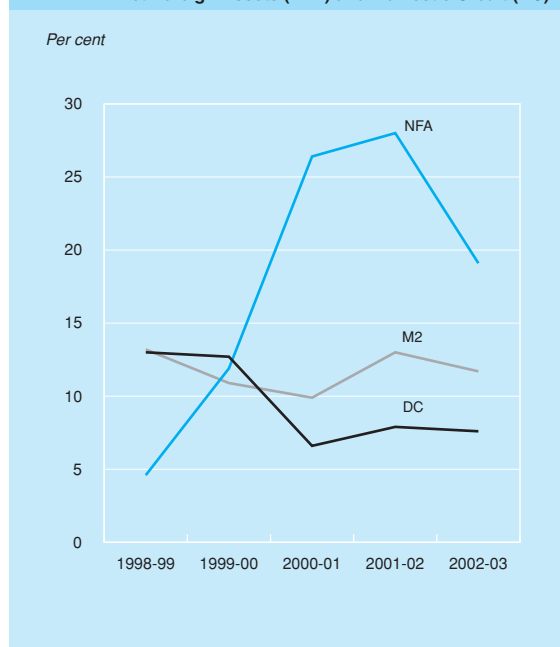
**Chart III.2: Rates of Growth of Money Supply (M2), Net Foreign Assets (NFA) and Domestic Credit (DC)**

Chart III.1 shows the evolution of real GDP growth rate, inflation rate and average growth rate of money supply M2 for fiscal years 1998-99 through 2002-03. Table III.1 provides details on the monetary survey from end-June 1999 to end-June 2003. Tables III.2 and III.3 give details on the evolution of monetary aggregates for the years 1999-00 through 2002-03. Chart III.2 shows the rates of growth of money supply M2, net foreign assets and domestic credit for the years 1998-99 through 2002-03.

## Reserve Money

Reserve money, also known as the monetary base or high-powered money, comprises central bank liabilities that support the expansion of broad money supply and domestic credit. Reserve money comprises notes and coins in circulation, and deposit liabilities of Category 1 banks, statutory bodies and other institutions with the central bank.

Reserve money increased by Rs1,851 million, or 14.3 per cent, from Rs12,925 million at the end of June 2002 to Rs14,776 million at the end of June 2003, higher than the increase of 13.9 per cent recorded in 2001-02.

Currency with public rose by Rs1,022 million, or 15.8 per cent, from Rs6,466 million at the end of June 2002 to Rs7,488 million at the end of June 2003, higher than the rise of 12.7 per cent recorded in 2001-02. Currency in the vaults of Category 1 banks went up by Rs33 million, or 1.6 per cent, from Rs2,067 million at the end of June 2002 to Rs2,100 million at the end of June 2003, lower than the rise of 19.7 per cent registered in 2001-02. Demand deposits held with the Bank of Mauritius increased by Rs796 million, or 18.1 per cent, from Rs4,391 million at the end of June 2002 to Rs5,188 million at the end of June 2003, compared to an increase of 13.2 per cent in 2001-02.

On the sources side of reserve money, net foreign assets of the Bank of Mauritius expanded by Rs9,672 million, from Rs29,912 million at the end of June 2002 to Rs39,584 million at the end of June 2003, or 32.3 per cent, slightly lower than the

**Table III.2: Changes in Monetary Aggregates**

	(Rs million)			
	1999-00	2000-01	2001-02	2002-03
<b>1. Money Supply</b>	<b>162.6</b>	<b>1,643.6</b>	<b>2,423.7</b>	<b>2,303.3</b>
<b>2. Quasi-Money</b>	<b>8,571.1</b>	<b>7,172.2</b>	<b>10,290.1</b>	<b>10,634.0</b>
<b>3. Aggregate Monetary Resources (a+b-c)</b>	<b>8,733.7</b>	<b>8,815.8</b>	<b>12,713.8</b>	<b>12,937.3</b>
(a) Net Foreign Assets	2,621.9	6,523.5	8,741.8	7,593.8
(b) Domestic Credit	9,731.9	5,700.1	7,236.7	7,531.1
(i) Net Credit to Government	2,455.4	-890.5	1,401.7	2,496.1
(ii) Claims on Private Sector	7,165.1	6,744.4	5,960.0	5,104.4
(iii) Claims on Category 2 Banks	251.0	0.0	0.0	54.3
(iv) Claims on Non-Bank Deposit-Taking Institutions	-139.7	-153.8	-125.0	-123.5
(c) Other Items, net	3,620.2	3,407.8	3,264.7	2,187.6

Figures may not add up to totals due to rounding.

growth of 32.6 per cent recorded in 2001-02. Net credit to Government from the Bank of Mauritius fell by Rs7,787 million from a negative figure of Rs3,169 million at the end of June 2002 to a negative figure of Rs10,956 million at the end of June 2003, or 245.7 per cent, compared to a decline of 233.4 per cent in 2001-02. Claims of the Bank of Mauritius on Category 1 banks increased by Rs296 million, or 15.8 per cent, from Rs1,875 million at the end of June 2002 to Rs2,171 million at the end of June 2003, compared to an increase of

Rs1,622 million, or 641.0 per cent, in 2001-02. Credit to non-bank deposit-taking institutions dropped by Rs123 million, from Rs156 million at the end of June 2002 to Rs33 million at the end of June 2003, or 78.8 per cent, compared to a drop of 44.5 per cent in 2001-02.

Thus, the increase of 14.3 per cent in reserve money in 2002-03 was brought about by positive contributions of 74.8 and 2.3 percentage points in the growth of net foreign assets of the Bank of

**Table III.3: Sources of Change in Aggregate Monetary Resources**

	(Per cent)			
	1999-00	2000-01	2001-02	2002-03
<b>1. Net Foreign Assets</b>	<b>3.3</b>	<b>7.3</b>	<b>8.9</b>	<b>6.9</b>
(a) Bank of Mauritius	2.7	5.7	7.5	8.8
(b) Category 1 Banks	0.6	1.6	1.4	-1.9
<b>2. Net Claims on Government</b>	<b>3.1</b>	<b>-1.0</b>	<b>1.4</b>	<b>2.3</b>
(a) Bank of Mauritius	-2.0	-0.7	-5.7	-7.0
(b) Category 1 Banks	5.1	-0.3	7.1	9.3
<b>3. Claims on Private Sector</b>	<b>8.9</b>	<b>7.6</b>	<b>6.1</b>	<b>4.6</b>
<b>4. Claims on Category 2 Banks</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>5. Claims on Non-Bank Deposit-Taking Institutions</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.1</b>
<b>6. Other Items, net</b>	<b>4.5</b>	<b>3.8</b>	<b>3.3</b>	<b>2.0</b>
<b>7. Percentage Change in Aggregate Monetary Resources (1+2+3+4+5-6)</b>	<b>10.9</b>	<b>9.9</b>	<b>13.0</b>	<b>11.7</b>

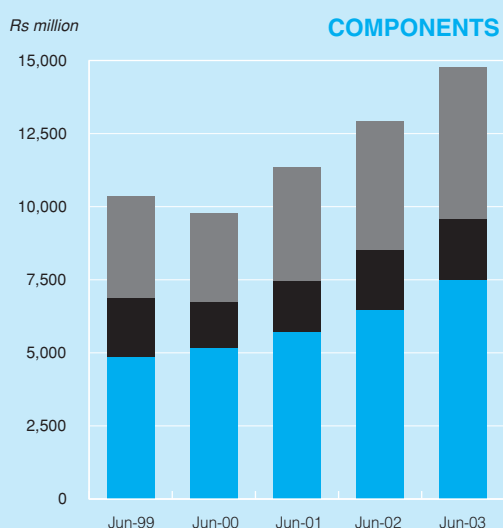
Figures may not add up to totals due to rounding.

**Table III.4: Components and Sources of Reserve Money**

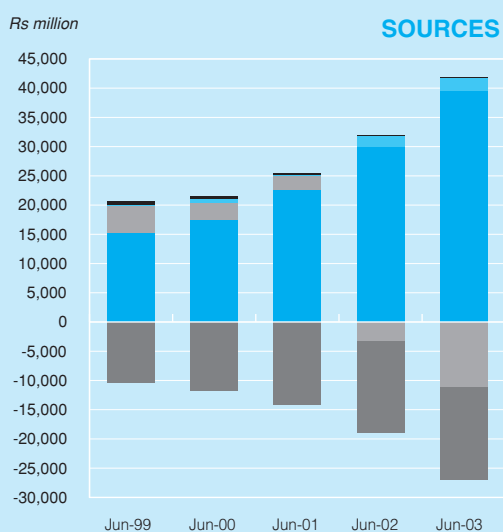
	(Rs million)				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>A. Reserve Money</b>	<b>10,345.0</b>	<b>9,768.8</b>	<b>11,342.9</b>	<b>12,924.7</b>	<b>14,775.9</b>
<b>B. Components of Reserve Money</b>	<b>10,345.0</b>	<b>9,768.8</b>	<b>11,342.9</b>	<b>12,924.7</b>	<b>14,775.9</b>
(i) Currency with Public	4,875.8	5,171.6	5,735.4	6,466.4	7,487.9
(ii) Currency with Category 1 Banks	2,000.2	1,557.3	1,726.5	2,066.8	2,100.3
(iii) Deposits of Category 1 Banks	3,447.8	3,024.2	3,789.6	4,239.7	4,991.6
(iv) Other Deposits	21.2	15.7	91.4	151.7	196.0
<b>C. Sources of Reserve Money</b>	<b>10,345.0</b>	<b>9,768.8</b>	<b>11,342.9</b>	<b>12,924.7</b>	<b>14,775.9</b>
(i) Net Foreign Assets	15,314.9	17,454.8	22,561.6	29,911.6	39,583.5
(ii) Net Credit to Government	4,576.5	3,004.7	2,375.7	-3,169.2	-10,956.2
(iii) Claims on Category 1 Banks	250.0	623.4	253.0	1,874.8	2,171.0
(iv) Claims on Non-Bank Deposit-Taking Institutions	574.7	435.0	281.2	156.2	32.7
(v) Other Liabilities, net	-10,371.1	-11,749.2	-14,128.6	-15,848.8	-16,055.0

Figures may not add up to totals due to rounding.

