ANNUAL REPORT

Year ended 30 June 2004

Contents

BANK OF MAURITIUS

The Governor

Bank of Mauritius
Port Louis

3 November 2004

The Honourable Pravind Kumar Jugnauth,
Deputy Prime Minister, Minister of Finance
and Economic Development,
Government House,
Port Louis.

Dear Deputy Prime Minister, Minister of Finance and Economic Development

Annual Report and Audited Accounts 2003-04

In accordance with the provision of Section 45 (1) of the Bank of Mauritius Act, I transmit herewith the thirty-seventh Annual Report and audited Accounts of the Bank for the year ended 30 June 2004.

Yours sincerely

(sd) Rameswurlall Basant Roi, G.C.S.K.

Statement from the Governor

Following a year of uncertainty and tentative recovery, the global economy is now poised for stronger growth in the year ahead. The United States economy has picked up, benefiting from low interest rates and tax cuts. In the euro zone, though growth remained sluggish, signs of economic recovery were also visible. Britain, with its resilient labour market, and Japan, with its healthy external trade, also recorded robust growth rates. Against this background of a stronger global economic recovery, most industrial economies are gradually moving towards the removal of the accommodative stance that has characterized monetary policy since late 2001-early 2002. The Bank of England and the US Federal Reserve Bank have already increased their respective key interest rates in order to guard their economies from possible risks to inflation. A key development in the last few years has been the extraordinary pace of growth in the Asian economies, and in particular, China. Emerging Asia's share in world GDP has increased from 9 per cent in 1970 to 25 per cent in 2003, compared with 21 per cent for the US economy. China's increasing integration with the world economy, with its dual role as a production hub and emerging consumer of final goods, has significantly increased world prices of some commodities, including industrial metals. In 2003, China's imports from Asian region rose by 43 per cent, the European Union by 31 per cent, the United States by 24 per cent, Latin America by 81 per cent and Africa by 54 per cent. China is now the third largest importer in the world. In a more liberalized trading environment, Mauritius stands to face increasing competition from cheap Chinese products. However, Mauritius might also reap some benefits if opportunities from a growing pool of potential Asian clients are well tapped by the tourist industry. Some lingering downside risks to the global economic outlook, namely, geopolitical uncertainties, including terrorist attacks and surging oil prices, however, remain.

The Mauritian economy registered a commendable performance during fiscal year 2003-04. Economic performance was underpinned by a real GDP growth of 4.5 per cent, a fall in the consumer price inflation from 5.1 per cent in 2002-03 to 3.9 per cent in 2003-04, a reduction in the budget deficit as a proportion of GDP from 6.2 per cent in 2002-03 to 5.6 per cent in 2003-04, a continued surplus on the current account of the balance of payments and a significant rise in the level of net international reserves. The rise in the unemployment rate, reflecting the closure of a number of enterprises in the EPZ sector on account of increased competition from low-cost countries as well as rigidities and the skills mismatch in the labour market, remains a major economic challenge that needs to be addressed. Real GDP growth is estimated at 4.7 per cent in 2004.

The inflation rate of 3.9 per cent in 2003-04 was lower than the targeted rate of 5.0 per cent for the fiscal year. The prudent conduct of monetary policy, favourable weather conditions, subdued rates of inflation in our major trading partners and the weakness of the US dollar during the period under review have contributed to the containment of inflation. For the year 2004-05, the Bank Mauritius is targeting an inflation rate of 4.0 per cent.

Since the beginning of 2004, surging oil prices on the international market, have been a source of concern. With effect from 2 April 2004, the authorities have implemented an Automatic Price Mechanism (APM) under which prices of petroleum products on the domestic market are adjusted on a quarterly basis, in the range of 2.5 per cent to 15.0 per cent for diesel and motor gasoline (mogas), to reflect price fluctuations on the world oil market as well as exchange rate fluctuations vis-à-vis the Mauritian rupee of the dollar-denominated world prices of oil.

The Government has decided, with a view to containing the rise in public debt, to separate debt management from monetary management. Since 22 August 2003, Treasury Bills and other

Government securities have been auctioned solely to meet the borrowing requirements of the Government whereas Bank of Mauritius Bills have been auctioned for monetary policy purposes. At the same time, the Government decided to run down its cash balances held at the central bank.

Against the background of a declining domestic inflation rate, subdued growth of private sector credit and a general fall in international interest rates and with a view to also giving a boost to the productive sectors of the economy, the Lombard Rate was reduced on three occasions, by 25 basis points each time, during fiscal year 2003-04: from 10.25 per cent to 10.00 per cent on 12 September 2003; to 9.75 per cent on 27 November 2003; and to 9.50 per cent on 29 January 2004. Category 1 banks adjusted their deposits and lending rates in line with the changes in the Lombard Rate. Since the beginning of April 2004, although there had not been any reduction in the Lombard Rate, most Category 1 banks reduced their deposits and lending rates by 50 basis points as a result of excess liquidity prevailing in the banking system.

In relation to the state of excess liquidity that has prevailed on the money market, it must be underlined that the absorption of excess liquidity always involves a cost that ultimately needs to be borne by the Government or the central bank. The separation of debt management from monetary management and the consequent issuance of central bank bills for monetary policy purposes during the period under review has, however, had some adverse impact on the Bank's financial position. Having regard to its financial position and as a short-term measure for managing the excess liquidity, the Bank of Mauritius has regularly conducted reverse repurchase transactions and foreign currency swaps. With the recent amendment brought to the Loans Act and the projected issue of new debt instruments, namely the 3-year and 4-year Treasury Notes, the situation regarding excess liquidity in the money market is expected to improve.

The issue of Bank of Mauritius Bills for monetary policy purposes and the low level of interest rates that has prevailed on the international financial markets have impacted adversely on the financial position of the Bank during the year ended June 2004. However, with the turning of the interest rate cycle abroad and the need for Government to maintain only operational cash balances at the central bank, it is expected that the profitability of the Bank will improve during the forthcoming financial year.

As part of our efforts to continue to develop the secondary market for Bills and other Government securities and to provide wider access to potential investors, the Bank of Mauritius introduced, as from 15 December 2003, the trading of Treasury/Bank of Mauritius Bills on The Stock Exchange of Mauritius Ltd. In the initial stage, trading of Bills on the Stock Exchange has been restricted to Mauritian citizens dealing a maximum amount of Rs2 million per order. For the period 15 December 2003 to 30 June 2004, bills totalling Rs246 million have been traded on The Stock Exchange of Mauritius Ltd. With a view to achieving a level playing field among Category 1 banks in respect of lending and borrowing on the interbank money market, the Bank of Mauritius has also promoted, in collaboration with the Primary Dealers Working Group, the Financial Markets Committee and the Mauritius Bankers Association, a Master Repurchase Agreement for the conduct of repurchase transactions among banks using Treasury/Bank of Mauritius Bills as collateral. This Agreement becomes effective as soon as it is signed by any two Category 1 banks wishing to conduct repurchase transactions with each other.

Within the Equity Fund, a Sub-Fund amounting to Rs 200 million has been set up for the purpose of extending concessionary financing to Textile and Apparel Enterprises undergoing restructuring.

The banking sector experienced sustained growth and the regulatory environment was strengthened during 2003-04. Following the approval of the merger between New Co-operative Bank Ltd and Mauritius Post Office Savings Bank by the Bank of Mauritius in May 2003 to form the Mauritius Post and Cooperative Bank Ltd, the latter became operational on 1 August 2003. A Category 1 Banking Licence was granted to Banque des Mascareignes Ltee on 8 January 2004 and the bank started operating on 14 June 2004. Banks continued to deepen their information technology infrastructure to cater for the needs of their customers. During the year under review, Guidance Notes on Fit and Proper Person Criteria and Guideline on Credit Risk Management were issued to banks and non-bank deposit-taking institutions.

A new Banking Bill and Bank of Mauritius Bill will shortly be presented in the National Assembly. Under the new Banking Bill, there will no longer be any distinction between Category 1 and Category 2 banks. The new Banking Bill will provide for a unique banking licence for all banking institutions. However, this will also entail segmental reporting of banks' financial activities. Furthermore, the Banking Bill provides for the setting up of a Banking Ombudsperson within the Bank of Mauritius to cater for the protection of customers in the banking institutions. The new Bank of Mauritius Bill will strengthen the central bank's institutional framework, including giving it greater independence, mandating that price stability be part of its primary objective while increasing the Bank's transparency and accountability.

The presence of branches of foreign banks in the domestic banking system and the expansion of local banks in the region necessitate the development of effective cross-border prudential supervision. The close cooperation between home and host-country authorities with continuous sharing of information assumes significant importance. In this respect, the Bank of Mauritius has signed two Memoranda of Understanding, namely with State Bank of Pakistan and Central Bank of Mozambique.

After five years of extensive consultation following the publication of the first proposals for revising the 1988 Accord, the Basel Committee on Banking Supervision (BCBS) has finally issued the revised framework on "*Internal Convergence of Capital Measurement and Capital Standards*" (Basel II) in June 2004. The BCBS expects its members to adopt the new framework by the end of 2006. Under the Basel II, BCBS provides a range of options for measuring capital requirements for credit and operational risks, based on a continuum of increasing complexity and risk sensitivity, of a bank's operations. National regulators and banks will have the flexibility of choosing the approach which is most appropriate given their operations and financial market infrastructure.

In this connexion, a Unit has been set up at the Bank of Mauritius to assess the potential impact of the new framework in the domestic banking system. The Unit seeks to promote the adoption of more risk-sensitive capital measurement systems and stronger risk management practices by the banking industry. In line with the requirements of the New Accord, the Bank will shortly be releasing Guidelines on Operational Risk and Market Risk to the industry for consultation. These Guidelines will set the stage for the minimum standards expected from banks for computing capital requirements for operational and market risk while at the same time allowing banks to use more advanced approaches subject to meeting certain minimum criteria.

Given the intricacies of the New Accord, the Bank of Mauritius has taken the initiative to provide an e-learning training program (FSI Connect) dispensed by the Financial Stability Institute (FSI) to its Supervision Department. FSI Connect is specifically designed for banking supervisors around the world and provides a comprehensive set of online tutorials on banking supervision and financial instruments ranging from banking supervision fundamentals to specialised topics.

Liquidity conditions in the domestic foreign exchange market remained comfortable throughout most of the period under review. Reflecting this situation, the Bank of Mauritius purchased a total amount of US$66.6 million through intervention on the inter-bank foreign exchange market during 2003-04 while sales of US dollar through intervention by the central bank were confined to the month of May 2004 for an amount of US$8.5 million. Continued vigilance is nevertheless necessary to ensure that our international competitiveness is not eroded. The exchange rate policy will continue to reflect the macroeconomic fundamentals of the country.

The on-going process of fiscal adjustment, which has been set in a medium-term framework, and corrective measures to address fiscal imbalances and restore fiscal discipline are important for promoting monetary conditions conducive to the maintenance of price stability.

In relation to the irregularities that were uncovered at The Mauritius Commercial Bank Ltd on the 14 February 2003, nTan Corporate Advisory Pte Ltd. submitted to the Bank of Mauritius a report containing its findings and wide-ranging recommendations. The Bank of Mauritius has noted the progress made by The Mauritius Commercial Bank Ltd in raising its corporate governance structure to levels of best practice. In the wake of the discovery of the irregularities, The Mauritius Commercial Bank Ltd has overhauled its organizational structure and reorganized all its risk-prone areas of operation with external assistance.

A greater degree of transparency has also characterized the Financial Statements of the Bank published in its Annual Reports in recent years. Reflecting a commitment to promoting good governance and in order to enhance transparency in economic management, the Mauritian authorities have published the assessment of the Mauritian economy by the Executive Board of the International Monetary Fund in the context of the Article IV consultation discussions that were conducted in March 2004.

As part of its on-going dialogue with domestic financial markets, the Financial Markets Committee, comprising the Heads of Treasury from all Category 1 banks, has met regularly under the Chairmanship of the Bank of Mauritius. The Financial Markets Committee acts as a forum for discussions on developments in the domestic markets and also on existing and future market practices and instruments.

It will be recalled that a Banking Committee comprising the chief executives of the eleven domestic banks under my Chairmanship was established in February 2001. This Committee acts as a consultative forum on broad monetary and financial sector issues with the overall objective of enhancing the efficient functioning of the banking system. To date, the Committee has met on sixteen occasions.

The setting up of the Mauritius Credit Information Bureau as a repository of credit information from which credit providers could draw to accurately assess the actual exposure of borrowers and therefore their total risk profiles is well under way. Appropriate action is being taken to amend the legal and regulatory framework to provide for the establishment of the Credit Bureau.

At the regional level, during the period under review, the Bank has participated in the meetings of the Committee of Central Bank Governors in Common Market for Eastern and Southern Africa (COMESA) and the Committee of Central Bank Governors (CCBG) in Southern African Development Community (SADC).

Finally, I would like to gratefully acknowledge the commitment, encouragement and support of the Board of Directors and staff of the Bank, without which the objectives of the Bank would not have been attained.

Rameswurlall Basant Roi, G.C.S.K.

1 Review of the Economy: 2003-04

The Mauritian economy registered a commendable performance during fiscal year 2003-04[1]. Economic performance was underpinned by a real GDP growth of 4.5 per cent, a fall in the consumer price inflation from 5.1 per cent in 2002-03 to 3.9 per cent in 2003-04, a reduction in the budget deficit as a proportion of GDP from 6.2 per cent in 2002-03 to 5.6 per cent in 2003-04, a continued surplus on the current account of the balance of payments and a significant rise in the level of net international reserves. On the external front, the current account of the balance of payments recorded a surplus for the fourth year running, with the surpluses on the services and current transfers accounts more than offsetting the deficits on the merchandise and income accounts. Reflecting the draw-down of its cash balances at the Bank of Mauritius, net credit to Government from the central bank expanded significantly. Broad money supply (M2) grew by 14.4 per cent during the period under review as a result of increases in both net foreign assets of the banking system and domestic credit.

Gross Domestic Product (GDP) at basic prices increased by 10.2 per cent, from Rs125,102 million in 2002 to Rs137,890 million in 2003. In real terms, this represented a growth of 4.6 per cent in 2003 compared to 1.8 per cent in 2002. This higher growth performance was mostly due to the higher level of output in the sugar sector, a smaller contraction of the EPZ sector and higher growth in banking activities in 2003. Real GDP growth is forecast at 4.7 per cent in 2004.

The agricultural sector grew by 2.4 per cent in 2003, led mainly by an increase of 3.1 per cent in sugar output to 537,155 tonnes. The manufacturing sector registered an expansion of 1.0 per cent in 2003. The EPZ sector contracted by 4.0 per cent in 2003 and its exports totalled Rs31.4 billion compared to Rs32.7 billion in 2002. The EPZ sector is expected to register a negative growth of 1.0 per cent in 2004 on account of the closure of some factories and downsizing by others due to restructuring while its exports are estimated at around Rs32.1 billion. The tourism sector registered a growth of 3.0 per cent, with tourist arrivals increasing from 681,648 in 2002 to 702,018 in 2003. Gross tourism earnings recorded a higher growth of 5.9 per cent, from Rs18,328 million in 2002 to Rs19,415 million in 2003, compared to a marginal increase of 0.9 per cent in 2002. The construction sector expanded by 11.0 per cent in 2003, reflecting higher investment in building and construction works. The "Financial Intermediation" sector grew at a higher rate of 7.2 per cent in 2003 compared to 2.0 per cent in 2002, due to higher growth in banking activities, more specifically in the offshore banking sector.

Aggregate consumption expenditure increased, in nominal terms, by 9.6 per cent in 2003 compared to 9.9 per cent in 2002. In real terms, it grew by 3.9 per cent in 2003 compared to 3.5 per cent in 2002. Gross National Saving (GNS) increased, in nominal terms, by 7.5 per cent in 2003. The savings rate, defined as the ratio of GNS to GDP at market prices, fell from 27.3 per cent in 2002 to 26.5 per cent in 2003, but is expected to increase to 26.7 per cent in 2004.