**Chart III.3: Components and Sources of Reserve Money**



- Deposits with Bank of Mauritius
- Currency with Category 1 Banks
- Currency with Public



- Claims on Non-Bank Deposit-Taking Institutions
- Claims on Category 1 Banks
- Net Claims on Government
- Net Foreign Assets
- Net Non-Monetary Liabilities

Mauritius and central bank credit to Category 1 banks, respectively. Net credit to Government, credit to non-bank deposit-taking institutions and net non-monetary liabilities made negative contributions of 60.2, 1.0 and 1.6 percentage points, respectively. In 2001-02, net foreign assets of the banking system and central bank credit to Category 1 banks had accounted for the rise in reserve money.

Table III.4 and Chart III.3 give details on the components and sources of reserve money from end-June 1999 to end-June 2003.

### Trends in Reserve Money and Monetary Ratios

The monthly average level of reserve money increased from Rs12,102 million in 2001-02 to Rs13,773 million in 2002-03, or 13.8 per cent, higher than the increase of 12.5 per cent recorded in 2001-02.

The monthly average level of broad money supply M2 rose by 11.2 per cent, from Rs104,936 million in 2001-02 to Rs116,643 million in 2002-03, compared to a rise of 11.6 per cent in 2001-02. Both components of money supply M2, namely, narrow money supply M1 and quasi-money, registered decelerating rates of growth in 2002-03.

The monthly average level of narrow money supply M1 went up by 16.2 per cent, from Rs13,994 million in 2001-02 to Rs16,260 million in 2002-03, lower than the increase of 17.1 per cent in 2001-02. The monthly average level of currency with public went up by 13.7 per cent, from Rs6,342 million in 2001-02 to Rs7,211 million in 2002-03, higher than the increase of 12.7 per cent recorded in 2001-02. The monthly average level of demand deposits rose by 18.3 per cent, from Rs7,652 million in 2001-02 to Rs9,049 million in 2002-03, lower than the increase of 21.1 per cent in 2001-02.

The monthly average level of quasi-money increased by 10.4 per cent, from Rs90,943 million in 2001-02 to Rs100,384 million in 2002-03, slightly lower than the increase of 10.8 per cent noted in 2001-02.

The average money multiplier for broad money supply M2 remained on the downward trend noted since 2000-01. It fell further from 8.67 in 2001-02 to 8.47 in 2002-03. The higher increase in average reserve money compared to that in

average money supply M2 accounted for this decline. The average money multiplier for narrow money supply M1 rose for the third consecutive year. It increased from 1.16 in 2001-02 to 1.18 in 2002-03, reflecting a higher rise in average money supply M1 relative to average reserve money.

The ratio of currency with public to narrow money supply M1 dropped to 44.3 per cent in 2002-03 from 45.3 per cent in 2001-02 while the ratio of demand deposits to narrow money supply M1 rose from 54.7 per cent in 2001-02 to 55.7 per cent in 2002-03. The ratio of currency with public to broad money supply M2 increased from 6.0 per cent in 2001-02 to 6.2 per cent in 2002-03 while the ratio of demand deposits to broad money supply M2 increased from 7.3 per cent in 2001-02 to 7.8 per cent in 2002-03.

The ratio of narrow money supply M1 to broad money supply M2 increased further to 13.9 per cent in 2002-03 from 13.3 per cent in 2001-02 whereas the ratio of quasi-money to broad money supply M2 fell from 86.7 per cent in 2001-02 to 86.1 per cent in 2002-03.

Table III.5 gives details on monetary ratios for the years ended June 1999 through June 2003.

### Income Velocity of Circulation of Money

The income velocity of circulation of money measures how frequently money changes hands in the economy and is defined as the ratio of the current value of total nominal transactions to the stock of money in the economy.

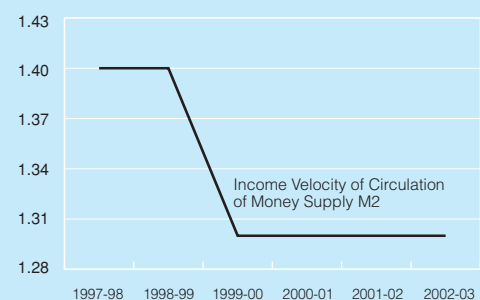
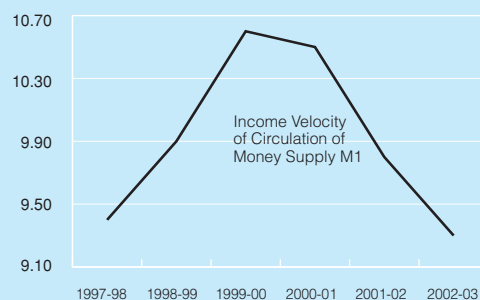
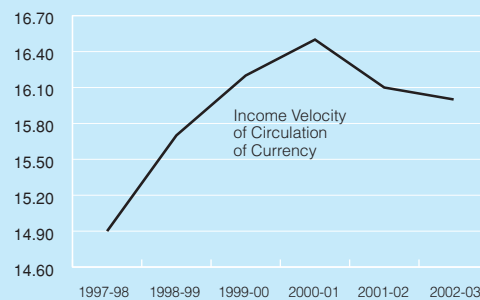
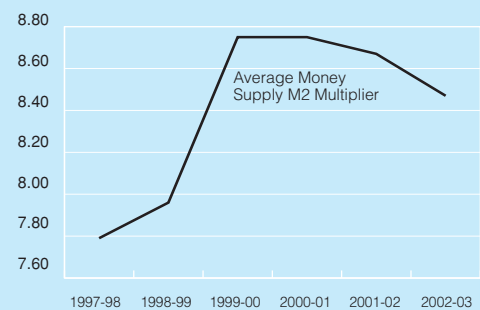
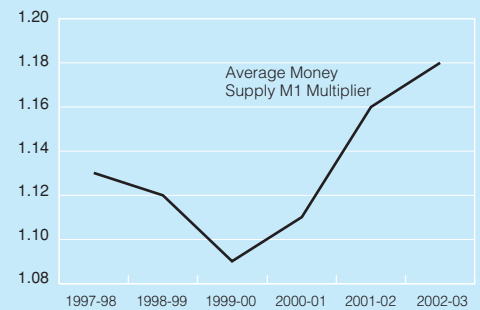
The income velocity of circulation of broad money supply M2 remained unchanged at 1.3 for the years 1999-00 through 2002-03.

The income velocity of circulation of narrow money supply M1 went down for the third consecutive year. It fell from 9.8 in 2001-02 to 9.3 in 2002-03.

The income velocity of circulation of currency, which was on an ascending trend between 1997-98 and 2000-01, fell from 16.1 in 2001-02 to 16.0 in 2002-03.

Table III.6 provides details on the income velocity of circulation of money for the years 1996-97 through 2002-03. Chart III.4 shows the average money multiplier and income velocity of circulation of money for the years 1997-98 through 2002-03.

Chart III.4: Average Money Multiplier and Income Velocity of Circulation of Money



	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>1. Monthly Average for year ended (Rs million)</b>					
<b>A. Reserve Money</b>	<b>9,449.1</b>	<b>9,765.4</b>	<b>10,752.7</b>	<b>12,101.9</b>	<b>13,772.7</b>
	(+9.4)	(+3.3)	(+10.1)	(+12.5)	(+13.8)
<b>B. Aggregate Monetary Resources (AMR) (M2)</b>	<b>75,183.7</b>	<b>85,444.2</b>	<b>94,043.1</b>	<b>104,936.4</b>	<b>116,643.2</b>
	(+11.7)	(+13.6)	(+10.1)	(+11.6)	(+11.2)
<b>(a) Money Supply (M1)</b>	<b>10,614.8</b>	<b>10,651.4</b>	<b>11,946.3</b>	<b>13,993.9</b>	<b>16,259.6</b>
	(+8.4)	(+0.3)	(+12.2)	(+17.1)	(+16.2)
(i) Currency with Public	5,025.9	5,030.5	5,628.1	6,341.9	7,210.8
	(+6.4)	(+0.1)	(+11.9)	(+12.7)	(+13.7)
(ii) Demand Deposits	5,588.9	5,620.9	6,318.2	7,652.0	9,048.8
	(+10.3)	(+0.6)	(+12.4)	(+21.1)	(+18.3)
<b>(b) Quasi-Money</b>	<b>64,568.9</b>	<b>74,792.8</b>	<b>82,096.8</b>	<b>90,942.5</b>	<b>100,383.6</b>
	(+12.3)	(+15.8)	(+9.8)	(+10.8)	(+10.4)
<b>2. Average Money Multiplier</b>					
<b>A. Money Supply (M1)</b>	<b>1.12</b>	<b>1.09</b>	<b>1.11</b>	<b>1.16</b>	<b>1.18</b>
<b>B. Aggregate Monetary Resources (M2)</b>	<b>7.96</b>	<b>8.75</b>	<b>8.75</b>	<b>8.67</b>	<b>8.47</b>
<b>3. Other Monetary Ratios (Per cent)</b>					
<b>A. Currency to Money Supply (M1)</b>	<b>47.3</b>	<b>47.2</b>	<b>47.1</b>	<b>45.3</b>	<b>44.3</b>
<b>B. Demand Deposits to Money Supply (M1)</b>	<b>52.7</b>	<b>52.8</b>	<b>52.9</b>	<b>54.7</b>	<b>55.7</b>
<b>C. Currency to AMR</b>	<b>6.7</b>	<b>5.9</b>	<b>6.0</b>	<b>6.0</b>	<b>6.2</b>
<b>D. Demand Deposits to AMR</b>	<b>7.4</b>	<b>6.6</b>	<b>6.7</b>	<b>7.3</b>	<b>7.8</b>
<b>E. Money Supply to AMR</b>	<b>14.1</b>	<b>12.5</b>	<b>12.7</b>	<b>13.3</b>	<b>13.9</b>
<b>F. Quasi-Money to AMR</b>	<b>85.9</b>	<b>87.5</b>	<b>87.3</b>	<b>86.7</b>	<b>86.1</b>