Gross Domestic Fixed Capital Formation (GDFCF), exclusive of the purchase and disposal of aircraft, increased by 11.8 per cent in nominal terms in 2003. In real terms, this represented an expansion of 8.2 per cent in 2003 compared to 6.1 per cent in 2002. The ratio of GDFCF to GDP at market prices increased from 22.1 per cent in 2002 to 22.7 per cent in 2003, but is expected to decline to 22.2 per cent in 2004.

[1] *The fiscal year extends from 1 July to 30 June.*

The population of the Republic of Mauritius was estimated at 1,228,965 as at end-December 2003. The latest estimates show that the total labour force, inclusive of foreign workers, expanded by 1.6 per cent to 549,500 in 2003 compared to an increase of 0.4 per cent in 2002. The total number of persons in employment, inclusive of foreign workers, went up by 1.0 per cent, from 490,100 in 2002 to 495,100 in 2003, in contrast to a contraction of 0.1 per cent in 2002. The number of foreign workers rose by 7.1 per cent, from 17,000 in 2002 to 18,200 in 2003. The unemployment rate edged up by 0.5 percentage point to 10.2 per cent in 2003 compared to a 0.6 percentage point increase in 2002. The laying off of workers in some EPZ firms that have been facing difficulties has impacted negatively on the labour market situation.

The rate of consumer price inflation declined from 5.1 per cent in 2002-03 to 3.9 per cent in 2003-04, lower than the target of 5.0 per cent set by the Bank of Mauritius at the beginning of the fiscal year. The prudent conduct of monetary policy, favourable weather conditions, subdued rates of inflation in our major trading partners and the weakness of the US dollar during the period under review have contributed to the containment of inflationary pressures in the economy.

Surging oil prices on the international market, particularly since the beginning of 2004, became increasingly a source of concern. With effect from 2 April 2004, the authorities have implemented an Automatic Price Mechanism (APM) under which the prices of petroleum products on the domestic market are adjusted on a quarterly basis, in the range of 2.5 per cent to 15.0 per cent for diesel and motor gasoline (mogas), to reflect price fluctuations on the world oil market as well as exchange rate fluctuations vis-à-vis the Mauritian rupee of the dollar-denominated world prices of oil.

With a view to stemming the rise in public debt, the Government has decided to separate debt management from monetary management. Since 22 August 2003, Treasury Bills and other Government securities have been auctioned solely to meet the borrowing requirements of the Government whereas Bank of Mauritius Bills have been auctioned for monetary policy purposes. At the same time, the Government decided to run down its cash balances held at the central bank.

Against the background of a declining domestic inflation rate, subdued growth of private sector credit and a general fall in international interest rates and with a view to also giving a boost to the productive sectors of the economy, the Lombard Rate was reduced on three occasions, by 25 basis points each time, during fiscal year 2003-04: from 10.25 per cent to 10.00 per cent on 12 September 2003; to 9.75 per cent on 27 November 2003; and to 9.50 per cent on 29 January 2004. Category 1 banks adjusted their deposits and lending rates in line with the changes in the Lombard Rate. The prime lending rate of Category 1 banks fell from 8.75 per cent to 7.50 per cent. Their interest rate on savings deposits dropped from 5.25 per cent to 4.50 per cent. Their weighted average term deposits rate fell from 7.87 per cent to 7.02 per cent in March 2004 whereas their weighted average lending rate dropped from 12.45 per cent to 11.53 per cent in March 2004. Since the beginning of April 2004, although there had not been any reduction in the Lombard Rate, most Category 1 banks reduced their deposits and lending rates by 50 basis points. This was largely explained by the situation of excess liquidity prevailing in the banking system since January 2004 and the significant drop in yields at primary auctions of Treasury/Bank of Mauritius Bills. As at end-June 2004, the weighted average term deposits rate and weighted average lending rate stood at 6.86 per cent and 11.07 per cent, respectively.

In relation to the state of excess liquidity that has prevailed on the money market, it must be pointed out that the absorption of excess liquidity always involves a cost that ultimately needs to be borne by the Government or the central bank. The separation of debt management from monetary management and the consequent issuance of central bank bills for monetary policy purposes during the period under review has, however, had some adverse impact on the Bank's financial position. With regard to its financial position and as a short-term measure for managing the excess liquidity, the Bank of Mauritius regularly conducted reverse repurchase transactions and foreign currency swaps. With the recent amendment brought to the Loans Act and the projected issue of new debt instruments, namely, the 3-year and 4-year Treasury Notes, the situation regarding excess liquidity in the money market is expected to improve.

Aggregate monetary resources, that is money supply M2, expanded by 14.4 per cent in 2003-04, higher than the increase of 11.7 per cent in 2002-03. Net foreign assets of the banking system went up by 3.3 per cent, from Rs47,568 million at the end of June 2003 to Rs49,120 million at the end of June 2004, with the Bank of Mauritius driving the increase. Domestic credit increased by 20.5 per cent in 2003-04, well above the rise of 7.6 per cent in the preceding year, reflecting the large increase in net credit to Government by the banking system. Credit to the private sector expanded by 9.4 per cent in 2003-04, higher than the increase of 6.4 per cent in 2002-03, against the backdrop of monetary easing by the Bank of Mauritius. Net credit to Government by the banking system grew by 64.6 per cent in 2003-04 compared to a rise of 13.2 per cent in 2002-03.

The budget deficit for 2003-04 was Rs9,157 million, equivalent to 5.6 per cent of GDP at market prices compared to 6.2 per cent in the preceding year. The budget deficit in 2003-04 was financed solely from domestic sources, namely, by drawing down deposits held by the Government at the central bank and resorting to borrowings from Category 1 banks. Total public debt reached Rs93,427 million as at end-June 2004 with internal and external debt amounting to Rs85,002 million and Rs8,425 million, respectively. Total public debt as a percentage of GDP at market prices fell from 64.0 per cent at the end of June 2003 to 56.7 per cent at the end of June 2004. The debt service ratio of the country fell from 8.2 per cent in 2002-03 to 6.4 per cent in 2003-04.

Exchange rate movements during the period under review reflected the combined effects of international trends and local market conditions. Between the 12-month period ended June 2003 and the 12-month period ended June 2004, the rupee, on an average basis, depreciated by 20.8 per cent against the South African rand, 8.9 per cent against the euro, 5.5 per cent against the Pound sterling and 4.2 per cent against the Japanese yen but appreciated by 3.4 per cent against the US dollar. Liquidity conditions in the domestic foreign exchange market remained comfortable throughout most of the period under review. Reflecting this situation, the Bank of Mauritius purchased a total amount of US$66.6 million through intervention on the interbank foreign exchange market during 2003-04 while sales of US dollar through intervention by the central bank were confined to the month of May 2004 for an amount of US$8.5 million.

The current account of the balance of payments registered a lower surplus of Rs1,803 million in 2003-04 compared to a surplus of Rs3,554 million in 2002-03. The surplus on the current account represented 1.1 per cent of GDP in 2003-04 compared to 2.4 per cent in 2002-03. The surplus on the current account of the balance of payments stemmed from surpluses recorded on the services and current transfers accounts that more than offset the deficits on the merchandise and income accounts. Total exports (f.o.b.) increased by 2.4 per cent to Rs54,499 million in 2003-04 while imports (f.o.b.) went up by 4.6 per cent to Rs64,739 million. The capital and financial account recorded a net outflow of Rs986 million.

Net international reserves of the country, comprising the net foreign assets of the banking system, foreign assets of Government and Mauritius' Reserve position in the International Monetary Fund (IMF), increased from Rs48,414 million at the end of June 2003 to Rs50,021 million (US$1,783 million) at the end of June 2004. Net international reserves represented 8.6 months of imports at the end of June 2004 compared to 8.9 months of imports at the end of June 2003.

The issue of Bank of Mauritius Bills for monetary policy purposes and the low level of interest rates that has prevailed on the international financial markets have impacted adversely on the financial position of the Bank during the year ended June 2004. However, with the turning of the interest rate cycle abroad and the need for Government to maintain only operational cash balances at the central bank, it is expected that the profitability of the Bank will improve during the forthcoming financial year.

In a continued effort to develop the secondary market for Bills and other Government securities and to provide wider access to potential investors, the Bank of Mauritius introduced, as from 15 December 2003, the trading of Treasury/Bank of Mauritius Bills on The Stock Exchange of Mauritius Ltd. In the initial stage, trading of Bills on the stock exchange has been restricted to Mauritian citizens dealing a maximum amount of Rs2 million per order. For the period 15 December 2003 to 30 June 2004, Bills totalling Rs246 million have been traded on The Stock Exchange of Mauritius Ltd. With a view to achieving a level playing field among Category 1 banks in respect of lending and borrowings on the interbank money market, the Bank of Mauritius has also promoted, in collaboration with the Primary Dealers Working Group, the Financial Markets Committee and the Mauritius Bankers' Association, a Master Repurchase Agreement for the conduct of repurchase transactions among banks using Treasury/Bank of Mauritius Bills as collateral. This Agreement becomes effective as soon as it is signed by any two Category 1 banks wishing to conduct repurchase transactions with each other. An Equity Fund has been established jointly by the Development Bank of Mauritius and the State Investment Corporation. Within the Equity Fund, a Sub-Fund for an amount of Rs200 million has been set up for the purpose of extending concessionary financing to textile and apparel enterprises undergoing restructuring.

During 2003-04, the banking sector experienced sustained growth and the regulatory environment was strengthened. The aggregate pre-tax profits of Category 1 banks, based on their combined audited financial statements, went up by 19.2 per cent while their charge for bad and doubtful debts went down by 11.1 per cent, thereby implying an improvement in banking efficiency. Furthermore, with regard to the global business sector, a significant improvement has been recorded during 2003-04 in the asset base of Category 2 banks, which went up by 41.1 per cent compared to a growth rate of 8.4 per cent in 2002-03. Following the approval of the merger between New Co-operative Bank Ltd and Mauritius Post Office Savings Bank by the Bank of Mauritius in May 2003 to form the Mauritius Post and Co-operative Bank Ltd, the latter became operational on 1 August 2003. A Category 1 Banking Licence was granted to Banque des Mascareignes Ltée on 8 January 2004 and the bank started operating on 14 June 2004. Banks continued to deepen their information technology infrastructure to cater for the needs of their customers. During the year under review, Guidance Notes on Fit and Proper Person Criteria and Guidelines on Credit Risk Management were issued to banks and non-bank deposit-taking institutions. In relation to the irregularities that were uncovered at The Mauritius Commercial Bank Ltd (MCB) on the 14 February 2003, nTan Corporate Advisory Pte Ltd. submitted to the Bank of Mauritius a report containing its findings and wide-ranging recommendations. The findings and recommendations were conveyed to the MCB by the Bank for appropriate action to be taken. The Bank of Mauritius has noted the progress made by MCB in raising its corporate governance structure to levels of best practice. In the wake of the discovery of the irregularities, the MCB has taken steps to overhaul its organizational structure and to reorganize its risk-prone areas of operation with external assistance.

Mauritius stands today at the crossroads of its future developments. More than ever, the achievement of higher job-creating growth has become a central policy challenge for Mauritius in the years ahead. Faced with the challenges stemming from the proposed reforms of the European Union sugar regime, the phasing out of the Multi Fibre Agreement and the increasing trend towards the globalization of world trade, it is imperative that our national efforts be directed towards providing a lasting solution to the issue of our long-term international competitiveness. As preferential market access agreements are being phased out, much will depend on the success of negotiations in international fora for some special and differential treatment, particularly in the context of small and vulnerable economies. In this regard, the often-advocated short-term macro-economic policy accommodation, whether by way of fiscal or monetary, should take a back seat and the search for long-lasting solutions through further economic diversification and productivity enhancement should be pursued. The drive for reforms that Mauritius has embarked upon in recent years needs to be pursued with greater vigour. The long-term viability of the sugar sector calls for the implementation of all the components of the Sugar Sector Strategic Plan on the restructuring of the sugar industry. A more durable and sustainable strategy of industrial restructuring and reforms aimed at enhancing the micro-efficiency of export-oriented enterprises should go in the right direction of meeting the ongoing pressures from global competition.

The foregoing economic and financial developments during the year 2003-04 are reviewed in greater detail in the following chapters of the report.

I. NATIONAL INCOME AND PRODUCTION

The economy grew by a commendable 4.6 per cent in 2003, after registering a growth of only 1.8 per cent in 2002. The upturn was essentially attributable to the recovery of the sugar sector after a significant contraction in 2002, a marked expansion of the financial intermediation sector, exclusive of insurance, and the improved performance of the construction sector. The tourism sector registered a marginally lower growth in 2003. The Export Processing Zone (EPZ) sector contracted for a second consecutive year in 2003. Excluding the sugar sector, the growth rate of the economy works out to 4.5 per cent in 2003 compared to 3.2 per cent in 2002. Aggregate consumption expenditure grew, in real terms, by 3.9 per cent in 2003 compared to 3.5 per cent in 2002. Investment grew by 10.3 per cent in 2003, up from 1.9 per cent in 2002. Exclusive of the purchase and disposal of aircraft, investment grew, in real terms, by 8.2 per cent in 2003 compared to 6.1 per cent in 2002. The resource balance remained positive, reflecting a higher level of savings relative to investment.

The financial intermediation, tourism, agricultural and manufacturing sectors registered growth rates of 7.2 per cent, 3.0 per cent, 2.4 per cent and 1.0 per cent, respectively, in 2003. The sugar sector grew by 3.1 per cent, with sugar production increasing from 520,887 tonnes in 2002 to 537,155 tonnes in 2003. Gross tourism receipts amounted to Rs19.4 billion in 2003 and the number of tourists visiting Mauritius attained 702,018. The EPZ sector contracted by 4.0 per cent in 2003 after a decline of 6.0 per cent in 2002, reflecting the increasing competition that the textiles and garments industry is facing on the international market. Gross Domestic Product (GDP) at basic prices grew, in absolute terms, from Rs125,102 million in 2002 to Rs137,890 million in 2003. Per capita Gross National Income (GNI) at

Table I.1: Main National Accounting Aggregates and Ratios

	2001	2002 [1]	2003 [1]	2004 [2]
A. Aggregates (Rs million)				
1. GDP at basic prices	117,721	125,102	137,890	152,075
Annual Real Growth Rate (Per cent)	*+5.6*	*+1.8*	*+4.6*	*+4.7*
2. GDP at market prices	132,219	142,161	157,696	174,485
3. GNI at market prices	132,612	142,557	156,903	173,675
4. Per Capita GNI at market prices (Rupees)	110,494	117,769	128,286	140,856
5. Aggregate Consumption Expenditure	96,898	106,447	116,680	128,785
6. Compensation of Employees	49,313	52,882	58,325	63,670
7. Gross Domestic Fixed Capital Formation	29,798	31,369	35,746	38,775
8. Gross Capital Formation	27,494	31,377	38,157	41,395
9. Gross Domestic Savings	35,321	35,714	41,016	45,700
10. Resource Balance (9 - 8)	7,827	4,337	2,859	4,305
11. Gross National Disposable Income	134,576	145,296	158,447	175,380
B. Ratios: As a Percentage of GDP at market prices				
1. Gross Domestic Savings	26.7	25.1	26.0	26.2
2. Aggregate Consumption Expenditure	73.3	74.9	74.0	73.8
3. Gross Domestic Fixed Capital Formation	22.5	22.1	22.7	22.2
4. Resource Balance	5.9	3.1	1.8	2.5
C. Ratio: As a Percentage of GDP at basic prices				
1. Compensation of Employees	41.9	42.3	42.3	41.9

[1] *Revised estimates.* [2] *Forecast.*
Source: Central Statistics Office, Government of Mauritius.

market prices increased from Rs117,769 in 2002 to Rs128,286 in 2003. In US dollar terms, per capita GNI increased from US$3,906 in 2002 to US$4,493 in 2003.

Exports of goods and services increased, in nominal terms, by 1.7 per cent, from Rs88,301 million in 2002 to Rs89,812 million in 2003, while, in real terms, a decline of 2.7 per cent was registered. Imports of goods and services went up, in nominal terms, by 3.6 per cent, from Rs83,964 million in 2002 to Rs86,953 million in 2003. However, in real terms, imports of goods and services contracted by 2.9 per cent over the same period.

Aggregate Consumption Expenditure

In 2003, aggregate consumption expenditure expanded, in real terms, by 3.9 per cent, higher than the growth rate of 3.5 per cent registered in 2002. Household consumption expenditure registered a real growth rate of 4.1 per cent in 2003 compared to 2.9 per cent in 2002. General government consumption expenditure increased, in real terms, by 2.7 per cent in 2003, down from 6.0 per cent in 2002. Aggregate consumption expenditure as a percentage of GDP at market prices declined, from 74.9 per cent in 2002 to 74.0 per cent in 2003. Household consumption expenditure as a percentage of GDP at market prices also registered a decline from 62.0 per cent in 2002 to 61.1 per cent in 2003 while general government consumption expenditure remained unchanged at 12.9 per cent in 2003.

Table I.1 shows the main national accounting aggregates and ratios for the years 2001 through 2004.

Gross Domestic Fixed Capital Formation (GDFCF)

Investment in the economy picked up significantly in 2003, growing, in real terms, by 10.3 per cent compared to 1.9 per cent in 2002. Exclusive of the purchase and disposal of aircraft, Gross Domestic Fixed Capital Formation increased, in real terms, by 8.2 per cent in 2003 compared to an expansion of 6.1 per cent in 2002. The ratio of GDFCF to GDP at market prices increased marginally from 22.1 per cent in 2002 to 22.7 per cent in 2003. In real terms, private sector GDFCF registered a contraction of 1.2 per cent in 2003 as against an expansion of 2.0 per cent in 2002. Following a growth of 1.3 per cent in 2002, public sector GDFCF registered an expansion of 35.7 per cent in 2003, largely attributable to high levels of investment in the education sector in terms of construction and extension of secondary schools, in sewerage works and in Cybercity-related projects. The share of private sector GDFCF in total GDFCF fell from 68.8 per cent in 2002 to 61.6 per cent in 2003, while that of the public sector increased from 31.2 per cent to 38.4 per cent over the same period.

An analysis of investment by type of capital goods shows that capital formation in "Building and Construction Work" registered, in nominal terms, an increase of 18.0 per cent, from Rs17,949 million in 2002 to Rs21,178 million in 2003. In real terms, this represented a growth rate of 13.5 per cent in 2003 compared to 8.3 per cent in 2002. Investment in "Residential Building" picked up, in real terms, by 12.8 per cent in 2003 after registering a contraction of 5.6 per cent in 2002. Construction activity in the non-residential building sub-sector expanded, in real terms, by 1.2 per cent in 2003 following an expansion of 22.3 per cent in 2002. Investment in "Other Construction Work" grew, in real terms, by 34.5 per cent in 2003 compared to 11.4 per cent in 2002. Investment in "Machinery and Equipment" expanded, in real terms, by 6.0 per cent in 2003 as against a contraction of 5.6 per cent in 2002. Exclusive of the purchase and disposal of aircraft, real growth of GDFCF in "Machinery and Equipment" stood at 0.9 per cent in 2003 compared to a growth of 3.3 per cent in 2002. Investment in "Passenger Car" grew by 10.8 per cent in 2003, following an expansion of 19.2 per cent in 2002. Investment in "Other Transport Equipment", excluding the purchase and disposal of aircraft, expanded by 23.6 per cent in 2003 after contracting by 19.4 per cent in 2002. Investment in "Other Machinery and Equipment", after expanding by 5.1 per cent in 2002, registered a contraction of 3.7 per cent in 2003.

A breakdown of GDFCF by industrial use shows that in 2003, the level of investment depicted wide sectoral variations compared to 2002. Investment in "Agriculture, Hunting, Forestry and Fishing" grew, in real terms, by

1.3 per cent in 2003, significantly lower than the 23.9 per cent expansion registered in 2002. Investment in "Manufacturing" recorded a contraction of 1.8 per cent in 2003, driven by a drop of 7.5 per cent in investment by EPZ firms. The EPZ sector is indeed facing enormous challenges in the form of increased competition from low-cost countries and a loss of preferential access to the European market with the phasing out of the Multi Fibre Agreement (MFA). Moreover, the benefits from the African Growth and Opportunity Act (AGOA) appear to be limited, due to the restrictions imposed by the rules of origin criteria. Investment in "Hotels and Restaurants" contracted by 21.5 per cent in 2003 as against an expansion of 32.8 per cent in 2002. However, with the construction of several hotels already under way or in the pipeline, investment in this sector is expected to pick up in 2004. Investment in "Health and Social Work" and "Financial Intermediation" contracted, in real terms, by 2.2 per cent and 14.5 per cent, respectively, in 2003. The "Education" sector recorded an expansion of 13.2 per cent in investment in 2003, down from the marked expansion of 96.7 per cent in 2002. The "Real Estate, Renting and Business Activities", "Construction", "Electricity, Gas and Water Supply" and "Transport, Storage and Communications" sectors, which contracted by 3.7 per cent, 49.9 per cent, 17.1 per cent and 31.0 per cent, respectively, in 2002, expanded by 23.8 per cent, 163.9 per cent, 19.3 per cent and 17.0 per cent, respectively, in 2003. As a percentage of total GDFCF, investment in "Hotels and Restaurants", "Manufacturing", "Transport, Storage and Communications" and "Real Estate, Renting and Business Activities" stood at 9.2 per cent, 13.8 per cent, 15.6 per cent and 25.7 per cent, respectively, in 2003.

Chart I.1: Ratios of GDFCF and GNS to GDP at Market Prices

Source: Central Statistics Office, Government of Mauritius.

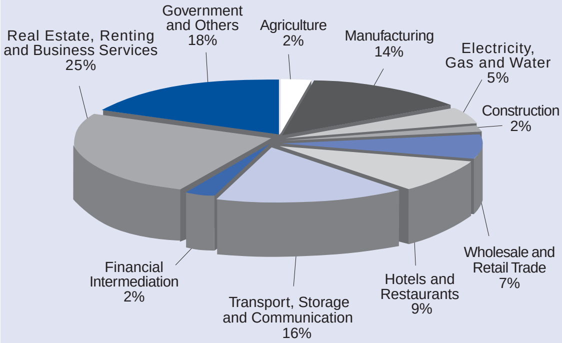
Table I.2: Real Growth Rates of GDFCF by Type of Capital Goods

(Per cent)

	2001	2002 [1]	2003 [1]
A. Building and Construction Work	**+2.0**	**+8.3**	**+13.5**
Residential Building	+5.0	-5.6	+12.8
Non-residential Building	-5.7	+22.3	+1.2
Other Construction Work	+10.0	+11.4	+34.5
B. Machinery and Equipment	**+3.5**	**-5.6**	**+6.0**
Machinery and Equipment (excluding aircraft & marine vessel)	-8.1	+3.3	+0.9
Passenger Car	-2.4	+19.2	+10.8
Other Transport Equipment	+108.2	-47.2	+59.4
Other Transport Equipment (excluding aircraft & marine vessel)	+7.1	-19.4	+23.6
Other Machinery and Equipment	-11.0	+5.1	-3.7
Gross Domestic Fixed Capital Formation	**+2.7**	**+1.9**	**+10.3**

[1] *Revised estimates.*
Source: Central Statistics Office, Government of Mauritius.

Chart I.2: Investment by Sector in 2003



Source: Central Statistics Office, Government of Mauritius.

Tables I.2 and I.3 show the real growth rates of GDFCF by type of capital goods and by industrial use, respectively, for the years 2001 through 2003. Chart I.1 depicts the movements in the ratios of GDFCF and Gross National Savings (GNS) to GDP at market prices for the years 1996 through 2003. Chart I.2 shows investment by sector in 2003.

National Disposable Income, National Savings and Resource Balance

In nominal terms, Gross National Disposable Income (GNDI) grew by 9.1 per cent in 2003 compared to a growth rate of 8.0 per cent in 2002. Nominal consumption expenditure recorded a growth of 9.6 per cent in 2003 compared to 9.9 per cent in 2002. The ratio of Gross National Savings (GNS) to GDP at market prices declined from 27.3 per cent in 2002 to 26.5 per cent in 2003. As a percentage of GDP at market prices, the Resource Balance (defined as Savings minus Investment) fell from 3.1 per cent in 2002 to 1.8 per cent in 2003.

Table I.3: Real Growth Rates of GDFCF by Industrial Use

(Per cent)

	2001	2002 [1]	2003 [1]
1. Agriculture, Hunting, Forestry and Fishing	-9.5	+23.9	+1.3
2. Mining and Quarrying	-	-	-
3. Manufacturing	-5.6	+8.1	-1.8
of which: EPZ	*-0.5*	*-18.5*	*-7.5*
4. Electricity, Gas and Water	-19.6	-17.1	+19.3
5. Construction	-19.1	-49.9	+163.9
6. Wholesale and Retail Trade, Repair of Motor Vehicles, Motor Cycles, Personal and Household Goods	-8.5	+15.6	-10.3
of which: Wholesale and Retail Trade	*-10.0*	*+18.5*	*-10.5*
7. Hotels and Restaurants	-2.9	+32.8	-21.5
8. Transport, Storage and Communication	+39.4	-31.0	+17.0
9. Financial Intermediation	+21.4	+33.8	-14.5
10. Real Estate, Renting, and Business Activities	+0.1	-3.7	+23.8
Owner occupied dwellings	*+5.0*	*-5.6*	*+12.8*
Other	*-32.1*	*+15.1*	*+117.8*
11. Public Administration and Defence; Compulsory Social Security	-13.1	+41.8	+24.9
12. Education	-0.6	+96.7	+13.2
13. Health and Social Work	-8.8	+76.2	-2.2
14. Other Services	+12.0	+9.4	+59.8
Gross Domestic Fixed Capital Formation	**+2.7**	**+1.9**	**+10.3**

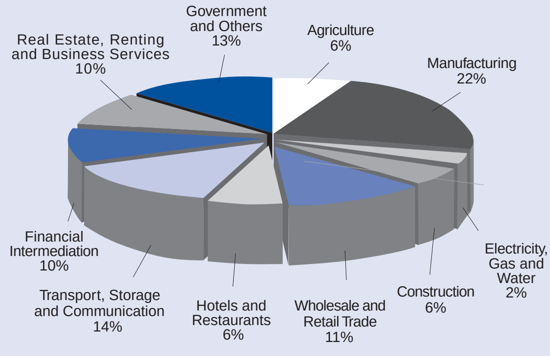
[1] *Revised estimates.*
Source: Central Statistics Office, Government of Mauritius.

Agriculture

The agricultural sector expanded, in real terms, by 2.4 per cent in 2003 as against a decline of 16.8 per cent in 2002. The sugar sector registered a real growth rate of 3.1 per cent in 2003 as against a contraction of 25.0 per cent in 2002, in which year unfavourable climatic conditions as well as cyclone Dina had a negative impact on sugar production. In 2003, although sugar output had been adversely affected by cyclones Gerry and Manou as well as the prolonged unfavourable climatic conditions, sugar production was nonetheless higher than in 2002. The non-sugar agricultural sector recorded a growth of 1.8 per cent in 2003 as against a contraction of 7.1 per cent in 2002.

Table I.4 shows the main aggregates of the agricultural sector for the years 2001 through 2003. Chart I.3 shows the sectoral distribution of GDP at basic prices in 2003.

Chart I.3: Sectoral Distribution of GDP at Basic Prices in 2003



Source: Central Statistics Office, Government of Mauritius.

Sugar

Sugar output grew by 3.1 per cent in 2003 and value added by the sugar sector accounted for approximately 51 per cent of total value added by the agricultural sector. Sugar production reached 537,155 tonnes in 2003 compared to 520,887 tonnes in 2002. The total area under sugarcane harvested fell from 72,267 hectares in 2002 to 70,998 hectares in 2003 due to land conversion for residential and industrial purposes. The average yield of sugarcane per hectare increased from 67.44 tonnes in 2002 to 73.23 tonnes in 2003 while the rate of extraction of sugar decreased from 10.70 per cent to 10.34 per cent over the same period.

Table I.5 shows sugar production and exports for the years 2000-01 through 2003-04.

Sugar production for fiscal year 2003-04 attained 530,920 tonnes compared to 539,264 tonnes for fiscal year 2002-03. For 2003-04, exports and imports of sugar reached 534,911 tonnes and 37,417 tonnes, respectively, compared to 515,036 tonnes and 30,213 tonnes, respectively, for 2002-03. Out of total sugar exports, around 95 per cent, or 507,249 tonnes, went to the European Union under the Sugar Protocol. Domestic consumption rose from 40,745 tonnes in 2002-03 to 40,778 tonnes in 2003-04.

Table I.4: Main Aggregates of the Agricultural Sector

	2001	2002 [1]	2003 [1]
1. Value Added at current basic prices (Rs million)	8,596	7,909	8,585
of which: Sugarcane	*4,646*	*3,914*	*4,366*
2. Annual Real Growth Rate (Per cent)	+7.2	-16.8	+2.4
3. Share of Agriculture in GDP at basic prices (Per cent)	7.3	6.3	6.2
4. Investment at current prices (Rs million)	648	827	863
5. Share of Investment in Agriculture in total GDFCF (Per cent)	2.2	2.6	2.4
6. Sugar Exports (Rs million)	8,557	8,869	8,775
7. Agricultural Exports other than Sugar (Rs million)	273	175	185
8. Share of Agricultural Exports in total Domestic Exports (Per cent)	20.2	21.0	21.3

[1] *Revised estimates.*
Source: Central Statistics Office, Government of Mauritius.

Table I.5: Sugar Production and Exports

(Tonnes Tel Quel)

	2000-01	2001-02	2002-03	2003-04
Opening Stock (1 July)	27,174	36,496	25,890	39,029
Opening ISA Special Stock	0	0	0	0
Production	583,820	624,867	539,264	530,920
Available supplies	648,387 [1]	678,413 [2]	595,367 [3]	607,366 [4]
Exports:	571,647	611,473	515,036	534,911
United Kingdom	*502,215*	*500,538*	*446,262*	*466,563*
Other European Union	*59,504*	*84,787*	*60,484*	*40,686*
United States	*4,143*	*19,667*	*1,852*	*2,681*
Canada	*41*	*112*	*143*	*186*
Other	*5,744*	*6,369*	*6,295*	*24,795*
Domestic Consumption	39,911	40,663	40,745	40,778
Surplus/(Loss) in Storage	333	387	556	973
Closing Stock (30 June)	36,496	25,890	39,029	30,702
Closing ISA Special Stock	0	0	0	0

[1] Includes 37,393 tonnes of imported sugar. *[2] Includes 17,050 tonnes of imported sugar.*
[3] Includes 30,213 tonnes of imported sugar. *[4] Includes 37,417 tonnes of imported sugar.*
Note: The above figures refer to fiscal years, which extend from July to June, and not to crop years, which extend from June to May.
Source: Mauritius Sugar News Bulletin, Mauritius Chamber of Agriculture.

Export proceeds of cane sugar decreased from Rs8,869 million in 2002 to Rs8,775 million in 2003 and accounted for 20.8 per cent of total domestic exports. Export receipts from cane molasses went up from Rs57 million in 2002 to Rs74 million in 2003.

Non-Sugar Agricultural Sector

The non-sugar agricultural sector registered a real growth of 1.8 per cent in 2003 as against a contraction of 7.1 per cent in 2002. Value added by this sector increased, in nominal terms, from Rs3,995 million in 2002 to Rs4,219 million in 2003. However, its share in the agricultural sector declined from 50.5 per cent in 2002 to 49.1 per cent in 2003.

The total area under foodcrop production fell slightly from 8,293 hectares in 2002 to 8,288 hectares in 2003 with foodcrop production declining from 103,876 tonnes to 103,455 tonnes over the same period. The production of tea rose from 6,870 tonnes in 2002 to 6,973 tonnes in 2003 while tobacco production decreased from 477 tonnes to 424 tonnes over the same period.