Notes: (i) Figures in brackets represent percentage change over previous period.  
(ii) Reserve Money = Currency in Circulation plus Private Demand Deposits with the Bank of Mauritius.  
(iii) The average Money Multiplier for Money Supply is defined as the ratio of average Money Supply to average Reserve Money.  
(iv) The average Money Multiplier for Aggregate Monetary Resources is defined as the ratio of average Aggregate Monetary Resources to average Reserve Money.

	Income Velocity of Circulation of Currency	Income Velocity of Circulation of Money Supply M1	Income Velocity of Circulation of Money Supply M2
1996-97	14.7	9.4	1.4
1997-98	14.9	9.4	1.4
1998-99	15.7	9.9	1.4
1999-00	16.2	10.6	1.3
2000-01	16.5	10.5	1.3
2001-02	16.1	9.8	1.3
2002-03	16.0	9.3	1.3

## Commercial Banking Sector

### Main Features

At the end of June 2003, the domestic commercial banking sector in Mauritius comprised ten Category 1 banks, made up of five local banks, four branches of foreign banks and one foreign-owned bank incorporated locally. New Co-operative Bank Ltd was officially inaugurated on 9 August 2002. Banque Nationale de Paris Intercontinentale (BNPI) applied for permission from the Bank of Mauritius for the surrender of its Category 1 and Category 2 banking licences under the provisions of section 7(2) of the Banking Act 1988 as it wished to dispose of its banking business to Barclays Bank PLC. BNPI ceased to conduct banking business in Mauritius as from 5 December 2002.

The ten Category 1 banks operated 145 branches, 11 counters, 1 mobile van and 257 Automated Teller Machines (ATMs), and employed 3,467 people at the end of June 2003. The number of inhabitants per branch went up from 8,230 at the end of June 2002 to 8,346 at the end of June 2003.

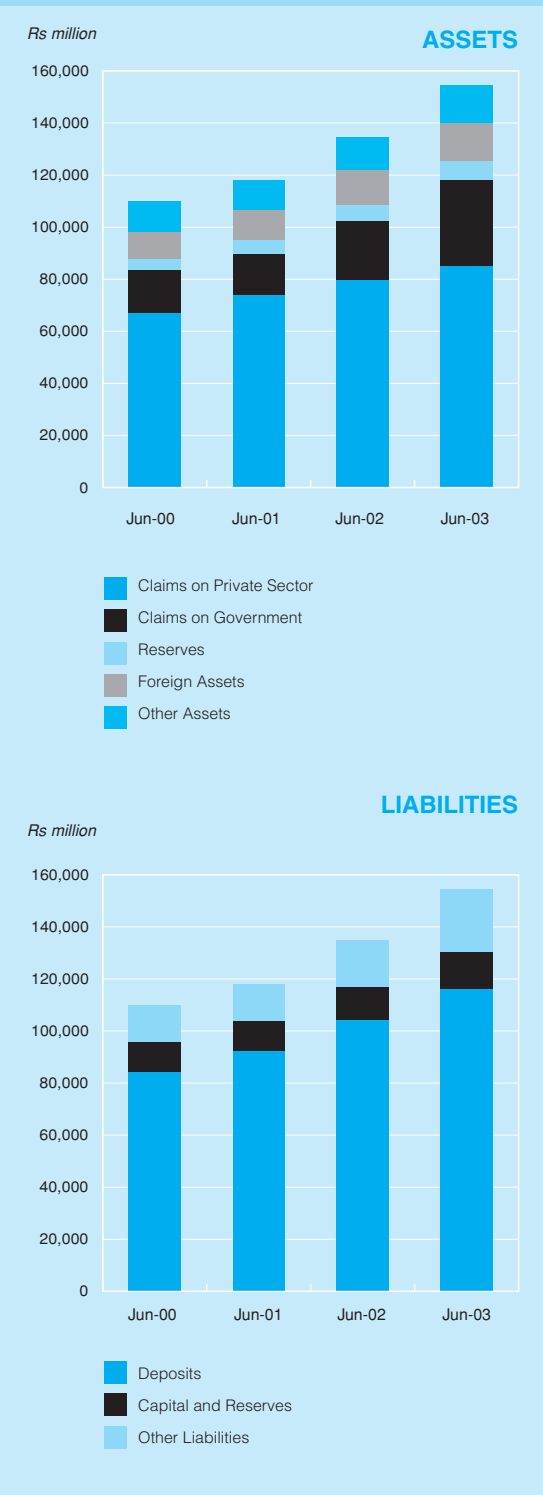
Besides traditional banking facilities, several Category 1 banks offer card-based payment services such as credit and debit cards, and direct debits. Other facilities such as phone banking, home banking, internet banking and PC banking are also provided by some banks.

Between end-June 2002 and end-June 2003, total assets of Category 1 banks rose by Rs19,880 million, from Rs134,680 million to Rs154,560 million, or 14.8 per cent, higher than the rise of 13.9 per cent registered in 2001-02.

Category 1 banks' reserves, defined as their cash in hand and balances with the Bank of Mauritius, increased by Rs791 million, or 12.5 per cent, from Rs6,307 million at the end of June 2002 to Rs7,098 million at the end of June 2003, compared to 14.7 per cent recorded in 2001-02.

Foreign assets of Category 1 banks rose by Rs1,484 million, or 11.2 per cent, from Rs13,266 million at the end of June 2002 to Rs14,750 million at the end of June 2003, compared to the increase of 13.9 per cent registered in 2001-02. Foreign bills purchased and discounted rose by Rs373 million, from Rs1,921 million as at end-June 2002 to Rs2,294 million as at end-June 2003, or 19.4 per cent, as against a drop of 16.5 per cent noted in 2001-02. Balances with banks abroad went up by

Chart III.5: Selected Items of Category 1 Banks' Assets and Liabilities



10.6 per cent, or Rs727 million, to Rs7,605 million as at end-June-2003. Loans and foreign financing outside Mauritius went up by Rs498 million, or 15.3 per cent, to Rs3,748 million as at end-June 2003.

Category 1 banks' investment in Treasury Bills and other Government securities increased by Rs10,652 million, from Rs22,519 million at the end of June 2002 to Rs33,171 million at the end of June 2003, or 47.3 per cent, compared to an increase of 44.7 per cent recorded in 2001-02.

Category 1 banks' credit to the private sector grew by Rs5,104 million, from Rs79,976 million at the end of June 2002 to Rs85,080 million at the end of June 2003, or 6.4 per cent, lower than the increase of 8.1 per cent registered in 2001-02. The credit-deposit ratio of Category 1 banks went down for the second consecutive year, falling from 76.7 per cent at the end of June 2002 to 73.2 per cent at the end of June 2003.

Total deposits with Category 1 banks went up by Rs12,021 million, from Rs104,275 million at the end of June 2002 to Rs116,296 million at the end of June 2003, or 11.5 per cent, compared to an increase of 12.9 per cent in 2001-02. Demand deposits rose by 14.5 per cent, from Rs8,518 million at the end of June 2002 to Rs9,755 million

at the end of June 2003, compared to an increase of 23.7 per cent in 2001-02. Time deposits increased by 12.8 per cent, from Rs37,061 million at the end of June 2002 to Rs41,809 million at the end of June 2003, compared to an increase of 8.8 per cent in 2001-02. Savings deposits expanded by 10.2 per cent, from Rs44,861 million at the end of June 2002 to Rs49,429 million at the end of June 2003, compared to a growth of 15.2 per cent registered in 2001-02. Government deposits increased by 35.0 per cent, from Rs426 million at the end of June 2002 to Rs575 million at the end of June 2003, as against a drop of 5.0 per cent in 2001-02. Foreign currency deposits rose by 9.8 per cent, from Rs13,410 million to Rs14,728 million over the same period.