Table I.6: Main Aggregates of the Manufacturing Sector

	2001	2002 [1]	2003 [1]
1. Value Added at current basic prices (Rs million)	27,423	28,279	29,755
2. Annual Real Growth Rate (Per cent)	+4.4	-2.4	+1.0
3. Share of Value Added in GDP at basic prices (Per cent)	23.3	22.6	21.6
4. Investment at current prices (Rs million)	4,372	4,872	4,929
5. Share of Investment in total GDFCF (Per cent)	14.7	15.5	13.8

[1] Revised estimates.
Source: Central Statistics Office, Government of Mauritius.

Manufacturing

The manufacturing sector, which comprises sugar milling, EPZ and "other manufacturing", grew, in real terms, by 1.0 per cent in 2003 as against a contraction of 2.4 per cent in 2002. The manufacturing sector accounted for 21.6 per cent of total value added in the economy in 2003. Reflecting the competitive environment in which it is evolving, the EPZ sub-sector registered a negative growth of 4.0 per cent in 2003, which was, however, a slight improvement on the 6.0 per cent decline recorded in 2002. The sugar milling sub-sector expanded by 3.1 per cent in 2003 as against a contraction of 25.0 per cent in 2002. Value added by the non-sugar milling and non-EPZ sub-sectors grew, in real terms, by 5.8 per cent in 2003 compared to 4.2 per cent in 2002.

Table I.6 shows the main aggregates of the manufacturing sector for the years 2001 through 2003.

EPZ exports went down by 3.8 per cent, from Rs32,683 million in 2002 to Rs31,444 million in 2003, compared to a fall of 3.0 per cent in 2002. EPZ imports also contracted by 7.9 per cent, from Rs16,909 million in 2002 to Rs15,579 million in 2003, compared to a decline of 1.3 per cent in 2002. Net EPZ exports increased by 0.6 per cent, from Rs15,774 million in 2002 to Rs15,865 million in 2003.

In 2003, the main EPZ export markets remained the United States, United Kingdom and France, which represented 26.9 per cent, 25.0 per cent and 23.1 per cent, respectively, of total EPZ export markets. The main countries of origin of EPZ imports in 2003 were India, China, France, South Africa and Italy, with shares of 15.3 per cent, 14.5 per cent, 10.2 per cent, 8.2 per cent and 6.8 per cent, respectively. EPZ imports from European and Asian countries declined by 13.1 per cent and 9.6 per cent, respectively, while those from African countries increased by 1.8 per cent in 2003.

Employment in the EPZ sector contracted by 9,581, or 11.0 per cent, from 87,204 as at December 2002 to 77,623 in December 2003. The downward employment trend in the EPZ sector reflected to a large extent the closure of factories as well as downsizing by others as a result of restructuring and loss of market access.

Table I.7 shows some major aggregates of the EPZ for the years 2001 through 2003.

Tourism

The tourism sector expanded by 3.0 per cent in 2003, marginally down from the growth rate of 3.2 per cent in 2002. Gross tourism receipts went up by 5.9 per cent, from Rs18,328 million in 2002 to Rs19,415 million in 2003, compared to a marginal increase of 0.9 per cent in 2002. The number of tourist arrivals rose from 681,648 in 2002 to 702,018 in 2003 while total tourist nights increased from 6,769,000 to 6,952,000 over the same period. 90.6 per cent of tourists who visited Mauritius in 2003 came for holidays and 3.5 per cent, for business purposes.

Table I.7: Main Aggregates of the EPZ

	2001	2002 [1]	2003 [2]
1. Number of Enterprises (as at December)	522	506	506
2. Value Added at current basic prices (Rs million)	13,681	13,600	13,447
3. Annual Real Growth Rate (Per cent)	+4.4	-6.0	-4.0
4. Share of EPZ in total GDP at basic prices (Per cent)	11.6	10.9	9.8
5. Investment at current prices (Rs million)	1,758	1,475	1,403
6. Share of EPZ Investment in total GDFCF (Per cent)	5.9	4.7	3.9
7. Exports (f.o.b.) (Rs million)	33,695	32,683	31,444
8. Imports (c.i.f.) (Rs million)	17,140	16,909	15,579
9. Net Exports (Rs million)	16,555	15,774	15,865

[1] *Revised estimates.* [2] *Provisional.*
Source: Central Statistics Office, Government of Mauritius.

Tourist arrivals from Europe rose by 3.1 per cent, from 451,504 in 2002 to 465,379 in 2003, slightly lower than the growth of 3.2 per cent recorded in the previous year. Tourists from European countries made up for almost two thirds of total tourist arrivals in 2003. The number of tourists from United Kingdom, Germany and Italy went up by 13.1 per cent, 0.4 per cent and 3.9 per cent, respectively, in 2003 while arrivals from France, the main source market, contracted by 1.3 per cent. Tourist arrivals from the African region increased by 1.0 per cent, from 172,641 in 2002 to 174,430 in 2003, compared to a growth of 2.4 per cent in 2002. Tourist arrivals from Asia, America and Australia registered positive growth rates of 7.9 per cent, 9.3 per cent and 8.5 per cent, respectively, in 2003. Tourist arrivals from Reunion Island declined by 0.7 per cent while those from the Republic of South Africa rose by 7.2 per cent in 2003.

Three new hotels were constructed in 2003, bringing the total number of hotels to 100. However, three hotels were not operational due to renovation works being effected. Thus, 97 hotels were in operation at the end of December 2003 with the number of rooms and bed places standing at 9,647 and 19,727, respectively, compared to 9,623 and 19,597, respectively, in 2002. The average room occupancy rate for all hotels declined from 67 per cent in 2002 to 63 per cent in 2003 while that of "large" hotels fell from 70 per cent to 66 per cent over the same period.

Direct employment in the tourist industry increased from 21,116 at the end of March 2002 to 22,261 at the end of March 2003. This represented an expansion of 5.4 per cent in 2003 compared to 5.9 per cent in 2002.

As announced in the 2004-05 Budget, tourists visiting Mauritius would be paying a Tourist Arrival Fee of 20 euros per adult and 10 euros per child and the Government is planning to make this effective as from October 2004. Furthermore, the Mauritius Tourism Promotion Authority will be gearing its promotional campaigns towards tapping markets with potential for high growth, namely, China, India and some Middle East countries. Moreover, negotiations are ongoing for more flights to match the increase in room capacity and an Air Access Policy Unit is being created to advise the Government on air access policies. The Tourism Bill has been adopted in July 2004 with the aim of creating one single regulating body and boosting the tourism sector.

Financial Intermediation

The "Financial Intermediation" sector, which comprises insurance and banking services, picked up in 2003 with value added registering a growth rate of 7.2 per cent compared to 2.0 per cent in 2002. This growth was driven by banking activities, which expanded by 7.2 per cent in 2003 as against zero growth in 2002, more specifically by the global business banking sector, which registered a growth rate of 12.3 per cent in 2003 following a decline of 14.0 per cent in 2002. Growth in the "Insurance" sub-sector decreased to 7.3 per cent in 2003 from 8.0 per cent in 2002.

Real Estate, Renting and Business Activities

Value added in the "Real Estate, Renting and Business Activities" sector, which comprises owner occupied dwellings, renting of machinery and operator, computer activities and other business activities, grew, in real terms, by 6.5 per cent in 2003, the same rate as in 2002. Growth in the "Owner occupied dwellings" sub-sector remained unchanged at 3.2 per cent in 2003 while activities other than those relating to "Owner occupied dwellings" recorded a marginal decline in growth from 9.5 per cent in 2002 to 9.3 per cent in 2003.

Other Sectors

Value added in the "Electricity, Gas and Water" sector increased, in real terms, by 5.7 per cent in 2003 compared to 2.3 per cent in 2002. The "Construction" sector grew by 11.0 per cent in 2003 compared to 7.6 per cent in 2002, due to higher levels of investment in building and construction works. Growth in the "Transport, Storage and Communications" sector stood at 5.8 per cent in 2003 compared to 6.7 per cent in 2002. The "Public Administration and Defence; Compulsory Social Security" sector recorded a growth of 5.2 per cent in 2003, down from 6.2 per cent in 2002. The "Education" sector grew by 5.1 per cent in 2003 compared to 6.5 per cent in 2002 while "Health and Social Work" and "Other Services" registered growth rates of 6.8 per cent and 7.4 per cent, respectively, in 2003 compared to 8.5 per cent and 8.2 per cent, respectively, in 2002.

Growth Outlook

The economy is projected to grow by 4.7 per cent in 2004. Excluding the sugar sector, the growth rate works out to 4.4 per cent. The manufacturing, financial intermediation and tourism sectors are expected to grow by 2.0 per cent, 6.0 per cent and 3.3 per cent, respectively, in 2004. The EPZ sector is forecast to contract, for the third year running, by 1.0 per cent in 2004, yielding a cumulative decline of 11.0 per cent for the period 2002 through 2004. The agricultural sector is expected to register a growth of 5.3 per cent. Aggregate consumption expenditure is projected to pick up, in real terms, by 4.4 per cent. The savings rate is forecast to increase marginally to 26.7 per cent and the ratio of GDFCF to GDP at market prices is expected to decline marginally to 22.2 per cent.

The upswing in the global economy during the second half of 2003 and the first half of 2004 potentially holds out better prospects for the export sector. External demand, especially from European countries and the United States, is expected to strengthen and boost exports in the manufacturing sector. However, there are certain crucial challenges that the economy will have to face as from 2005 with the phasing out of the Multi Fibre Agreement and the proposed reforms of the European Union sugar regime. The preferential price of sugar that the country has benefited from is expected to go down as from July 2005. From the current level of 523.70 euros per tonne, sugar prices are expected to decline by 25 per cent as from July 2005 and by a further 12 per cent as from July 2007. Overall yearly loss in sugar export revenue, assuming there will not be any compensation, is estimated at around Rs3.3 billion as from 2007. This could have major ramifications for the economy, although the share of the sugar sector as a percentage of GDP at market prices has fallen over time to reach around 3.7 per cent in 2003, inclusive of the milling sector. With a fall in exports revenue from sugar, the credit worthiness of some sugar producers with a high level of indebtedness vis-à-vis some Category 1 banks may suffer a setback.

Though the EPZ sector has been contracting since 2002, the difficulties seem to be more prevalent in the textiles and garments sector. The loss of preferential market access with the phasing out of the Multi Fibre Agreement calls for longer-term solutions. Although diplomatic efforts are being pursued at the level of the World Trade Organisation (WTO), restructuring and rationalisation in the textiles and garments sector remain key to the survival of enterprises that are still competitive at the international level. The restructuring efforts are expected to go some way towards securing the textiles and garments sector through increased productivity and enhanced competitiveness internationally. A certain degree of vertical integration is also taking place in the sector and this may enable a better exploitation of the American market, which has so far been hampered by the rules of origin criteria under AGOA. The opportunities arising from AGOA need to be optimised as competition on the traditional European market increases. The setting up of a Corporate Debt Restructuring Committee for the rescheduling of the debt of those highly indebted but potentially competitive firms is expected to help the sector in the medium term. As preferential market access agreements are phased out, much will also depend on the success of negotiations in international fora for some kind of special and differential treatment, particularly for small and vulnerable economies.

The marketing strategy adopted with regard to the tourism industry has continued to yield results over the years, with the number of tourist arrivals projected at 725,000 in 2004. Markets in Asia that were largely untapped are also being targeted. The construction of several new high-class hotel resorts and the continued renovation of existing ones point to a growing tourism industry.

At a time when the traditional sectors of the economy are facing challenges in terms of loss of preferential market access, the process of diversification needs to be pursued further. In this context, the emergence of sectors like ICT should enable a diversification of growth sources. While still at a burgeoning stage, the sector can potentially contribute to job creation and greater value added in the economy.

Box 1 African Growth and Opportunity Act (AGOA): A Review of Developments and Export Performance

The African Growth and Opportunity Act (AGOA), which came into effect in May 2000 as part of the Trade and Development Act of 2000, has enabled beneficiary countries to enjoy preferential access to the US market, initially over the period 2000 to 2008. In order to reap the benefits of AGOA, beneficiary countries have had to comply with various pre-determined criteria, including progress made towards a market-based economy, respect of the rule of law, the embracement of general democratic principles and human rights issues.

While the Act covers a wide range of products, textiles and apparel has been one of the items of major interest for Mauritius since it accounts for nearly 90 per cent of the EPZ's exports to the US under AGOA. Mauritius qualified under AGOA's "Wearing Apparel" provisions on 18 January 2001 and as at end-June 2004, 24 of the 37 eligible countries were benefiting from these same provisions. Of these, Mauritius and South Africa have been called upon to comply with more stringent rules of origin criteria while the other countries are benefiting from the "Less Developed Beneficiary Country" (LDBC) status and can thus source their yarn and fabric from any region in the world. To benefit from AGOA's duty-free and quota-free access to the US market, Mauritius and South Africa have had to use regional yarn.

AGOA II

In August 2002, the original AGOA was amended whereby AGOA II came into effect. AGOA II helped to resolve the knit-to-shape issue and doubled the quantitative limit on textiles and apparel produced in the region to 7 per cent of the aggregate square metre equivalent of all apparel articles imported into the US for the final year of AGOA starting in October 2007. AGOA II also provided for the lapsing and non-extension of third country fabrics concession to LDBCs as from 1 October 2004. For Mauritius, this spelt better prospects since the country was at a relative disadvantage compared to LDBC status beneficiaries.

AGOA III

The short lifespan of AGOA (eight years) together with the termination of the LDBC status in 2004 had raised concerns among beneficiaries that necessary investments might not be implemented within that time period. Countries were thus calling for the extension of the LDBC status and AGOA beyond 2004 and 2008, respectively, to optimise the benefits.

As announced by the US President in a televised speech during the Unites States–Sub-Saharan Africa Trade and Economic Cooperation Forum held in Mauritius in January 2003, the US proposed certain amendments to AGOA to quell the concerns of some beneficiary countries. Thus, the AGOA Acceleration Act of 2004 (AGOA III) was passed by both the US House of Representatives and the Senate in June 2004, and signed by the US President in July 2004. It provides for:

(i) The extension of the Act's original date of expiry from 2008 to 2015;
(ii) An extension to the waiver from normal rules of origin for wearing apparel as applicable to the so-called LDBCs until September 2007; and
(iii) Normal apparel quota remaining similar to the provisions in AGOA II, that is, increasing in equal increments to 7 per

cent by 2008. Between 2008 and 2015, it will remain at 7 per cent of the aggregate square metre equivalent of all apparel articles imported into the US in the previous year.

Implications of AGOA III for Mauritius

By and large, the extension of AGOA has positive implications for African beneficiary countries. However, for Mauritius, the implications are mixed. On the one hand, the additional 7-year period would introduce an added measure of predictability in AGOA's lifespan and could promote investment. On the other hand, Mauritius had embarked on the process of vertical integration on the premise that AGOA's LDBC provisions were set to end in September 2004. Consequently, the demand for regional yarn would have gone up since the industrial base in most of the LDBCs had remained shallow. As such, the yarn, which at times suffers from quality deficiency, might not have been available in sufficient quantity. The extension of the LDBC status undermines the viability and strategic value of some of the spinning projects, at least till 2008. Since 2003, Mauritius has been lobbying to be granted LDBC status so that it could be on an equal footing with other LDBC beneficiaries. While much hope had been placed on the provisions to be included in AGOA III, nothing concrete has emerged.

The Mauritian stakeholders are still hoping that the LDBC status would be granted. A free trade agreement between Australia, the Caribbean or Singapore and the United States of America could soon be adopted and it is hoped that the exemption for Mauritius could appear in one of these agreements.

In the meantime, the process of vertical integration in the island is well underway although some of the initial momentum has been lost. With the government having put in place a special package of incentives, two new spinning projects came into operation in 2003[1] while a new one is expected to become operational in the second half of 2004. Another investor is about to begin the construction of its spinning unit. The setting up of spinning mills would enable Mauritian producers to better exploit the clauses pertaining to the rules of origin criteria under AGOA.

It was expected that AGOA would help Mauritius mitigate some of the losses that the country would suffer following the implementation of the WTO's Agreement on Textiles and Clothing which sees the phasing out of the Multi Fibre Agreement with effect from 31 December 2004, and increasing competition from low cost producers, mainly India and China. It was also hoped that AGOA would enable the diversification process of the Mauritian export markets to continue. Indeed, under the impetus of AGOA, the US has emerged as the single largest country destination for Mauritian EPZ exports.

AGOA has led to some re-engineering within the Mauritian textiles and garment industry. Some operators from Hong Kong have closed down their units in Mauritius and relocated in LDBCs such as Lesotho, Madagascar and Ghana, while others have chosen to move to China. This has contributed to job losses in the textiles and garment sector. Unlike garmenting, which is labour intensive, spinning is capital intensive and with rising labour costs in Mauritius, the capital intensive production might enable the country to shift to new areas in search of a comparative advantage.

1 The promoters of one of the spinning projects that came into operation have, in August 2004, announced their intention to cease their operations in Mauritius. Some 900 jobs could be lost.

Review of Export Performance

Under the auspices of AGOA, total exports from Sub-Saharan Africa (SSA) to the US increased from US$21 billion in 2001 to reach US$25.5 billion in 2003, which represented an increase of 20.9 per cent. The share of preferential exports, inclusive of those under the Generalized System of Preferences (GSP), to total SSA exports increased from 38.8 per cent in 2001 to reach 55.4 per cent in 2003. However, a major component of the exports remained energy-related products although textiles and apparel is one of the sectors that has gained prominence under AGOA.

As a share of total exports under AGOA, textiles and apparel accounted for 7.7 per cent in 2003, up from 5.7 per cent in 2001. This is largely explained by the fact that a majority of SSA exporters benefit from the LDBC status. The share of textiles and apparel exports that complied with the rules of origin criteria and thus benefited from a duty remission upon reaching the US market increased from 36.0 per cent in 2001 to reach 77.5 per cent in 2003.

Mauritian total exports to the US increased by 8.4 per cent between 2001 and 2003. Over the same period, AGOA-eligible exports increased by 165.1 per cent. However, the Mauritian export performance was undermined by the socio-political disturbances in Madagascar in 2001, which hampered the Mauritian production chain. Moreover, Mauritian knit-to-shape products also had some problems accessing the US market before the issue was resolved in 2002. Notwithstanding those factors, it has to be pointed out that the rules of origin criteria remains one of the major barriers preventing an optimal exploitation of AGOA.

Review of export performance under AGOA: 2001-2003

	2001	2002	2003
1. Sub-Saharan Africa			
Total Exports AGOA-eligible (per cent)	38.8	49.4	55.4
Textiles & Apparel exclusive of non-energy related products (per cent)	26.9	37.1	41.7
Textiles & Apparel as percent of total AGOA exports (per cent)	5.7	8.0	7.7
Textiles & Apparel eligible for duty-free access (per cent)	36.0	70.7	77.5
2. Mauritius			
Total Exports to US (US$ million)	275.1	280.4	298.1
Year-on-Year growth (per cent)	-	*1.9*	*6.3*
of which Total Apparel Exports to US (US$ million)	*238.3*	*254.7*	*269.0*
Year-on-Year growth (per cent)	-	*6.9*	*5.6*
Total Exports AGOA-eligible (US$ million)	53.9	114.2	143.1
Year-on-Year growth (per cent)	*8.0*	*111.9*	*25.3*
of which: Apparel Exports under AGOA (US$ million)	*38.9*	*106.5*	*135.0*
Year-on-Year growth (per cent)	-	*174.0*	*26.7*
Total Exports AGOA-eligible (per cent)	19.6	40.8	48.0
Textiles & Apparel as percentage of total exports to US (per cent)	86.6	90.8	90.3
Textiles & Apparel eligible for duty-free access (per cent)	16.3	41.8	50.2
Total apparel exports (Million square meter equivalent (MSME))	41.1	47.1	45.1
of which: Apparel Exports under AGOA (MSME)	*5.7*	*17.8*	*20.0*
Exports to US as ratio of total EPZ exports (per cent)	26.1	29.0	26.9

Sources:
US Department of Commerce, Office of Textiles and Apparel (OTEXA).
US International Trade Commission Web site: www.usitc.gov.
AGOA Web sites: www.agoa.gov and www.agoa.info.
Central Statistics Office, Government of Mauritius.

Unlike most of the other SSA beneficiaries, Mauritian exports to the US remain heavily concentrated in textiles and apparel. The share of textiles and apparel in total exports to the US increased from an already high 86.6 per cent in 2001 to reach 90.3 per cent in 2003. However, many Mauritian apparel products could not comply with the rules of origin criteria and were thus not eligible to benefit from AGOA. As such, in 2001, only 16.3 per cent of textiles and clothing exports to the US were AGOA-eligible. This ratio increased gradually to 41.8 per cent in 2002 and to 50.2 per cent in 2003. As the process of vertical integration within the textiles and clothing industry gathers momentum, it is likely that the rules of origin criteria could be complied with and a higher percentage of exports would then be AGOA-eligible.

Although AGOA III has not been up to the expectations of the Mauritian stakeholders, its extension to 2015 should give the country the opportunity to continue the re-engineering of its textiles and clothing sector so that it is eventually better face global competition. As such, the process of vertical integration is a step in the right direction and should be accentuated. In addition, the restructuring of firms, technical and financial, should help them increase the value addition component and be more competitive. Yet, things could change drastically with the phasing out of the Multi Fibre Agreement.

II. LABOUR MARKET AND PRICE DEVELOPMENTS

Notwithstanding a pick up in economic activity in 2003-04, the unemployment situation has continued to deteriorate due to a confluence of domestic and international factors and remains one of the greatest policy challenges for the authorities. Job losses have been prevalent mostly in the Export Processing Zone (EPZ) where, due to increasing international competition, a number of firms have had to either close down or restructure to survive. The impending phasing out of the Multi Fibre Agreement effective 31 December 2004 and increasing competition from low-cost producers such as China in the textiles and garments sector have also contributed to the erosion of international competitiveness of Mauritian apparel exports. In addition domestic factors such as wage rigidities and skills mismatch in the labour market have continued to hinder job creation.

Wage Developments

Average Monthly Earnings

The average monthly earnings for all industrial groups went up by 12.8 per cent between March 2003 and March 2004 compared to an increase of 7.3 per cent between March 2002 and March 2003. Adjusted for the twelve-month running inflation rate, the average monthly earnings for all industrial groups grew by 8.6 per cent between March 2003 and March 2004 compared to a growth of 1.4 per cent registered between March 2002 and March 2003.

An analysis by industrial group shows that average monthly earnings grew in the range of 0.4 per cent to 24.3 per cent between March 2003 and March 2004. The highest increase occurred in "Public Administration and Defence; Compulsory Social Security" (24.3 per cent), followed by "Health and Social Work" (18.1 per cent) and "Financial Intermediation" (14.0 per cent). The remaining sectors recorded increases in the range of 0.4 per cent to 12.8 per cent.

Table II.1 shows the average monthly earnings in large establishments by industrial group over the period March 2002 through March 2004.

Compensation of Employees

Compensation of employees went up, in nominal terms, from Rs52,882 million in 2002 to an estimated Rs58,325 million in 2003, or 10.3 per cent, compared to an increase of 7.2 per cent in 2002. The higher rate of growth in compensation of employees in 2003 was largely due to the implementation of the Pay Research Bureau (PRB) award in the general Government sector effective July 2003. Compensation of employees as a percentage of GDP at basic prices remained unchanged at 42.3 per cent in 2003. Compensation of employees in the general Government sector, which accounts for around 25 per cent of total compensation, grew, in nominal terms, by 13.5 per cent in 2003 compared to 7.8 per cent in 2002, while for the rest of the economy it increased by 9.3 per cent in 2003 compared to 7.1 per cent in 2002. In real terms, compensation of employees grew significantly, by 6.2 per cent, in 2003 compared to an increase of 0.8 per cent in 2002.

Cost of Living Compensation

In 2003-04, employees whose basic wage was Rs4,000 or less per month received a cost of living compensation of 4.5 per cent rounded up to the next rupee or a minimum of Rs115, while employees earning over and above Rs4,000 per month were granted a cost of living compensation ranging from Rs180 to Rs220, depending on their income brackets.

Wage Rate Index

The wage rate index measures changes in wages paid for normal time work in specific occupations, comprising basic wages and salaries, cost of living allowances, and other guaranteed and regular allowances paid at the end of each pay period, but with overtime payments being excluded. Changes in the index provide an indication of the movement in the cost of labour in the economy. With the year 2000 as base, the wage rate index for the year

2003 was computed from wage data collected through the "Survey of Employment, Earnings and Hours of Work" carried out by the Central Statistics Office (CSO) in September 2003 using a sample of large establishments, that is, those employing 10 or more persons. The wage rate index rose by 12.8 points, or 11.6 per cent, between September 2002 and September 2003 compared to an increase of 4.7 per cent in the corresponding period of the preceding year. The increase in the period September 2002 to September 2003 was mainly driven by contributions of the industry groups "Public Administration and Defence; Compulsory Social Security" (2.9 points), "Manufacturing, Mining and Quarrying" (2.3 points), "Transport, Storage and Communications" (1.3 points) and "Education" (1.3 points). Contributions from the remaining industry groups ranged from 0.2 point to 0.9 point.

An analysis of the changes in wage rates by industry group between September 2002 and September 2003 showed that "Public Administration and Defence; Compulsory Social Security" registered the highest increase of 16.3 per cent, following the implementation of the PRB award in the general Government sector effective July 2003, while the lowest increase was noted in "Financial Intermediation", which recorded a growth rate of 4.6 per cent. The wage rates in the industry groups "Education", "Construction" and "Hotels and Restaurants" went up by 14.5 per cent, 12.8 per cent and

Table II.1: Average Monthly Earnings[1] in Large Establishments

Industrial Group	Mar-02 [2] (Rs)	Mar-03 [2] (Rs)	Mar-04 [3] (Rs)	% Nominal Change between Mar-03 and Mar-04	% Change Adjusted for Increase in Price Level
1. Agriculture, Forestry and Fishing	7,959	8,734	9,328	6.8	2.8
of which: Sugarcane	*7,386*	*8,308*	*8,585*	*3.3*	*-0.5*
2. Mining and Quarrying	5,155	5,777	5,904	2.2	-1.6
3. Manufacturing	6,155	6,668	7,222	8.3	4.2
of which: Sugar	*9,271*	*10,941*	*11,257*	*2.9*	*-1.0*
EPZ products	*5,323*	*5,684*	*6,093*	*7.2*	*3.2*
4. Electricity, Gas and Water	17,518	17,347	18,456	6.4	2.4
5. Construction	9,280	10,147	11,445	12.8	8.6
6. Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	10,762	11,236	12,382	10.2	6.1
of which: Wholesale & Retail Trade	*10,848*	*11,259*	*12,435*	*10.4*	*6.3*
7. Hotels and Restaurants	8,034	8,402	8,947	6.5	2.5
8. Transport, Storage and Communication	12,788	13,830	15,100	9.2	5.1
9. Financial Intermediation	17,179	17,734	20,225	14.0	9.8
of which: Insurance	*15,137*	*16,103*	*17,357*	*7.8*	*3.7*
10. Real Estate, Renting and Business Activities	11,241	11,972	12,023	0.4	-3.3
11. Public Administration and Defence; Compulsory Social Security	11,020	11,232	13,960	24.3	19.6
12. Education	11,728	12,524	13,908	11.1	6.9
13. Health and Social Work	12,082	12,812	15,132	18.1	13.7
14. Other Services	8,751	9,839	10,846	10.2	6.1
Total	**9,159**	**9,826**	**11,084**	**12.8**	**8.6**

[1] *Earnings of daily, hourly and piece rate workers have been converted to a monthly basis.*
[2] *Revised.* [3] *Provisional.*
Source: Central Statistics Office, Government of Mauritius.

Table II.2: Annual Percentage Change in Wage Rates Index by Industry Group

(Per cent)

Industry Group	Sep-02	Sep-03
1. Agriculture and Fishing	2.9	8.7
2. Manufacturing, Mining and Quarrying	8.2	8.8
3. Electricity and Water	5.9	11.4
4. Construction	8.8	12.8
5. Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	3.8	11.7
6. Hotels and Restaurants	7.9	12.6
7. Transport, Storage and Communications	1.9	14.1
8. Financial Intermediation	5.0	4.6
9. Real Estate, Renting and Business Activities	5.5	7.2
10. Public Administration and Defence; Compulsory Social Security	1.3	16.3
11. Education	3.2	14.5
12. Health and Social Work	3.2	14.1
13. Other Community, Social and Personal Services	7.2	9.6
All Sectors	**4.7**	**11.6**

Source: Central Statistics Office, Government of Mauritius.

12.6 per cent, respectively, while both "Transport, Storage and Communication" and "Health and Social Work" recorded increases of 14.1 per cent between September 2002 and September 2003. The remaining industry groups recorded increases in wage rates in the range of 7.2 per cent to 11.7 per cent over that period.

Adjusted for the twelve-month running inflation rate, the overall wage rate in the economy went up by 6.7 per cent between September 2002 and September 2003 as against a decline of 1.3 per cent between September 2001 and September 2002.

Table II.2 gives details on the annual percentage change in the wage rate index by industry group for September 2002 and September 2003.

Labour Force, Employment and Unemployment

Labour Force

The population of the Republic of Mauritius was estimated at 1,228,965 as at end-December 2003, of which 607,969 were males and 620,996 were females, giving a sex ratio of 97.9. With an estimated population of 1,216,781 as at end-December 2002, the population growth rate worked out to 1.0 per cent for 2003. The total labour force, inclusive of foreign workers, increased from 540,900 in 2002 to 549,500 in 2003, or 1.6 per cent, higher than the 0.4 per cent growth registered in 2002. The number of foreign workers employed principally in the textiles and apparel industry rose from 17,000 in 2002 to 18,200 in 2003. The male labour force grew by an estimated 1.5 per cent while the female labour force registered a growth rate of 1.8 per cent in 2003 compared with marginal increases of 0.4 per cent and 0.5 per cent, respectively, in 2002.

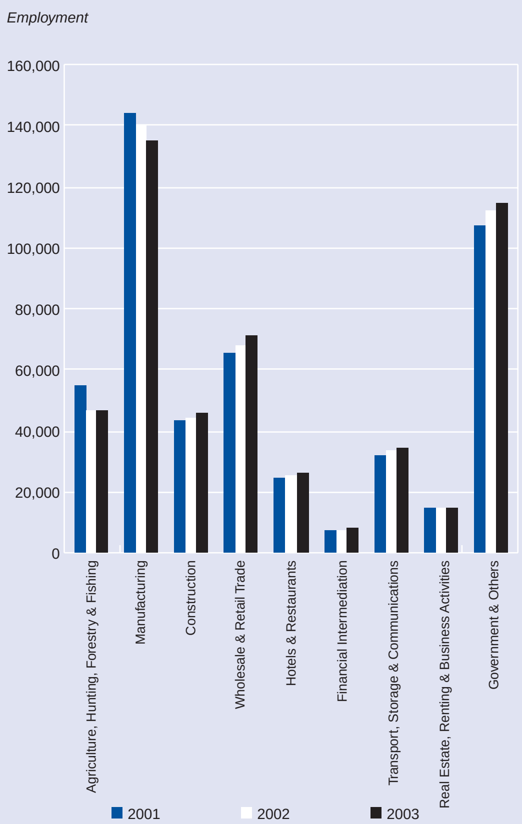
Employment

The employment situation improved in 2003 with total employment in the economy growing by 5,000, or 1.0 per cent, from 490,100 in 2002 to 495,100 in 2003 as against a contraction of 0.1 per cent in 2002. Both male and female employment grew by 1.0 per cent, with male employment reaching 327,300, up by 3,300, and female employment reaching

167,800, up by 1,700, in 2003. The foreign labour force, of which some 90 per cent are employed in the "Wearing Apparel" sub-sector of the EPZ, rose by 7.1 per cent in 2003 compared to an increase of 3.0 per cent in 2002.