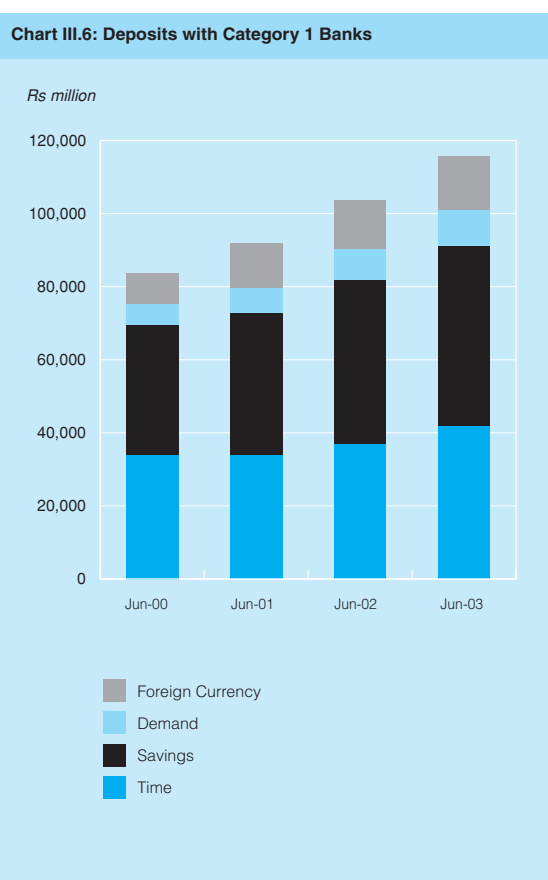
The shares of time deposits and demand deposits in total deposits went up from 35.5 per cent and 8.2 per cent, respectively, at the end of June 2002 to 36.0 per cent and 8.4 per cent, respectively, at the end of June 2003. In contrast, the shares of savings deposits and foreign currency deposits in

**Table III.7: Category 1 Banks' Selected Assets and Liabilities**

	(Rs million)				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>1. TOTAL ASSETS</b>	<b>97,183.3</b>	<b>109,865.6</b>	<b>118,232.7</b>	<b>134,679.8</b>	<b>154,559.7</b>
<i>of which :</i>					
<b>A. Cash in Hand and Balances with Bank of Mauritius</b>	<b>5,448.0</b>	<b>4,581.5</b>	<b>5,497.7</b>	<b>6,306.5</b>	<b>7,098.1</b>
<b>B. Investment in Treasury Bills and other Government Securities</b>	<b>11,842.1</b>	<b>16,127.4</b>	<b>15,566.0</b>	<b>22,519.0</b>	<b>33,171.3</b>
<b>C. Foreign Assets</b>	<b>9,685.3</b>	<b>10,294.1</b>	<b>11,646.0</b>	<b>13,265.8</b>	<b>14,750.2</b>
<b>D. Claims on Private Sector</b>	<b>60,106.3</b>	<b>67,271.4</b>	<b>74,015.8</b>	<b>79,975.7</b>	<b>85,080.1</b>
<b>E. Other</b>	<b>10,101.8</b>	<b>11,591.2</b>	<b>11,507.2</b>	<b>12,612.8</b>	<b>14,460.0</b>
<b>2. TOTAL LIABILITIES</b>	<b>97,183.3</b>	<b>109,865.6</b>	<b>118,232.7</b>	<b>134,679.8</b>	<b>154,559.7</b>
<i>of which :</i>					
<b>A. Capital and Reserves</b>	<b>10,154.3</b>	<b>11,360.6</b>	<b>11,675.7</b>	<b>12,747.2</b>	<b>14,414.3</b>
<b>B. Total Deposits</b>	<b>75,783.7</b>	<b>84,356.2</b>	<b>92,375.3</b>	<b>104,275.3</b>	<b>116,295.6</b>
(i) Demand <sup>1</sup>	5,253.8	5,881.0	6,885.1	8,517.5	9,755.0
(ii) Time	30,239.2	33,938.7	34,052.3	37,060.7	41,808.9
(iii) Savings <sup>2</sup>	31,830.5	35,702.2	38,931.7	44,860.7	49,428.8
(iv) Government	1,231.7	605.9	448.7	426.3	575.0
(v) Foreign Currency	7,228.5	8,228.4	12,057.5	13,410.1	14,727.9
<b>C. Total Borrowing from Banks Abroad</b>	<b>2,913.4</b>	<b>3,040.2</b>	<b>2,975.4</b>	<b>3,203.4</b>	<b>6,765.8</b>
<b>D. Other</b>	<b>8,331.9</b>	<b>11,108.5</b>	<b>11,206.3</b>	<b>14,453.9</b>	<b>17,084.0</b>

<sup>1</sup> Include demand deposits of Category 2 banks. Figures may not add up to totals due to rounding.

<sup>2</sup> Include margin deposits.



total deposits dropped from 43.0 per cent and 12.9 per cent, respectively, to 42.5 per cent and 12.7 per cent, respectively, over the same period.

The average balance per account for demand, savings and time deposits stood at Rs126,476, Rs34,538 and Rs368,911 respectively, at the end of June 2003 compared to Rs120,986, Rs31,759 and Rs324,867, respectively, at the end of June 2002.

Foreign liabilities of Category 1 banks increased by 111.2 per cent, from Rs3,203 million at the end of June 2002 to Rs6,766 million at the end of June 2003, compared to an increase of 7.7 per cent in 2001-02.

Capital and reserves of Category 1 banks grew by Rs1,667 million, from Rs12,747 million at the end of June 2002 to Rs14,414 million at the end of June 2003, or 13.1 per cent, compared to an increase of 9.2 per cent in 2001-02.

Table III.7 and Chart III.5 provide details on selected assets and liabilities of Category 1 banks, and Chart III.6 shows deposits with Category 1 banks.

### Sectorwise Distribution of Credit to the Private Sector

Credit from Category 1 banks to the private sector expanded by Rs5,104 million, or 6.4 per cent, from Rs79,976 million at the end of June 2002 to Rs85,080 million at the end of June 2003, compared to an increase of 8.1 per cent in 2001-02. Weak demand for credit, partly reflecting the domestic economic slowdown, coupled with relatively attractive yields on Treasury Bills, proved to be the main factors behind the slower pace of credit expansion in 2002-2003. In addition, favourable exchange rate movements prompted the conversion of foreign currencies into rupees, thereby substituting the demand for bank credit during the period under review.

Loans and overdraft facilities rose by Rs6,069 million, from Rs60,217 million at the end of June 2002 to Rs66,286 million at the end of June 2003, or 10.1 per cent, lower than the rise of 14.4 per cent noted in 2001-02. They represented 77.9 per cent of total credit to the private sector at the end of June 2003, up from 75.3 per cent at the end of June 2002. Prevailing low interest rates on foreign currencies prompted an increase in foreign currency financing by banks by Rs1,507 million, from Rs5,818 million at the end of June 2002 to Rs7,325 million at the end of June 2003, or 25.9 per cent, up from 0.7 per cent in 2001-02. Consequently, foreign currency lending accounted for 8.6 per cent of total credit to the private sector at the end of June 2003 compared to 7.3 per cent at the end of June 2002. Local bills purchased and discounted fell by Rs45 million, from Rs693 million at the end of June 2002 to Rs648 million at the end of June 2003, or 6.5 per cent, compared to a drop of 15.2 per cent in the preceding fiscal year. As a share of total credit, they accounted for 0.8 per cent at the end of June 2003, down from 0.9 per cent at the end of June 2002. Bills receivable rose by Rs238 million, from Rs1,702 million at the end of June 2002 to Rs1,940 million at the end of June 2003, or 14.0 per cent, as against a drop of 0.1 per cent in 2001-02. They accounted for 2.3 per cent of total credit to the private sector at the end of June 2003, up from 2.1 per cent at the end of June 2002. Banks' investment in shares and debentures fell by Rs2,664 million, from Rs11,545 million at the end of June 2002 to Rs8,881 million at the end of June 2003, or 23.1 per cent, compared to a drop of 11.8 per cent in 2001-02. As a percentage of total credit to the private sector, they stood at 10.4 per cent at