On a sector-wise basis, job losses, totalling 5,600 in 2003, were recorded in "Agriculture, Forestry & Fishing" and "Manufacturing" on the back of ongoing reforms in the sugar sector and the contraction in the EPZ sector, respectively. Net employment decreases were registered in the EPZ sector (-5,700) and sugar sector (-2,600) while net employment increases occurred mainly in "Wholesale & Retail Trade" (+3,400) and "Construction" (+1,700). Employment in the "Education" sector recorded the highest increase of 6.2 per cent followed by "Health and Social Work" (5.5 per cent) and "Financial Intermediation" (5.3 per cent). The remaining industry groups recorded increases in employment in the range of 2.1 per cent to 5.0 per cent in 2003.

Chart II.1: Employment by Sector



Source: Central Statistics Office, Government of Mauritius.

Faced with increasing international competition, some EPZ firms have had to close down while some others have had to restructure to bring down their costs of production. However, the number of enterprises in the EPZ sector remained unchanged at 506 as at end-December 2003 compared to end-December 2002. During 2003, there were 23 new EPZ firms and an equal number of closures that occurred mostly in the "Wearing Apparel" sub-sector of the EPZ.

The manufacturing industry remained the largest employer with a share of 27.1 per cent in total employment in 2003, out of which the EPZ was the single largest employer with a share of 16.2 per cent, or 80,000 workers, in total employment. The "Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods" sector was the second largest employer in the economy with a share of 14.3 per cent, or 70,800 workers.

With effect from the first quarter of 2004, the Central Statistics Office (CSO) has adopted a new methodology for collecting employment data and calculating the unemployment rate. The CSO would thus be publishing quarterly estimates based on the results of the "Continuous Multi-Purpose Household Survey" (CMPHS), which is now used to measure the labour force and the number of employed and unemployed on a quarterly basis, with the last week of each quarter as reference week. Furthermore, the estimates would now refer to persons aged 15 years and above instead of 12 years and above previously.

For the first quarter of 2004, following the results of the CMPHS, the number of persons in employment stood at 494,100, which comprised 328,400 males and 165,700 females. An analysis of the disaggregated data showed that the mean age of the employed population was 37.8 years and that the primary, secondary and tertiary industries employed 10 per cent, 33 per cent and 57 per cent, respectively, of the total working population.

Table II.3 shows employment by industrial group for 2002 and 2003.

Table II.3: Employment by Industrial Group[1]

(Thousands)

Industrial Group	2002	2003[2]
1. Agriculture, Forestry and Fishing	46.9	46.4
of which: Sugar cane	*21.6*	*19.9*
Non-Sugar cane	*25.3*	26.5
2. Mining and Quarrying	1.3	0.3
3. Manufacturing	139.5	134.4
of which: Sugar	*3.1*	*2.2*
EPZ	*85.7*	*80.0*
Non-Sugar, Non-EPZ	*50.7*	*52.2*
4. Electricity and Water	3.1	3.0
5. Construction	44.1	45.8
6. Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	67.4	70.8
7. Hotels and Restaurants	25.4	26.5
8. Transport, Storage and Communications	33.4	34.3
9. Financial Intermediation	7.5	7.9
10. Real Estate, Renting and Business Activities	14.3	14.6
11. Public Administration and Defence; Compulsory Social Security	38.2	39.2
12. Education	24.3	25.8
13. Health and Social Work	12.7	13.4
14. Other Services	32.0	32.7
All Sectors	**490.1**	**495.1**

1 Employment figures include foreign workers.
2 Revised.
Source: Central Statistics Office, Government of Mauritius.

Unemployment

The rate of unemployment rose from 9.7 per cent in 2002 to 10.2 per cent in 2003 given the laying off of workers during 2003 coupled with an increase in the labour force. In absolute terms, the number of unemployed went up from 50,800 (comprising 29,600 males and 21,200 females) in 2002 to 54,400 (comprising 31,600 males and 22,800 females) in 2003. A gender-wise analysis indicated that the male unemployment rate increased from 8.5 per cent in 2002 to 9.0 per cent in 2003, while the female unemployment rate went up from 12.0 per cent to 12.6 per cent over the same period.

The number of vacancies, as notified in the press, stood at 2,347 in 2003. Out of these, around 51 per cent was in the textiles and garments sector. Demand for skilled workers, however, still remained high as those vacancies neither requiring nor specifying qualifications represented only 24 per cent of total vacancies notified in the press in 2003. The continued mismatch in skills in the labour market led to a large number of work permits, amounting to 20,966, to be granted to foreign workers, of which some 15,047 work permits were issued for jobs in the textiles and garments sector.

Following the adoption of a new methodology, in the first quarter of 2004, the number of unemployed was estimated at 47,000 (20,300 males and 26,700 females). The unemployment rate stood at 8.7 per cent in the first quarter of 2004, with the male and female unemployment rates at 5.8 per cent and 13.9 per cent, respectively.

Chart II.2: Unemployment Rate

Source: Central Statistics Office, Government of Mauritius.

An analysis of the disaggregated data showed that among those unemployed, 36.4 per cent have studied up to the primary level while another 54.1 per cent have secondary level education. Moreover, some 68 per cent of them have been looking for a job for up to one year while 14 per cent and 18 per cent of them have been searching for a job for one to two years and for more than two years, respectively.

Chart II.1 gives the total employment by sector for the period 2001 through 2003 and Chart II.2 shows the unemployment rate from 1995 to 2003.

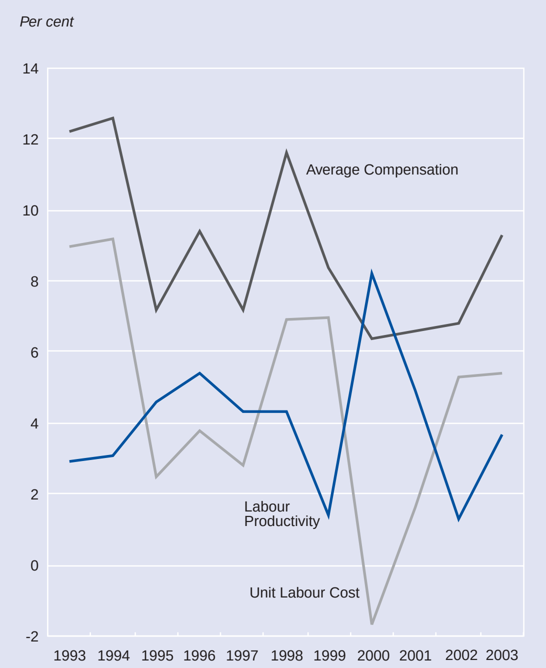
Unit Labour Cost and Productivity

Labour productivity for the whole economy, which is defined as the ratio of real output to labour input, grew by 3.7 per cent in 2003 compared to 1.3 per cent in 2002, but was lower than the annual average growth rate of 4.1 per cent for the period 1993-2003. For the manufacturing sector, labour productivity grew by 4.2 per cent in 2003 compared to a growth of 0.9 per cent in 2002, while for the EPZ sector, it went up by 2.6 per cent in 2003 compared to a growth of 0.2 per cent in 2002. Labour productivity in the textiles sub-sector of the EPZ sector increased by 4.0 per cent in 2003 while in the non-textile manufacturing sector, it declined by 6.3 per cent.

Unit labour cost, which is defined as the labour cost of producing a unit of output, grew by 5.4 per cent in 2003 compared to 5.3 per cent in 2002. In US dollar terms, unit labour cost grew by 11.3 per cent in 2003, largely on account of the appreciation of the rupee vis-à-vis US dollar, compared to a growth of 2.2 per cent in 2002. In the manufacturing sector, unit labour cost grew by 2.3 per cent in 2003 compared to an increase of 7.3 per cent in 2002. Over the period 1993-2003, unit labour cost for the total economy grew at an annual average rate of 4.3 per cent as average compensation grew faster than labour productivity.

Chart II.3 shows the growth rates of average compensation, unit labour cost and labour productivity for the total economy for the years 1993 through 2003.

Chart II.3: Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity



Source: Central Statistics Office, Government of Mauritius.

Labour Market Outlook

New economic challenges have emerged with the forthcoming phasing out of the Multi Fibre Agreement, due for 31 December 2004, and the proposed reforms of the European Union sugar regime. In addition, increased competition from low-cost countries requires productivity levels to be raised. The government's approach to dealing with the problem on the supply side of the labour market is one of investing heavily in education and training in order to raise productivity in future. However, unemployment is likely to remain a problem, as the skills mismatch in the labour market will persist since many of the unemployed only have a basic level of education. Emerging sectors such as information and communication technology are likely to face, for some time, a shortage of the skills they need.

Institutional constraints, mainly in the form of the highly centralised wage determination structure, have also for long restricted labour market flexibility in Mauritius. In fact, wage growth is not generally matched by productivity growth in the low-skill textiles and sugar sectors given that wage growth in the high-skill emerging sectors generally lead compensation growth in the economy. The present tripartite system of wage negotiation, which is based on consultations involving the government, trade unions and representatives of the private sector, reflects a "social contract" that has been built over the years. Firm level bargaining taking into account firm/sector-specific factors, including productivity levels, is not significant. Economic challenges ahead, including competitive factors in a liberalised world economy, should lead to a reassessment of the existing system of wage bargaining.

Prices

Inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI), fell to 3.9 per cent in 2003-04 from 5.1 per cent in the preceding fiscal year. This was much lower than the target of 5.0 per cent set by the Bank of Mauritius at the beginning of fiscal year 2003-04. The prudent conduct of monetary policy, favourable weather conditions, subdued rates of inflation in our major trading partners and the weakness of the US dollar

Table II.4: Quarterly Percentage Change in the Sub-Indices of the CPI by Division

(Per cent)

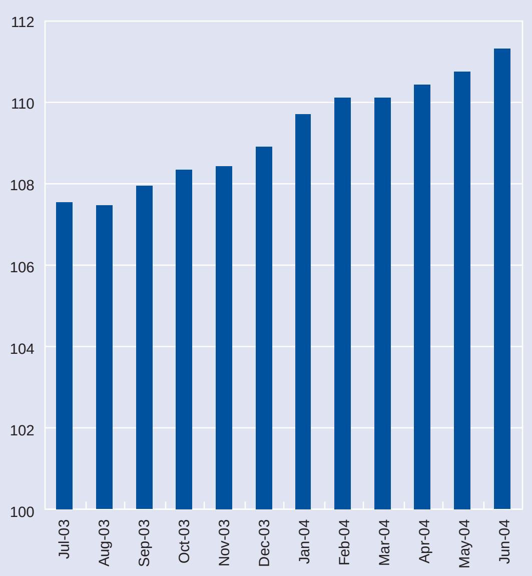
Divisions	Weights	Quarter ended				2003-04
		Sep-03	Dec-03	Mar-04	Jun-04	
1. Food	299	1.1	0.3	3.5	0.3	5.3
2. Alcoholic Beverages and Tobacco	86	0.5	4.6	0.3	4.1	9.7
3. Clothing and Footwear	60	0.4	0.1	0.5	0.4	1.4
4. Housing, Water, Electricity, Gas and Other Fuels	96	1.4	0.1	0.0	0.3	1.8
5. Furnishings, Household Equipment and Routine Household Maintenance	80	1.3	-0.5	0.8	-0.1	1.5
6. Health	28	1.6	2.3	0.7	2.9	7.8
7. Transport	139	-0.8	0.9	-1.0	2.2	1.2
8. Communication	31	6.1	3.6	0.5	0.0	10.4
9. Recreation and Culture	53	0.7	-0.5	-0.6	-0.9	-1.2
10. Education	24	1.3	0.0	2.9	0.0	4.3
11. Restaurants and Hotels	50	0.3	0.7	1.2	3.9	6.2
12. Miscellaneous Goods and Services	54	2.6	0.2	0.0	1.4	4.3
ALL GROUPS	**1000**	**0.9**	**0.9**	**1.1**	**1.1**	**4.1**

Source: Central Statistics Office, Government of Mauritius.

during the period under review have contributed to the containment of inflationary pressures in the economy.

Between June 2003 and June 2004, the consumer price index registered an increase of 3.8 points, from 106.9 in June 2003 to 110.7 in June 2004. Except for "Recreation and Culture", where the index fell by 1.9 points (or 1.8 per cent), all the remaining eleven divisions of consumption expenditure recorded increases in their sub-indices. The largest rise of 12.2 points (or 10.0 per cent) was recorded in "Communication", due largely to substantial increases in the price of telephone services in September and October 2003. "Alcoholic Beverages and Tobacco" recorded the second largest rise of 9.9 points (or 8.9 per cent) in the wake of price hikes for beer and stout in October 2003 and June 2004, and for cigarettes in December 2003 and June 2004. The third largest increase of 5.2 points (or 4.9 per cent) was noted in "Food and Non-Alcoholic Beverages", which has the largest weight of around 30 per cent in the consumer basket of goods and services. Except for two months when slight declines of 0.1 point were observed, the "Health" division continuously registered increases in its sub-index, and it recorded the fourth largest increase of 7.6 points (or 6.9 per cent) during 2003-04. The remaining nine divisions registered increases in their sub-indices, ranging from 0.2 point to 6.6 points.

Chart II.4: Monthly Consumer Price Index
(Base year July 2001 - June 2002 =100)



Source: Central Statistics Office, Government of Mauritius.

The State Trading Corporation (STC), which is the sole importer of petroleum products and also a number of other consumer items, accumulated losses over the years due to the non-adjusment of its domestic wholesale prices, more importantly those of petroleum products, in line with price increases on the international market. These losses represented a drain on public finances. To address the matter, an Automatic Price Mechanism (APM) for the adjustment of prices of petroleum products was set up in March 2004 for implementation as from 2 April 2004. The APM accommodates price fluctuations in the range of 2.5 per cent to 15 per cent for diesel and motor gasoline (mogas), on a quarterly basis, to reflect international oil prices as well as exchange rate fluctuations of the Mauritian rupee vis-à-vis the US dollar, the currency in which international oil prices are denominated. Thus, effective 2 April 2004, the prices of mogas and diesel were increased by 4.7 per cent and 9.7 per cent, respectively. Apart from these two petroleum products, the administered prices of certain other items also went up during 2003-04. In February 2004, the prices of bread, flour and cement were raised by 13 per cent, 17 per cent and 20 per cent, respectively, while that of iron bars was increased by around 38 per cent in June 2004 in the wake of rapidly rising world demand emanating more specifically from China and South East Asian and Middle East countries. The price of edible oil increased by around 3 per cent in May 2004. However, the price of liquefied petroleum gas (LPG) was brought down by around 4.5 per cent in February 2004.

Table II.3 shows the quarterly percentage change in the sub-indices of the twelve divisions in the CPI basket of goods and services. Chart II.4 shows the monthly evolution of CPI during 2003-04. Charts II.5 and II.6 depict the monthly evolution of the twelve divisions of the CPI basket of goods and services during 2003-04.

Inflation Outlook

There are upside risks to inflation stemming from a number of developments in the economy. Effective 2 July 2004, the price of

Charts II.5 and II.6: Monthly Evolution of the Twelve Divisions of the CPI Basket of Goods and Services during 2003-04
(Base: July 2001 - June 2002 = 100)

petroleum products increased by some 15 per cent, which is the upper limit permissible under the Automatic Price Mechanism (APM) of the State Trading Corporation (STC). In addition, effective 1 August 2004, electricity tariffs went up by around 5 per cent. Cascading effects of these price hikes on other related goods and services are expected to exert an adverse effect on the CPI. An adjustment is forthcoming in the transport sector as bus fares would be adjusted by taking into account price movements of petroleum products on the domestic market. With the pickup in world economic activity and rising world demand for oil, international energy prices are likely to remain on the high side for some time with implications for energy prices domestically.

While the increase in excise duties on locally manufactured cigarettes and a number of alcoholic beverages mentioned in the 2004-05 Budget have already taken place in June 2004, the VAT base is likely to be broadened in the medium term, adding to the upward pressure on the general price level. In addition, customs duties on a number of items were abolished to meet WTO rules, but were however replaced in some cases by Value Added Tax.

Although upside risks to inflation continue to prevail in the economy, the cautious monetary policy stance adopted by Bank of Mauritius is expected to contain inflation over the medium term. For fiscal year 2004-05, the Bank of Mauritius is targeting an inflation rate of around 4 per cent.

III. MONEY AND BANKING

The basic thrust of monetary policy during the year 2003-04 was directed towards the lowering of the rate of inflation, which dropped to 3.9 per cent, from 5.1 per cent in 2002-03. The Bank of Mauritius continued to use its Reserve Money Programme and liquidity forecasting framework for the conduct of monetary policy. The primary auctions of Treasury/Bank of Mauritius Bills, as well as repurchase transactions, were the main operating tools for the implementation of monetary policy. Category 1 banks were able to avail themselves of overnight collateralised advances under the Lombard Facility. The interest rate payable for the use of this facility, the Lombard Rate, which is also the Bank's signalling mechanism of its monetary policy stance, was reduced on three occasions by 25 basis points each time, from 10.25 per cent to 9.50 per cent.

Monetary developments during the year 2003-04 were characterised by a reversal in some of the trends noted in the past few years. This is due essentially to a combination of decisions taken on the domestic scene and some external developments.

In bid to stem the rise in the public debt, which had reached an estimated high of 64.0 per cent of GDP at market prices at the end of June 2003, the Government took the decision to separate debt management from monetary management. As from 22 August 2003, the Bank of Mauritius started to auction Treasury Bills and other Government securities to meet the borrowing needs of the Government and Bank of Mauritius Bills for monetary policy purposes. At the same time, Government decided to run down its cash balances held at the central bank. As a result of these two decisions, net credit to Government from the central bank went up by 93.7 per cent as compared to a drop of 245.7 per cent registered in the year 2002-03. In contrast, financing of the deficit by Category 1 banks decelerated from 46.4 per cent in the year 2002-03 to 11.1 per cent in the year 2003-04 as most of their excess funds were channelled into Bank of Mauritius Bills. In absolute terms, net credit to Government from Category 1 banks went up by only Rs3,609 million whereas their investments in Bank of Mauritius Bills went up by Rs7,492 million.

As the auctions of Bank of Mauritius Bills started to impact adversely on the Bank's finances and Treasury Bills could only be used to meet the borrowing requirements of the Government, the level of excess liquidity in the banking system increased. This was reflected in a drop in yields and in interbank transactions.

The money market was flushed with an abnormally high level of excess liquidity. The average weekly cash ratio maintained by Category 1 banks varied between 5.58 per cent and 7.61 per cent in the year 2003-04 as against a range between 5.55 per cent and 6.47 per cent in the year 2002-03. The average weekly excess cash balances of Category 1 banks went up from a range between Rs56 million and Rs1,067 million in 2002-03 to a range between Rs90 million and Rs2,654 million in 2003-04.

The overall weighted monthly average yields on Treasury/ Bank of Mauritius Bills fell sharply by 434 basis points, from 9.06 per cent in June 2003 to 4.72 per cent in June 2004, largely exceeding the drop of 75 basis points in the Lombard Rate. As a result, Category 1 banks reduced their interest rates on deposits and advances in late March/beginning April 2004 although there was no cut in the Lombard Rate.

As the yields on Treasury/Bank of Mauritius Bills gradually went down, some institutional investors, taking advantage of the interest rate differentials, chose to switch from rupee-denominated assets into foreign currency ones. This led to a substantial increase in foreign currency deposits with Category 1 banks, which went up by 14.9 per cent in the year 2003-04, up from 9.8 per cent a year earlier.

With a view to dampening the effect that a large amount of excess liquidity potentially has on inflation, the Bank of Mauritius increased the frequency of reverse repurchase transactions and started, with effect from 19 April 2004, to conduct foreign currency swap transactions with Category 1 banks. The total value of the bids received and accepted for the reverse repurchase transactions during the year 2003-04 amounted to Rs56,610 million and Rs19,150 million respectively, compared to Rs26,113 million and Rs10,680 million respectively in the year 2002-03. Foreign currency swap transactions for a total amount of US$44.5 million were carried out during the year 2003-04.

The substantial amount of excess liquidity was also reflected in the reduced frequency of repo transactions, the drop in the value of interbank transactions and in interbank rates and in the number of times that Category 1 banks had recourse to the Lombard Facility during the year. Only one repo transaction for Rs325 million was conducted in 2003-04, compared to 10 transactions for Rs7,100 million in the year 2002-03. The total value of interbank transactions fell by 24.8 per cent from Rs79,259 million in 2002-03 to Rs59,570 million in 2003-04. Interbank transactions were carried out at a monthly weighted average interest rate of 2.13 per cent, down from 6.14 per cent in 2002-03. The total amount of financing that Category 1 banks requested under the Lombard Facility amounted to only Rs18 million during the year 2003-04, compared to Rs304 million in 2002-03.

In spite of the reduction in interest rates and although the growth rate of private sector credit accelerated from 6.4 per cent in 2002-03 to 9.4 per cent in 2003-04, Category 1 banks were very much cautious in extending credit to some particular sectors of the economy, such as manufacturing and tourism, in view of the difficulties that the latter were experiencing. Almost 80 per cent of the additional credit extended during the year was channelled to only three sectors, namely construction, financial and business services and traders.

The simultaneous issue of Bank of Mauritius Bills and the maintenance of a large amount of excess liquidity by Category 1 banks resulted in a large increase in reserve money which went up on average by 52.2 per cent monthly in 2003-04, up from 13.8 per cent in 2002-03. As money supply M2 grew by a monthly average of only 12.7 per cent from 11.2 per cent in 2002-03, the average M2 multiplier dropped from 8.47 in 2002-03 to 6.27 in 2003-04.

The growth rate of net foreign assets of the banking system decelerated from 19.0 per cent in 2002-03 to 3.3 per cent in 2003-04. The net foreign assets of the Bank of Mauritius went up by only 9.3 per cent, down from 32.3 per cent in 2002-03, largely on account of the depreciation of the US dollar against the rupee and the low level of interest rates on international foreign exchange markets. In contrast, the growth rate of domestic credit accelerated from 7.6 per cent in 2002-03 to 20.5 per cent in 2003-04, explained to a large extent by the increase in claims on Government by the Bank of Mauritius. The combined effect of the increase in the net foreign assets and domestic credit resulted in an increase of 14.4 per cent in money supply M2 in 2003-04, up from 11.7 per cent in 2002-03.

Other notable developments during the year 2003-04 include the start of operations of the Mauritius Post and Cooperative Bank Ltd, the sale of Treasury/Bank of Mauritius Bills to the public on The Stock Exchange of Mauritius Ltd and the issue of a banking licence to Banque des Mascareignes Ltée.

Mauritius Post and Cooperative Bank Ltd, which was issued a Category 1 Banking Licence in June 2003, following the merger between New Co-operative Bank Ltd and Mauritius Post Office Savings Bank, became operational on 1 August 2003.

Effective 15 December 2003, the Bank of Mauritius, with the collaboration of The Stock Exchange of Mauritius Ltd (SEM) and the Central Depository and Settlement Co. Ltd, started selling Bills of 182-day, 364-day and 728-day maturities through licensed stockbroking companies on the SEM with a view to providing wider access of these instruments to the public. Purchase orders for these Bills on the SEM are restricted to Mauritian citizens and are limited to a maximum of 20 units per order (one unit = Rs100,000 nominal).

Banque des Mascareignes Ltée was granted a Category 1 Banking Licence on 8 January 2004 and it started operations on 14 June 2004.

Monetary Policy: 2003-04

The basic thrust of monetary policy was directed towards promoting monetary conditions conducive to the reduction of the inflation differential with major trading partners. The Bank of Mauritius targeted an inflation rate of 5.0 per cent during the financial year 2003-04. The prudent conduct of monetary policy by the Bank helped to contain the rate of inflation at 3.9 per cent during 2003-04.

The Bank provided overnight collateralised advances to Category 1 banks through the Lombard Facility. The Lombard Rate, which is the interest rate payable for the use of this facility, is the Bank's signalling mechanism of its monetary policy stance. The Bank reduced the Lombard Rate on three occasions during fiscal year 2003-04 by a total of 75 basis points: from 10.25 per cent to 10.00 per cent on 12 September 2003, further down to 9.75 per cent on 27 November 2003, and to 9.50 per cent on 29 January 2004. Category 1 banks adjusted their deposits and lending rates more or less in line with the changes in the Lombard Rate. The lowering of the Lombard Rate indicated a further easing of the monetary policy stance of the Bank and was mainly aimed at reducing borrowing costs and supporting the growth prospects of the economy.

Thus, in 2003-04, monetary policy remained accommodative to support the economy, besides sustaining domestic demand.

Monetary Aggregates

The monetary survey provides a consolidation of the activities of the Bank of Mauritius and Category 1 banks based on the analytical framework of the International Monetary Fund's "Guide to Money and Banking Statistics in International Financial Statistics". From the monetary survey, the following main monetary aggregates are compiled and presented: net foreign assets (which is further disaggregated into the net foreign assets of the Bank of Mauritius and the net foreign assets of Category 1 banks), domestic credit (which is disaggregated into credit to Government, credit to the private sector, credit to Category 2 banks and credit to non-bank financial institutions), broad money supply M2 (also known as aggregate monetary resources (AMR) and which comprises narrow money supply M1 and quasi-money), and net other items.

Net foreign assets of the banking system rose for the sixth consecutive year, driven solely for the second consecutive year by the increase in the net foreign assets of the Bank of Mauritius. Net foreign assets of the banking system rose by Rs1,552 million, from Rs47,568 million at the end of June 2003 to Rs49,120 million at the end of June 2004, or 3.3 per cent, much lower than the increase of 19.0 per cent recorded in 2002-03. Net foreign assets of the Bank of Mauritius increased by Rs3,678 million, from Rs39,584 million at the end of June 2003 to Rs43,262 million at the end of June 2004, or 9.3 per cent, compared to an increase of 32.3 per cent registered in 2002-03. Net foreign assets of Category 1 banks went down for the second consecutive year, dropping by Rs2,126 million, from Rs7,984 million at the end of June 2003 to Rs5,858 million at the end of 2004, or 26.6 per cent, higher than the drop of 20.7 per cent recorded in 2002-03.

Domestic credit expanded by Rs21,872 million, from Rs106,927 million at the end of June 2003 to Rs128,799 million at the end of June 2004, or 20.5 per cent, higher than the increase of 7.6 per cent recorded in 2002-03. The increase in domestic credit was brought about by increases in both of its components, namely, net credit to Government and credit to the private sector, with the former accounting for around 63 per cent of the increase.

Net credit to Government from the banking system expanded by Rs13,870 million, from Rs21,476 million at the end of June 2003 to Rs35,346 million at the end of June 2004, or

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

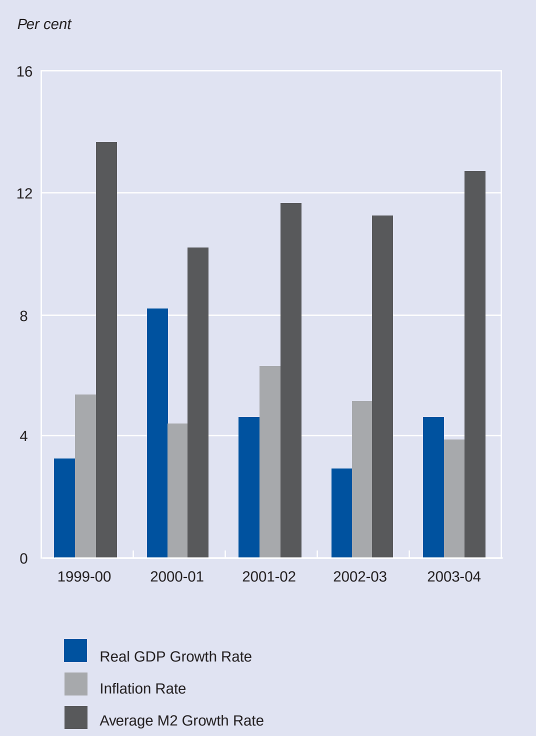


Table III.1: Monetary Survey

					(Rs million)
	Jun-00	**Jun-01**	**Jun-02**	**Jun-03**	**Jun-04**
1. Net Foreign Assets	**24,708.7**	**31,232.2**	**39,974.0**	**47,567.9**	**49,120.3**
(a) Bank of Mauritius	17,454.8	22,561.6	29,911.6	39,583.5	43,261.7
(b) Category 1 Banks	7,253.9	8,670.6	10,062.4	7,984.4	5,858.5
2. Domestic Credit	**86,459.1**	**92,159.2**	**99,395.9**	**106,927.0**	**128,799.3**
(a) Net Credit to Government	18,468.9	17,578.4	18,980.1	21,476.2	35,346.2
(b) Claims on Private Sector	67,271.4	74,015.8	79,975.7	85,080.1	93,119.6
(c) Claims on Category 2 Banks	283.8	283.8	283.8	338.1	329.6
(d) Claims on Non-Bank Deposit-Taking Institutions	435.0	281.2	156.2	32.7	3.9
3. Assets = Liabilities	**111,167.8**	**123,391.4**	**139,369.9**	**154,494.9**	**177,919.6**
4. Aggregate Monetary Resources (M2)	**88,937.6**	**97,753.4**	**110,467.2**	**123,404.5**	**141,132.4**
(a) Money Supply	**11,068.2**	**12,711.8**	**15,135.6**	**17,439.0**	**21,321.8**
(i) Currency with Public	5,171.6	5,735.4	6,466.4	7,487.9	8,479.6
(ii) Demand Deposits	5,896.6	6,976.5	8,669.2	9,951.1	12,842.2
(b) Quasi-Money	**77,869.3**	**85,041.5**	**95,331.6**	**105,965.6**	**119,810.6**
(i) Savings Deposits [1]	35,702.2	38,931.7	44,860.8	49,428.8	59,500.9
(ii) Time Deposits	33,938.7	34,052.3	37,060.7	41,808.9	43,394.5
(iii) Foreign Currency Deposits	8,228.4	12,057.5	13,410.1	14,727.9	16,915.2
5. Other Items, net	**22,230.2**	**25,638.0**	**28,902.7**	**31,090.4**	**36,787.2**

[1] Include margin deposits.
Figures may not add up to totals due to rounding.

64.6 per cent, compared to 13.2 per cent recorded in 2002-03. After falling for four consecutive years, net credit to Government from the Bank of Mauritius went up, following the decision of the Government to run down its cash balances at the Bank. Net credit to Government from Bank of Mauritius increased by Rs10,261 million, from a negative figure of Rs10,956 million at the end of June 2003 to a negative figure of Rs695 million at the end of June 2004, or 93.7 per cent, as against a drop of 245.7 per cent in 2002-03. Net credit to Government from Category 1 banks grew by Rs3,609 million, from Rs32,432 million at the end of June 2003 to Rs36,041 million at the end of June 2004, or 11.1 per cent, compared to an increase of 46.4 per cent in 2002-03.

Credit to the private sector from Category 1 banks rose by Rs8,040 million, from Rs85,080 million at the end of June 2003 to Rs93,120 million at the end of June 2004, or 9.4 per cent, higher than the growth of 6.4 per cent registered in 2002-03. Loans and advances went up by Rs7,712 million, from Rs73,611 million at the end of June 2003 to Rs81,323 million at the end of June 2004, or 10.5 per cent, lower than the rise of 11.5 per cent recorded in 2002-03. Category 1 banks' investment in shares and debentures issued by the private sector fell by Rs356 million, or 4.0 per cent, from Rs8,881 million at the end of June 2003 to Rs8,525 million at the end of June 2004.