**Table III.8: Sectorwise Distribution of Credit to the Private Sector**

	Jun-01	Jun-02	Jun-03	Change between		Change between	
	(1)	(2)	(3)	(1) and (2)	(1) and (2)	(2) and (3)	(2) and (3)
	(Rs Mn)	(Rs Mn)	(Rs Mn)	(Rs Mn)	(Per cent)	(Rs Mn)	(Per cent)
<b>Agriculture &amp; Fishing</b>	<b>6,280.2</b>	<b>7,532.4</b>	<b>8,304.0</b>	<b>1,252.2</b>	<b>19.9</b>	<b>771.6</b>	<b>10.2</b>
<i>Of which:</i>							
<i>Sugar Industry - Estates</i>	3,627.9	4,603.2	5,273.6	975.3	26.9	670.4	14.6
<i>Sugar Industry - Others</i>	1,075.7	1,029.0	1,042.6	-46.7	-4.3	13.6	1.3
<i>Agricultural Development Certificate Holders</i>	37.8	31.6	21.2	-6.2	-16.4	-10.4	-32.9
<i>Sugarcane Planters</i>	383.9	456.6	650.3	72.7	18.9	193.7	42.4
<i>Other</i>	1,154.9	1,412.0	1,316.4	257.1	22.3	-95.6	-6.8
<b>Manufacturing</b>	<b>12,918.6</b>	<b>13,646.2</b>	<b>13,116.1</b>	<b>727.6</b>	<b>5.6</b>	<b>-530.1</b>	<b>-3.9</b>
<i>Of which:</i>							
<i>Export Enterprise Certificate Holders</i>	7,727.3	7,840.1	6,619.1	112.8	1.5	-1,221.0	-15.6
<i>Export Service Certificate Holders</i>	163.1	181.9	175.4	18.8	11.5	-6.5	-3.6
<i>Pioneer Status Certificate Holders</i>	199.9	180.6	249.4	-19.3	-9.7	68.8	38.1
<i>Small and Medium Enterprise Certificate Holders</i>	134.0	102.1	95.4	-31.9	-23.8	-6.7	-6.6
<i>Strategic Local Enterprise Certificate Holders</i>	17.2	0.0	0.0	-17.2	-100.0	0.0	0.0
<i>Furniture &amp; Wood Products</i>	355.4	413.3	423.1	57.9	16.3	9.8	2.4
<i>Printing &amp; Publishing</i>	441.8	654.6	502.3	212.8	48.2	-152.3	-23.3
<i>Steel Metal Products</i>	303.3	374.8	395.2	71.5	23.6	20.4	5.4
<i>Food &amp; Beverages</i>	1,313.5	1,483.0	1,931.0	169.5	12.9	448.0	30.2
<i>Plastic Products</i>	148.0	154.2	140.6	6.2	4.2	-13.6	-8.8
<i>Pharmaceuticals &amp; Health Care</i>	85.4	47.5	27.4	-37.9	-44.4	-20.1	-42.3
<i>Jewellery &amp; Precision Engineering</i>	60.4	108.1	105.2	47.7	79.0	-2.9	-2.7
<i>Electronics</i>	61.1	82.1	87.2	21.0	34.4	5.1	6.2
<i>Leather Products &amp; Footwear</i>	79.2	77.2	55.1	-2.0	-2.5	-22.1	-28.6
<i>Other</i>	1,829.0	1,946.5	2,309.7	117.5	6.4	363.2	18.7
<b>Tourism</b>	<b>10,179.5</b>	<b>11,846.6</b>	<b>13,951.9</b>	<b>1,667.1</b>	<b>16.4</b>	<b>2,105.3</b>	<b>17.8</b>
<i>Of which:</i>							
<i>Hotels</i>	5,064.6	5,198.2	5,378.2	133.6	2.6	180.0	3.5
<i>Tour Operators &amp; Travel Agents</i>	229.2	225.8	300.7	-3.4	-1.5	74.9	33.2
<i>Hotel Development Certificate Holders</i>	88.0	1,009.2	1,044.6	921.2	1,046.8	35.4	3.5
<i>Hotel Management Service Certificate Holders</i>	4,041.5	4,899.8	6,670.8	858.3	21.2	1,771.0	36.1
<i>Restaurants</i>	131.1	176.1	223.7	45.0	34.3	47.6	27.0
<i>Duty-Free Shops</i>	0.3	1.7	2.0	1.4	466.7	0.3	17.6
<i>Other</i>	624.8	335.7	331.9	-289.1	-46.3	-3.8	-1.1
<b>Transport</b>	<b>1,127.9</b>	<b>1,249.9</b>	<b>1,205.5</b>	<b>122.0</b>	<b>10.8</b>	<b>-44.4</b>	<b>-3.6</b>
<i>Of which:</i>							
<i>Buses, Lorries, Trucks &amp; Cars</i>	480.6	400.3	380.7	-80.3	-16.7	-19.6	-4.9
<i>Shipping &amp; Freight Forwarders</i>	541.1	629.3	629.7	88.2	16.3	0.4	0.1
<i>Other</i>	106.2	220.3	195.1	114.1	107.4	-25.2	-11.4
<b>Construction</b>	<b>10,704.9</b>	<b>11,218.2</b>	<b>11,533.8</b>	<b>513.3</b>	<b>4.8</b>	<b>315.6</b>	<b>2.8</b>
<i>Of which:</i>							
<i>Building &amp; Housing Contractors</i>	1,699.5	1,598.5	1,697.3	-101.0	-5.9	98.8	6.2
<i>Property Development - Commercial</i>	667.6	941.7	1,023.4	274.1	41.1	81.7	8.7
<i>Property Development - Residential</i>	542.2	505.4	430.9	-36.8	-6.8	-74.5	-14.7
<i>Property Development - Land Parcelling</i>	147.1	231.7	187.6	84.6	57.5	-44.1	-19.0
<i>Housing</i>	6,098.5	6,262.4	6,647.9	163.9	2.7	385.5	6.2
<i>Housing - Staff</i>	456.3	525.8	525.2	69.5	15.2	-0.6	-0.1
<i>Housing Development Certificate Holders</i>	41.1	47.1	5.4	6.0	14.6	-41.7	-88.5
<i>Industrial Building Enterprise Certificate Holders</i>	367.7	336.3	329.6	-31.4	-8.5	-6.7	-2.0
<i>Other</i>	684.9	769.4	686.5	84.5	12.3	-82.9	-10.8

Continued on next page.

	Jun-01	Jun-02	Jun-03	Change between		Change between	
	(1)	(2)	(3)	(1) and (2)	(1) and (2)	(2) and (3)	(2) and (3)
	(Rs Mn)	(Rs Mn)	(Rs Mn)	(Rs Mn)	(Per cent)	(Rs Mn)	(Per cent)
<b>Traders</b>	<b>10,706.8</b>	<b>11,364.2</b>	<b>12,313.4</b>	<b>657.4</b>	<b>6.1</b>	<b>949.2</b>	<b>8.4</b>
<i>Of which:</i>							
Wholesalers	2,604.7	3,074.2	2,981.5	469.5	18.0	-92.7	-3.0
Retailers - Supermarkets	371.3	417.0	613.5	45.7	12.3	196.5	47.1
Retailers - Shops & Snacks	270.0	295.6	210.3	25.6	9.5	-85.3	-28.9
Retailers - Pharmaceuticals and Chemists	93.9	114.4	152.9	20.5	21.8	38.5	33.7
Retailers - Others	1,202.7	1,271.1	1,049.9	68.4	5.7	-221.2	-17.4
Automobile Dealers & Garages	892.7	921.9	937.5	29.2	3.3	15.6	1.7
Other	5,271.7	5,270.0	6,367.8	-1.7	0.0	1,097.8	20.8
<b>New Economy</b>	<b>888.0</b>	<b>1,196.4</b>	<b>2,121.6</b>	<b>308.4</b>	<b>34.7</b>	<b>925.2</b>	<b>77.3</b>
<i>Of which:</i>							
Telecommunications	779.8	1,110.5	1,797.8	330.7	42.4	687.3	61.9
Internet	0.2	6.5	8.1	6.3	3,150.0	1.6	24.6
E-Commerce	0.0	2.3	7.6	2.3	-	5.3	230.4
Information Technology - Hardware	9.6	29.5	31.8	19.9	207.3	2.3	7.8
Information Technology - Software	71.3	25.1	250.4	-46.2	-64.8	225.3	897.6
Personal Computers	8.5	12.3	9.7	3.8	44.7	-2.6	-21.1
Other	18.4	10.2	16.2	-8.2	-44.6	6.0	58.8
<b>Financial and Business Services</b>	<b>6,016.3</b>	<b>7,461.1</b>	<b>7,600.1</b>	<b>1,444.8</b>	<b>24.0</b>	<b>139.0</b>	<b>1.9</b>
<i>Of which:</i>							
Stockbrokers & Stockbroking Companies	300.2	330.8	289.8	30.6	10.2	-41.0	-12.4
Insurance Companies	250.2	240.1	336.0	-10.1	-4.0	95.9	39.9
Leasing Companies	1,206.5	1,664.3	1,128.3	457.8	37.9	-536.0	-32.2
Mutual Funds	49.9	50.0	155.3	0.1	0.2	105.3	210.6
Accounting & Consultancy Services	139.5	203.1	199.0	63.6	45.6	-4.1	-2.0
Other	4,070.0	4,972.8	5,491.6	902.8	22.2	518.8	10.4
<b>Infrastructure</b>	<b>1,548.9</b>	<b>1,453.1</b>	<b>1,345.1</b>	<b>-95.8</b>	<b>-6.2</b>	<b>-108.0</b>	<b>-7.4</b>
<i>Of which:</i>							
Airport Development	734.0	601.1	506.3	-132.9	-18.1	-94.8	-15.8
Power Generation	779.3	835.3	779.7	56.0	7.2	-55.6	-6.7
Water Development	0.2	2.4	0.0	2.2	1,100.0	-2.4	-100.0
Road Development	5.4	1.9	37.4	-3.5	-64.8	35.5	1,868.4
Other	30.0	12.3	21.7	-17.7	-59.0	9.4	76.4
<b>Statutory and Parastatal Bodies</b>	<b>3,408.6</b>	<b>2,900.3</b>	<b>1,911.2</b>	<b>-508.3</b>	<b>-14.9</b>	<b>-989.1</b>	<b>-34.1</b>
<b>Freeport Enterprise Certificate Holders</b>	<b>60.9</b>	<b>121.4</b>	<b>124.8</b>	<b>60.5</b>	<b>99.3</b>	<b>3.4</b>	<b>2.8</b>
<b>Health Development Certificate Holders</b>	<b>45.5</b>	<b>38.3</b>	<b>36.3</b>	<b>-7.2</b>	<b>-15.8</b>	<b>-2.0</b>	<b>-5.2</b>
<b>Modernisation &amp; Expansion Enterprise Certificate Holders</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Personal</b>	<b>6,288.9</b>	<b>6,689.6</b>	<b>7,544.4</b>	<b>400.7</b>	<b>6.4</b>	<b>854.8</b>	<b>12.8</b>
<b>Professional</b>	<b>881.9</b>	<b>548.1</b>	<b>698.8</b>	<b>-333.8</b>	<b>-37.9</b>	<b>150.7</b>	<b>27.5</b>
<b>Education</b>	<b>135.3</b>	<b>161.4</b>	<b>149.3</b>	<b>26.1</b>	<b>19.3</b>	<b>-12.1</b>	<b>-7.5</b>
<b>Human Resource Development Certificate Holders</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Media, Entertainment and Recreational Activities</b>	<b>345.1</b>	<b>345.1</b>	<b>327.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-17.9</b>	<b>-5.2</b>
<b>Other Customers</b>	<b>2,478.2</b>	<b>2,203.3</b>	<b>2,796.6</b>	<b>-274.9</b>	<b>-11.1</b>	<b>593.3</b>	<b>26.9</b>
<b>TOTAL</b>	<b>74,015.8</b>	<b>79,975.7</b>	<b>85,080.1</b>	<b>5,959.9</b>	<b>8.1</b>	<b>5,104.4</b>	<b>6.4</b>

the end of June 2003, from 14.4 per cent at the end of June 2002.

Credit allocated to the Tourism sector went up by Rs2,105 million, or 17.8 per cent, from Rs11,847 million at the end of June 2002 to Rs13,952 million at the end of June 2003. The share of this sector in total private sector credit increased from 14.8 per cent at the end of June 2002 to 16.4 per cent at the end of June 2003.

Credit to the Personal sector increased by Rs854 million, or 12.8 per cent, from Rs6,690 million at the end of June 2002 to Rs7,544 million at the end of June 2003. Its share in total private sector credit rose slightly from 8.4 per cent at the end of June 2002 to 8.9 per cent at the end of June 2003. The Professional sector registered an increase of Rs151 million in credit, or 27.6 per cent, to Rs699 million at the end of June 2003.

Credit to Traders expanded by 8.4 per cent, from Rs11,364 million at the end of June 2002 to Rs12,313 million at the end of June 2003. At the end of June 2003, credit to Traders represented 14.5 per cent of total credit to the private sector, up from 14.2 per cent at the end of June 2002.

Credit extended to the New Economy sector expanded by Rs926 million, from Rs1,196 million at the end of June 2002 to Rs2,122 million at the end of June 2003, or 77.4 per cent, compared to an increase of 34.7 per cent between end-June 2001 and end-June 2002. Its share in total credit to the private sector rose from 1.5 per cent at the end of June 2002 to 2.5 per cent at the end of June 2003.

Credit to the sugar industry, including the Mauritius Sugar Syndicate, rose by Rs696 million, or 10.6 per cent, from Rs6,584 million at the end of June 2002 to Rs7,280 million at the end of June 2003. The share of the sugar industry in total private sector credit increased from 8.2 per cent at the end of June 2002 to 8.6 per cent at the end of June 2003.

Credit to the Construction sector increased by 2.8 per cent in 2002-03. This represented an increase of Rs316 million, from Rs11,218 million at the end of June 2002 to Rs11,534 million at the end of June 2003. However, its share in total private sector credit fell slightly from 14.0 per cent at the end of June 2002 to 13.6 per cent at the end of June 2003.

Credit granted to the Financial and Business Services sector registered an increase of Rs139

million, or 1.9 per cent, from Rs7,461 million at the end of June 2002 to Rs7,600 million at the end of June 2003. Its share in total private sector credit, however, fell from 9.3 per cent at the end of June 2002 to 8.9 per cent at the end of June 2003.

Credit granted to Statutory and Parastatal bodies fell by Rs989 million, or 34.1 per cent, from Rs2,900 million at the end of June 2002 to Rs1,911 million at the end of June 2003.

Credit to the Manufacturing sector declined by Rs530 million, or 3.9 per cent, from Rs13,646 million at the end of June 2002 to Rs13,116 million at the end of June 2003. The share of the manufacturing sector in total private sector credit fell from 17.1 per cent at the end of June 2002 to 15.4 per cent at the end of June 2003.

Table III.8 gives a breakdown of the sectorwise distribution of credit to the private sector as at end-June 2001, 2002 and 2003.

### Maintenance of Cash Ratio by Category 1 Banks

The minimum weekly average cash ratio that Category 1 banks were required to maintain in 2002-03 remained unchanged at 5.5 per cent of their total deposit liabilities.

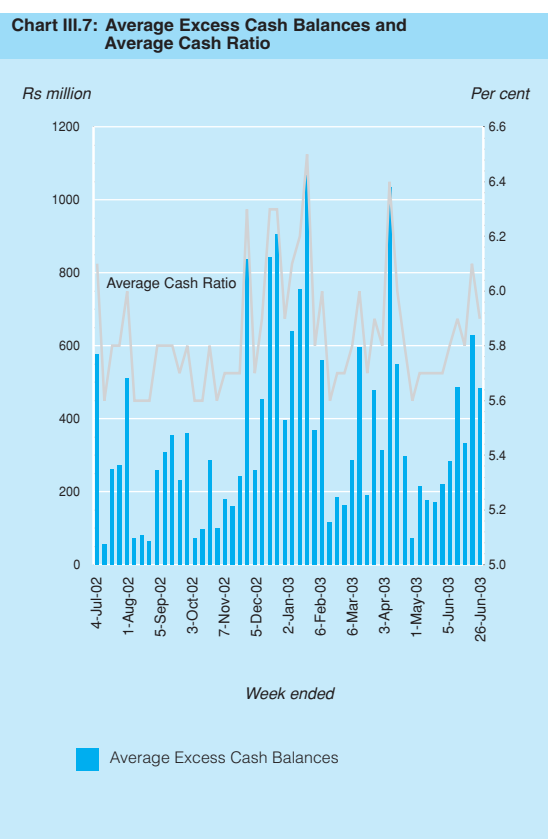
During fiscal year 2002-03, the average cash ratio maintained by Category 1 banks varied from a low of 5.55 per cent in July 2002 to a peak of 6.47 per cent in January 2003 compared to a range of 5.51 per cent to 6.27 per cent in 2001-02. The weekly average cash balances held by banks fluctuated between Rs5,716 million and Rs7,101 million in 2002-03 compared to a range of Rs5,047 million to Rs6,280 million in 2001-02.

Excess cash balances maintained by Category 1 banks varied between Rs56 million and Rs1,067 million in 2002-03 compared to a range of Rs13 million to Rs758 million in 2001-02.

Table III.9 gives details on the average cash ratio maintained by Category 1 banks in 2001-02 and 2002-03, and Chart III.7 shows the average excess cash balances and average cash ratio in 2002-03.

### Interest Rates

The Bank of Mauritius uses the Lombard Rate to signal its monetary policy stance. Changes in the Lombard Rate are reflected in other interest rates.



During 2002-03, the Bank cut the Lombard Rate on four occasions, three times by 25 basis points and once by 50 basis points.

Against a background of a general decline in international interest rates and with a view to giving a boost to the productive sectors of the economy, the Lombard Rate was reduced from 11.50 per cent to 11.25 per cent on 13 November 2002, to 11.00 per cent on 11 December 2002, to 10.50 per cent on 5 February 2003 and to 10.25 per cent on 7 May 2003. Overall, the Lombard Rate was reduced by 125 basis points during 2002-03.

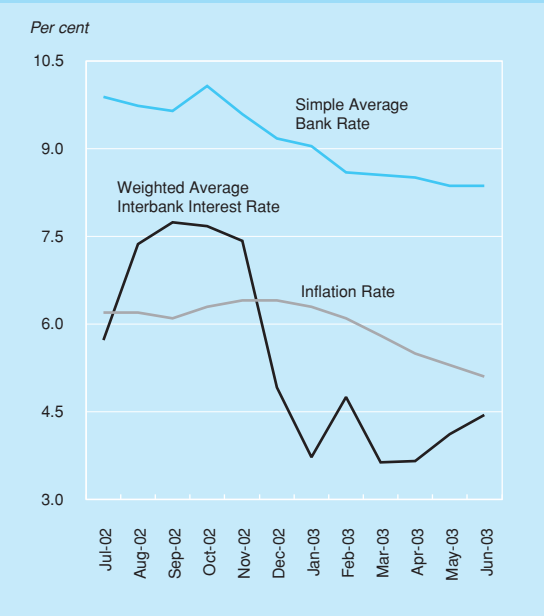
Category 1 banks adjusted their interest rate structure more or less in line with the changes in the Lombard Rate. Thus, after the first cut in the Lombard Rate, the prime lending rate of Category 1 banks fell from a range of 10.00 per cent to 10.50 per cent in October 2002 to a range of 9.75 per cent to 10.25 per cent in November 2002. The prime lending rate declined further to a range of 9.50 per cent to 10.00 per cent in December 2002 after the second cut in the Lombard Rate and, following the third cut, it dropped to a range of 9.00 per cent to 9.50 per cent in February 2003. The fourth cut in the Lombard Rate brought a further reduction in the prime lending rate of Category 1 banks to a range of 8.75 per cent to 9.25 per cent in May 2003. As at end-June 2003, the prime lending rates of Category 1 banks varied between 8.75 per cent and 9.25 per cent.

Interest rates charged by Category 1 banks on loans and advances moved from a range of 9.00

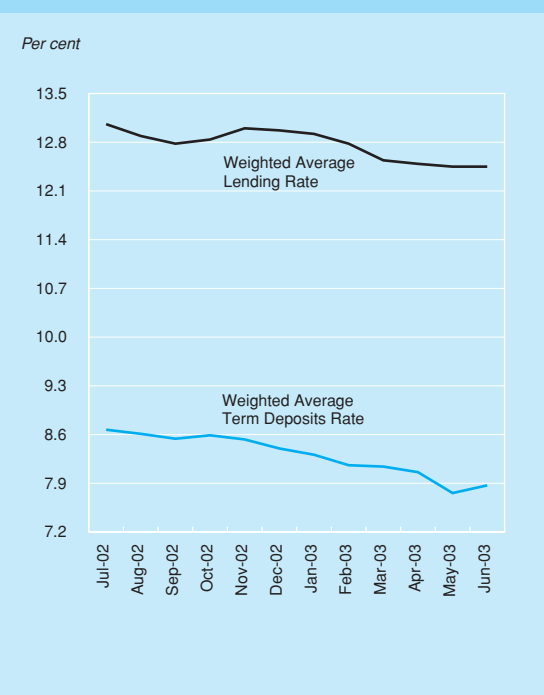
**Table III.9: Average Cash Ratio Maintained by Category 1 Banks**

	Average Cash Balances Held	Average Excess/ (Shortfall) Cash Balances	Average Cash Ratio
	(Rs million)		(Per cent)
<b>2001-02</b>			
Jul-Sep	5,047-5,353	30-314	5.53-5.84
Oct-Dec	5,211-5,827	15-568	5.52-6.09
Jan-Mar	5,235-6,144	34-758	5.54-6.27
Apr-Jun	5,247-6,280	13-689	5.51-6.18
<b>2001-02</b>	<b>5,047-6,280</b>	<b>13-758</b>	<b>5.51-6.27</b>
<b>2002-03</b>			
Jul-Sep	5,716-6,198	56-578	5.55-6.07
Oct-Dec	5,876-6,825	75-907	5.57-6.34
Jan-Mar	6,138-7,101	118-1,067	5.61-6.47
Apr-Jun	6,176-7,090	72-1,035	5.56-6.44
<b>2002-03</b>	<b>5,716-7,101</b>	<b>56-1,067</b>	<b>5.55-6.47</b>

**Chart III.8: Simple Average Bank Rate, Weighted Average Interbank Interest Rate and Inflation Rate**



**Chart III.9: Weighted Average Lending and Term Deposits Rates**



per cent to 21.50 per cent in July 2002 to a range of 8.50 per cent to 22.50 per cent in December 2002 and to a range of 8.00 per cent to 21.25 per cent over the period January to April 2003. In May 2003, they were in the range of 7.75 per cent to 21.25 per cent. They remained within that range in June 2003.

Interest paid by Category 1 banks on savings deposits fell from 6.50 per cent in June 2002 to 6.25 per cent in November 2002 and further to 6.00 per cent in December 2002. It went down to a range of 5.50 per cent to 6.00 per cent in February 2003 and remained within that range until April 2003. In May 2003, it came down to a range of 5.25 per cent and 6.00 per cent. It remained within that range in June 2003.

Interest rates on deposits with a maturity of up to one year moved from a range of 6.50 per cent to 11.50 per cent in June 2002 to a range of 6.25 per cent to 11.25 per cent in November 2002 and further to a range of 6.00 per cent to 10.50 per cent in December 2002. The lower limit was reduced to 5.50 per cent in February 2003 and further to 5.25 per cent in May 2003. Interest rates stayed within the range of 5.25 per cent to 10.50 per cent in June 2003. Thus, interest rates on short-term time deposits fell by 1.00 to 1.25 percentage points during fiscal year 2002-03.

Interest paid on deposits maturing between one and two years moved from a range of 6.50 per cent to 12.00 per cent in June 2002 to a range of 6.88 per cent to 12.00 per cent in September 2002, and further down to a range of 6.25 per cent to 11.75 per cent in November 2002. The lower limit increased to 6.38 per cent in December 2002 while the upper limit fell to 11.50 per cent. A further reduction took place in February 2003 and the range fell to 5.88 per cent to 11.00 per cent. The lower limit was further reduced to 5.50 per cent in March 2003 and interest rates remained within that range in April 2003, before closing within the range of 5.63 per cent to 11.00 per cent in June 2003. Thus, during 2002-03, interest rates on medium-term time deposits fell by 0.87 to 1.00 percentage point.

Interest rates offered by Category 1 banks on deposits with maturities exceeding 24 months moved from a range of 6.75 per cent to 13.50 per cent in June 2002 to a range of 7.00 per cent to 13.50 per cent in July 2002. The lower limit declined to 6.25 per cent in November 2002 before going up to 6.75 per cent in December 2002 while the upper limit remained unchanged at 13.50 per cent. Interest rates then fell to a range of 6.13 per cent to 13.00 per cent in February 2003 with the lower limit going down further to 5.50 per cent in April 2003. At the end of June 2003, the range was 5.25 per cent to 13.00 per cent. Thus, in 2002-03, interest rates

on deposits with maturities exceeding 24 months fell by 0.5 to 1.5 percentage points.

The weighted average lending rate of Category 1 banks increased from 12.86 per cent in June 2002 to 13.00 per cent in November 2002 before gradually declining to close the fiscal year at 12.45 per cent. The weighted average term deposits rate increased from 8.65 per cent in June 2002 to 8.67 per cent in July 2002, before falling to 7.87 per cent in June 2003. The spread between the weighted average lending rate and the weighted average term deposits rate varied between 4.24 and 4.69 percentage points in 2002-03 compared to a range of 4.06 to 4.38 percentage points in 2001-02.

The real rate of interest on savings deposits with Category 1 banks rose from 0.2 percentage point in June 2002 to a peak of 0.4 percentage point in September 2002, before falling to a trough of -0.6 percentage point in February 2003. Thereafter, it rose to reach 0.1 percentage point in June 2003.

The weighted average yield on Treasury Bills accepted at primary auctions fell from 10.54 per

cent in June 2002 to 9.06 per cent in June 2003. The average Bank Rate, which is the weighted average yield on Treasury Bills of maturities of 91, 182 and 364 days accepted at primary auctions, went up from 9.92 per cent in June 2002 to a peak of 10.07 per cent in October 2002 before reaching a trough of 8.37 per cent in June 2003. The weighted average interbank interest rate increased from 6.50 per cent in June 2002 to 7.74 per cent in September 2002 before falling to 3.64 per cent in March 2003. Thereafter, it went up again to close fiscal year 2002-03 at 4.45 per cent.

Table III.10 and Charts III.8 and III.9 give details on the interest rate structure in the banking sector.

## Capital Market Developments

### The Stock Exchange of Mauritius Ltd

When The Stock Exchange of Mauritius Ltd (SEM) started operations in July 1989, only five companies were listed on the Official Market with a market capitalisation of Rs1.1 billion. As at 30 June

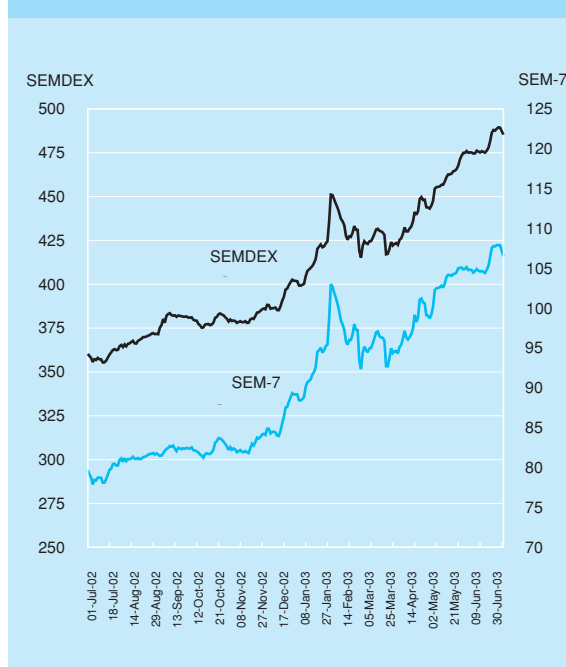
**Table III.10: Other Interest Rates**

<i>(Per cent per annum)</i>										
	Weighted Average Yield on Bills Accepted at Primary Auctions	Weighted Yield to Buyers on Bills Sold by SMC <sup>1</sup>	Simple Average Bank Rate	Weighted Average Interbank Interest Rate	Interest Rate on Bank of Mauritius Advances to Banks <sup>2</sup>	Interest Rate on Savings Deposits with Category 1 Banks	Interest Rate on Term Deposits with Category 1 Banks	Interest Rate on Loans and Advances by Category 1 Banks	Weighted Average Term Deposits Rate of Category 1 Banks	Weighted Average Lending Rate of Category 1 Banks
<b>2002</b>										
Jul	10.40	10.21	9.89	5.73	11.50	6.50	6.50-13.50	9.00-21.50	8.67	13.06
Aug	10.34	10.20	9.73	7.37	-	6.50	6.50-13.50	9.00-21.50	8.61	12.89
Sep	10.33	10.42	9.65	7.74	-	6.50	6.50-13.50	9.00-21.50	8.54	12.78
Oct	10.20	-	10.07	7.67	-	6.50	6.50-13.50	9.00-21.50	8.59	12.84
Nov	9.97	-	9.59	7.42	-	6.25	6.25-13.50	9.00-21.50	8.53	13.00
Dec	9.85	-	9.17	4.92	-	6.00	6.00-13.50	8.50-22.50	8.40	12.97
<b>2003</b>										
Jan	9.82	-	9.04	3.72	-	6.00	6.00-13.50	8.00-21.25	8.31	12.92
Feb	9.20	-	8.59	4.75	-	5.50-6.00	5.50-13.00	8.00-21.25	8.16	12.78
Mar	9.20	-	8.55	3.64	-	5.50-6.00	5.50-13.00	8.00-21.25	8.14	12.54
Apr	9.53	-	8.51	3.66	10.50	5.50-6.00	5.50-13.00	8.00-21.25	8.06	12.49
May	9.22	-	8.37	4.12	-	5.25-6.00	5.25-13.00	7.75-21.25	7.76	12.45
Jun	9.06	8.47	8.37	4.45	10.25	5.25-6.00	5.25-13.00	7.75-21.25	7.87	12.45

<sup>1</sup> SMC: Secondary Market Cell of the Bank of Mauritius.

<sup>2</sup> Relates to borrowings by Category 1 Banks under the Lombard Facility.

Chart III.10: Movements in the SEMDEX and SEM-7



2003, there were 41 listed companies with a market capitalisation of Rs45.4 billion.

On 3 October 2002, the SEM Total Return Index (SEMTRI) was launched at 743.44 in rupee terms and 391.34 in US dollar terms, based on a value of 100 on 5 July 1989. The new index was worked back to provide the market's evolution over time. The SEMTRI includes price earning ratios and dividend earnings, besides measuring daily price changes on listed stocks.

News on the financial irregularities involving The Mauritius Commercial Bank Ltd (MCB), following the MCB/NPF fraud, brought about a temporary suspension of dealings in the shares of MCB from 17 to 21 February 2003. MCB was requested to submit information on these irregularities and on their impact on the financial situation and standing of the Bank with a view to enabling shareholders of the MCB and investors to trade on an informed basis. Following information submitted publicly by the Board of Directors of MCB, dealing in the shares of MCB resumed on 24 February 2003.

During 2002-03, the Listing Committee of The Stock Exchange of Mauritius Ltd approved the listing of the 819,520,000 ordinary shares of Caudan Development Limited on the local Stock Exchange. Caudan Development Limited, which

was previously quoted on the Over-the-Counter (OTC) Market, was moved to the Official List. The trading of these shares on the Official Market started on 29 July 2002. At the first trading session of Caudan Development Limited, 2,000,000 fully paid shares were made available to the public at an indicative price of Rs0.80 per share.

There were 250 trading sessions on the Official Market in 2002-03, with the aggregate value of transactions amounting to Rs2.0 billion for a volume of 128 million shares and debentures transacted.

The SEM-7, which was introduced on 30 March 1998, is an index that measures movements in the seven largest eligible shares on the Official List in terms of capitalisation, liquidity and investibility. The composition of the SEM-7 changed four times during 2002-03, with the last change being effected on 1 April 2003. As at 30 June 2003, the composition of the SEM-7 was as follows: The Mauritius Commercial Bank Ltd, New Mauritius Hotels Ltd, State Bank of Mauritius Ltd, Sun Resorts Ltd, Mon Tresor Mon Desert Ltd, Rogers and Company Ltd and Air Mauritius Ltd. Mauritius Union Assurance Co Ltd, Shell (Mauritius) Ltd and Ireland Blyth Ltd formed part of the Reserve List for this index.

The SEMDEX, the stock market index, increased from 358.65 at the end of June 2002 to 486.56 at the end of June 2003. The SEM-7 increased from 79.17 on 28 June 2002 to 106.93 on 30 June 2003. The SEMDEX and the SEM-7 both reached all-year highs of 489.45 and 107.91, respectively, on 24 June 2003. The SEMDEX and the SEM-7 hit all-year lows of 355.41 and 77.89 on 12 July 2002 and 4 July 2002, respectively. The turnover recorded on the Over-the-Counter (OTC) Market was Rs299.5 million, with a volume of 17.5 million shares transacted during the 99 sessions held in 2002-03.

The second phase of the project for the setting up of a Regional Stock Exchange in Central Africa is under way. The Stock Exchange of Mauritius Ltd has submitted the rules and Regulations of the Exchange and of the Central Depository to the relevant authorities. During the last quarter of 2002, a review of the harmonisation of the fiscal regime was carried out. A representative of The Stock Exchange of Mauritius Ltd was in Libreville, Gabon, where the Regional Stock Exchange would be located, to provide

assistance and advice in the design of the building. The Request for Proposal in relation to the implementation of an Automated Trading System and a Central Depository System for the Regional Stock Exchange has already been drafted.

Net disinvestment by foreign investors on The Stock Exchange of Mauritius Ltd decreased from Rs125.9 million in 2001-02 to Rs41.3 million in 2002-03. During 2002-03, foreigners purchased shares for a total amount of Rs322.9 million, but sold shares for Rs364.2 million. The monthly value of foreign purchases and sales of shares traded on the Official Market reached peaks of Rs81.7 million in June 2003 and Rs63.2 million in July 2002, respectively.

Chart III.10 shows the movements in the SEMDEX and SEM-7 during 2002-03.

## Non-Bank Financial Intermediaries

### Non-Bank Deposit-Taking Institutions

The number of non-bank financial institutions authorised to transact deposit-taking business in Mauritius went up from twelve at the end of June 2002 to fourteen at the end of June 2003, following the issue of licences by the Bank of Mauritius to Mauritian Eagle Leasing Company Limited and La Prudence Leasing Finance Co. Ltd. Of these fourteen institutions, twelve were leasing companies at the end of June 2003 compared to nine at the end of June 2002.

Total assets of the non-bank deposit-taking institutions went up by Rs4,934 million, or 31.1 per cent, from Rs15,853 million at the end of June 2002 to Rs20,787 million at the end of June 2003. Their investment in Government securities rose significantly by Rs1,433 million, or 79.6 per cent, from Rs1,800 million at the end of June 2002 to Rs3,233 million at the end of June 2003. Their claims on the private sector increased by Rs2,128 million, or 17.6 per cent, from Rs12,102 million at the end of June 2002 to Rs14,230 million at the end of June 2003.

Capital and reserves of non-bank deposit-taking institutions went up by Rs553 million, or 19.4 per cent, from Rs2,850 million at the end of June 2002 to Rs3,403 million at the end of June 2003. At the end of June 2003, their issue of securities by way of shares and debentures

amounted to Rs2,417 million, down from Rs3,288 million at the end of June 2002. Total deposits mobilised by these institutions rose significantly by Rs5,283 million, or 104.8 per cent, from Rs5,043 million at the end of June 2002 to Rs10,326 million at the end of June 2003.

### Mauritius Post Office Savings Bank (POSB)

The POSB mobilises savings primarily from small depositors in the country. It invests in Government securities and extends loans to other non-bank deposit-taking institutions. Total assets of the POSB rose by Rs821 million, or 79.8 per cent, from Rs1,029 million at the end of June 2002 to Rs1,851 million at the end of June 2003.

Savings and time deposits mobilised by the POSB increased by Rs1,017 million, or 128.1 per cent, from Rs794 million at the end of June 2002 to Rs1,811 million at the end of June 2003. Its investment in Government securities went up by Rs890 million, or 220.8 per cent, from Rs403 million at the end of June 2002 to Rs1,293 million at the end of June 2003. Loans granted to non-bank deposit-taking institutions by the POSB dropped by Rs92 million, or 15.1 per cent, from Rs609 million at the end of June 2002 to Rs517 million at the end of June 2003.

### Development Bank of Mauritius Ltd (DBM)

The Development Bank of Mauritius Ltd (DBM) provides medium and long-term financing facilities to various sectors of the economy such as agriculture, fishing, construction, tourism, textiles and "other manufacturing", information and communication technology, biotechnology, and transport. The DBM also provides a wide range of specially designed schemes to small and medium enterprises (SMEs).

The DBM has created two new subsidiaries during fiscal year 2001-02, namely, DBM Financial Services Limited and DBM Venture Capital Fund Limited. The latter provides seed capital to entrepreneurs in the Information and Communication Technology (ICT) sector. The DBM has subscribed 17.5 per cent and 51.6 per cent of the share capital of the Mauritius Post and Cooperative Bank Ltd and First City Bank Ltd, respectively.

Total assets of the DBM increased by Rs217 million, or 3.5 per cent, from Rs6,176 million at the end of June 2002 to Rs6,393 million at the end of June 2003. Equity holdings of the DBM remained

almost unchanged at Rs326 million at the end of June 2003. Its investment in securities stood at Rs45.2 million as at end-June 2003. Total loans disbursed by the DBM during fiscal year 2002-03 dropped by Rs166 million, or 21.6 per cent, from Rs769 million at the end of June 2002 to Rs603 million at the end of June 2003.

### **National Pensions Fund (NPF)**

The National Pensions Fund (NPF) manages contributions made to the National Pensions Scheme by employees and employers in both the public and private sectors.

The total investment portfolio of the NPF went up by Rs3.6 billion, or 16.1 per cent, from Rs22.4 billion at the end of June 2002 to Rs26.0 billion at the end of June 2003. Its investment in Government securities rose by Rs3.6 billion, or 25.2 per cent, from Rs14.3 billion at the end of June 2002 to Rs17.9 billion at the end of June 2003. Total loans disbursed by the NPF remained more or less unchanged at Rs2.9 billion between June 2002 and June 2003.