Broad money supply M2 increased by Rs17,727 million, from Rs123,405 million at the end of June 2003 to Rs141,132 million at the end of June 2004, or 14.4 per cent, compared to an increase of 11.7 per cent in 2002-03. Both components of M2, namely, narrow money supply M1 and quasi-money, contributed positively to its increase.

Narrow money supply M1 increased by Rs3,883 million, from Rs17,439 million at the end of June 2003 to Rs21,322 million at the end of June 2004, or 22.3 per cent, compared to an increase of 15.2 per cent registered in 2002-03. Demand deposits, one of the components of money supply M1, expanded by Rs2,891 million,

Table III.2: Changes in Monetary Aggregates

		2000-01	2001-02	2002-03	2003-04
					(Rs million)
1.	**Money Supply**	**1,643.6**	**2,423.7**	**2,303.3**	**3,882.8**
2.	**Quasi-Money**	**7,172.2**	**10,290.1**	**10,634.0**	**13,845.0**
3.	**Aggregate Monetary Resources (a+b-c)**	**8,815.8**	**12,713.8**	**12,937.3**	**17,727.8**
	(a) Net Foreign Assets	6,523.5	8,741.8	7,593.8	1,552.4
	(b) Domestic Credit	5,700.1	7,236.7	7,531.1	21,872.3
	(i) Net Credit to Government	*-890.5*	*1,401.7*	*2,496.1*	*13,870.0*
	(ii) Claims on Private Sector	*6,744.4*	*5,960.0*	*5,104.4*	*8,039.5*
	(iii) Claims on Category 2 Banks	*0.0*	*0.0*	*54.3*	*-8.5*
	(iv) Claims on Non-Bank Deposit-Taking Institutions	*-153.8*	*-125.0*	*-123.5*	*-28.8*
	(c) Other Items, net	3,407.8	3,264.7	2,187.6	5,696.9

Figures may not add up to totals due to rounding.

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

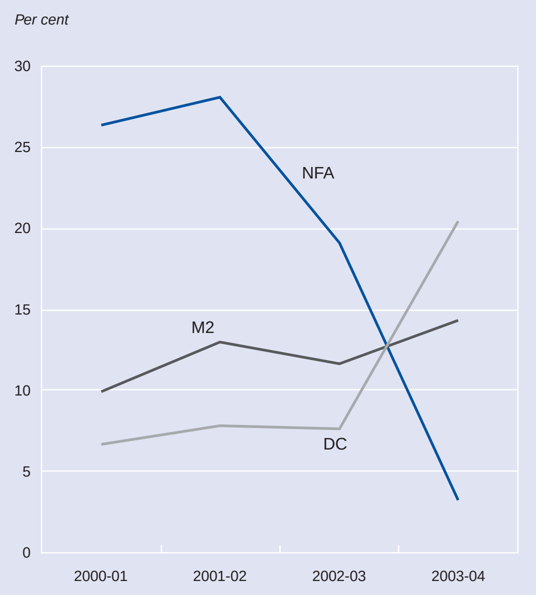
		2000-01	2001-02	2002-03	2003-04
					(Per cent)
1.	**Net Foreign Assets**	**7.3**	**8.9**	**6.9**	**1.3**
	(a) Bank of Mauritius	5.7	7.5	8.8	3.0
	(b) Category 1 Banks	1.6	1.4	-1.9	-1.7
2.	**Net Claims on Government**	**-1.0**	**1.4**	**2.3**	**11.2**
	(a) Bank of Mauritius	-0.7	-5.7	-7.0	8.3
	(b) Category 1 Banks	-0.3	7.1	9.3	2.9
3.	**Claims on Private Sector**	**7.6**	**6.1**	**4.6**	**6.5**
4.	**Claims on Category 2 Banks**	**0.0**	**0.0**	**0.0**	**0.0**
5.	**Claims on Non-Bank Deposit-Taking Institutions**	**-0.2**	**-0.1**	**-0.1**	**0.0**
6.	**Other Items, net**	**3.8**	**3.3**	**2.0**	**4.6**
7.	**Percentage Change in Aggregate Monetary Resources (1+2+3+4+5-6)**	**9.9**	**13.0**	**11.7**	**14.4**

Figures may not add up to totals due to rounding.

from Rs9,951 million at the end of June 2003 to Rs12,842 million at the end of June 2004, or 29.1 per cent, compared to a rise of 14.8 per cent in 2002-03. Currency with public, the other component of money supply M1, increased by Rs992 million, from Rs7,488 million to Rs8,480 million, or 13.2 per cent, compared to an increase of 15.8 per cent recorded in 2002-03.

Quasi-money, the other component of money supply M2, expanded by Rs13,845 million, from Rs105,966 million at the end of June 2003 to Rs119,811 million at the end of June 2004, or 13.1 per cent, higher than the increase of 11.2 per cent registered in 2002-03. Of the components of quasi-money, savings deposits went up by Rs10,072 million, from Rs49,429 million to Rs59,501 million, or 20.4 per cent, compared to 10.2 per cent in 2002-03; time deposits rose by Rs1,586 million, from Rs41,809 million to Rs43,395 million, or 3.8 per cent, lower than the increase of 12.8 per cent noted in 2002-03; foreign currency deposits increased by Rs2,187 million, from Rs14,728 million to Rs16,915 million, or 14.9 per cent, compared to an increase of 9.8 per cent in 2002-03.

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



The 14.4 per cent increase in broad money supply M2 in 2003-04 resulted from a positive contribution of 17.7 percentage points from domestic credit, of which net credit to Government contributed 11.2 percentage points and credit to the private sector contributed 6.5 percentage points, as well as a 1.3 percentage points positive contribution from net foreign assets of the banking system. Net other items exerted a negative contribution of 4.6 percentage points. Thus, while both net foreign assets of the banking system and domestic credit more or less equally contributed to the increase in money supply M2 in 2002-03, with contributions of 6.9 and 6.8 percentage points, respectively, domestic credit was largely responsible for the increase in money supply M2 in 2003-04.

Chart III.1 shows the evolution of real GDP growth rate, inflation rate and average growth rate of money supply M2 for fiscal years 1999-00 through 2003-04. Table III.1 provides details of the monetary survey from end-June 2000 through end-June 2004. Tables III.2 and III.3 give details of the evolution of monetary aggregates for the years 2000-01 through 2003-04. Chart III.2 shows the rates of growth of money supply M2, net foreign assets and domestic credit for the years 2000-01 through 2003-04.

Reserve Money

Reserve money, also known as monetary base or high-powered money, comprises central bank liabilities that support the expansion of broad money supply and credit, thereby forming the basis of money creation in the economy. The components of reserve money are notes and

Table III.4: Components and Sources of Reserve Money

(Rs million)

	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
A. Reserve Money	**9,768.8**	**11,342.9**	**12,924.7**	**14,775.9**	**24,904.9**
B. Components of Reserve Money	**9,768.8**	**11,342.9**	**12,924.7**	**14,775.9**	**24,904.9**
(i) Currency with Public	5,171.6	5,735.4	6,466.4	7,487.9	8,479.6
(ii) Currency with Category 1 Banks	1,557.3	1,726.5	2,066.8	2,100.3	2,386.3
(iii) Deposits of Category 1 Banks	3,024.2	3,789.6	4,239.7	4,991.6	6,321.9
(iv) Other Deposits	15.7	91.4	151.7	196.0	225.0
(v) Bank of Mauritius Bills held by Category 1 Banks	-	-	-	-	7,492.1
C. Sources of Reserve Money	**9,768.8**	**11,342.9**	**12,924.7**	**14,775.9**	**24,904.9**
(i) Net Foreign Assets	17,454.8	22,561.6	29,911.6	39,583.5	43,261.7
(ii) Net Credit to Government	3,004.7	2,375.7	-3,169.2	-10,956.2	-694.8
(iii) Claims on Category 1 Banks	623.4	253.0	1,874.8	2,171.0	1,864.6
(iv) Claims on Non-Bank Deposit-Taking Institutions	435.0	281.2	156.2	32.7	3.9
(v) Other Liabilities, net	-11,749.2	-14,128.6	-15,848.8	-16,055.0	-19,530.5

Note: Effective 22 August 2003, the Bank of Mauritius started to issue Bank of Mauritius Bills in addition to Treasury Bills. Figures may not add up to totals due to rounding.

coins in circulation, deposit liabilities held by Category 1 banks, statutory bodies and other institutions with the central bank and Bank of Mauritius Bills (BoM Bills) held by Category 1 banks.

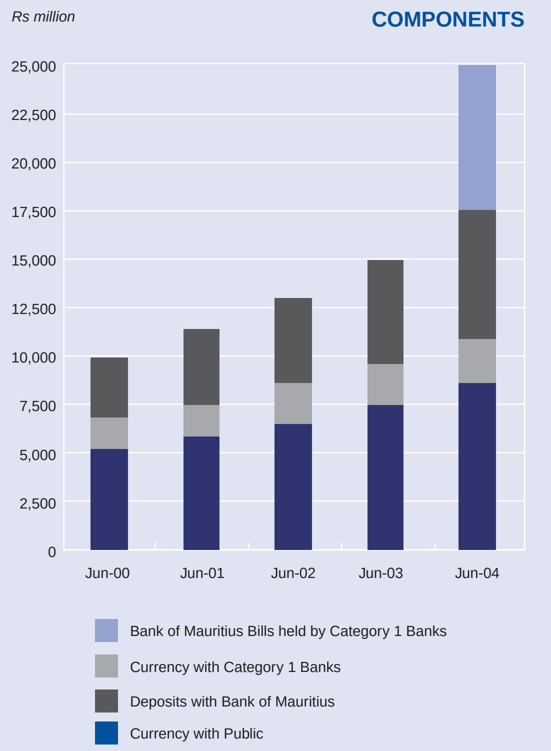
Reserve money expanded by Rs10,129 million, from Rs14,776 million at the end of June 2003 to Rs24,905 million at the end of June 2004, or 68.6 per cent, compared to an increase of 14.3 per cent registered in 2002-03. This huge increase is to a large extent explained by the issue of BoM Bills to Category 1 banks as well as a higher amount of cash reserves held by Category 1 banks.

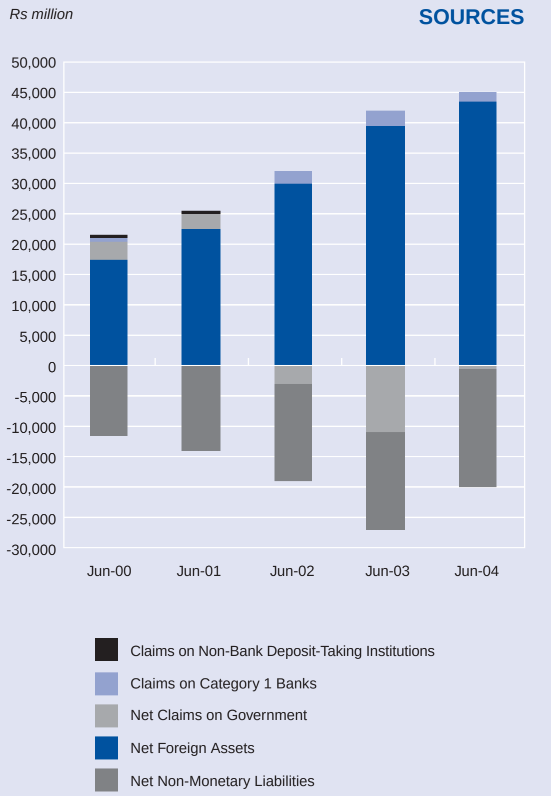
Currency with public increased by Rs992 million, from Rs7,488 million at the end of June 2003 to Rs8,480 million at the end of June 2004, or 13.2 per cent, lower than the increase of 15.8 per cent recorded in 2002-03. Currency in the vaults of Category 1 banks went up by Rs286 million, from Rs2,100 million to Rs2,386 million, or 13.6 per cent, as against a much smaller increase of 1.6 per cent noted in 2002-03. Demand deposits held with the Bank of Mauritius increased by Rs1,359 million, from Rs5,188 million to Rs6,547 million, or 26.2 per cent, higher than the 18.1 per cent increase recorded in 2002-03. Category 1 banks' holdings of BoM Bills amounted to Rs7,492 million at the end of June 2004.

On the sources side of reserve money, net foreign assets of the Bank of Mauritius went up by Rs3,678 million, from Rs39,584 million at the end of June 2003 to Rs43,262 million at the end of June 2004, or 9.3 per cent, lower than the increase of 32.3 per cent recorded in 2002-03. Net credit to Government from the Bank of Mauritius increased by Rs10,261 million, or 93.7 per cent, from a negative figure of Rs10,956 million at the end of June 2003 to a negative figure of Rs695 million at the end of June 2004. In 2002-03, Bank of Mauritius net claims on Government declined by Rs7,787 million, or 245.7 per cent. Bank of Mauritius claims on Category 1 banks dropped by Rs306 million, from Rs2,171 million to Rs1,865 million, or 14.1 per cent, as against an increase of 15.8 per cent recorded in 2002-03. Claims on non-bank deposit-taking institutions dropped by Rs29 million, from Rs33 million to Rs4 million, or 87.9 per cent, compared to a drop of 78.8 per cent recorded in 2002-03.

Thus, in 2003-04, the 68.6 per cent increase in reserve money resulted from positive

Chart III.3: Components and Sources of Reserve Money





contributions of 69.4 and 24.9 percentage points from net credit to Government from the Bank of Mauritius and net foreign assets of the Bank of Mauritius, respectively. Claims on Category 1 banks and non-bank deposit-taking institutions and net non-monetary liabilities exerted negative contributions of 2.1, 0.2 and 23.4 percentage points, respectively. In 2002-03, net foreign assets of the Bank of Mauritius and, to a lesser extent, claims on Category 1 banks accounted for the increase in reserve money.

Table III.4 and Chart III.3 give details of the components and sources of reserve money from end-June 2000 to end-June 2004.

Trends in Reserve Money and Monetary Ratios

The monthly average level of reserve money went up from Rs13,773 million in 2002-03 to Rs20,967 million in 2003-04, or 52.2 per cent, much higher than the increase of 13.8 per cent recorded in 2002-03. The substantial expansion in reserve money is attributed to the issue of BoM Bills to Category 1 banks during 2003-04, coupled with a higher amount of cash reserves held by banks.

The monthly average level of broad money supply M2 rose from Rs116,643 million in 2002-03 to Rs131,498 million in 2003-04, or 12.7 per cent, compared to an increase of 11.2 per cent in 2002-03. After falling in 2002-03, the rate of growth of the monthly average level of narrow money supply M1 rose from 16.2 per cent in 2002-03 to 17.5 per cent in 2003-04. The rate of growth of the monthly average level of quasi-money went up from 10.4 per cent in 2002-03 to 12.0 per cent in 2003-04. The rate of growth of the monthly average level of currency with public went up for the fourth consecutive year, rising from 13.7 per cent in 2002-03 to 14.7 per cent in 2003-04, while the growth rate of the monthly average level of demand deposits went up from 18.3 per cent to 19.8 per cent over the same period.

The average money multiplier for broad money supply M2 declined significantly, from 8.47 in 2002-03 to 6.27 in 2003-04, mainly on account of the issue of BoM Bills. The average money multiplier for narrow money supply M1 declined from 1.18 in 2002-03 to 0.91 in 2003-04.

The ratio of currency with public to narrow money supply M1 remained on a downward trend, falling further from 44.3 per cent in 2002-03 to 43.3 per cent in 2003-04. Conversely, the ratio of demand deposits to narrow money supply M1 remained on an upward path, rising further from 55.7 per cent in 2002-03 to 56.7 per cent in 2003-04. The declining use of cash resulting from enhanced utilisation of banking facilities like debit cards and the widespread use of ATMs could explain the declining share of currency with public in narrow money supply M1. The ratio of currency with public to broad money supply M2 went up for the second consecutive year, rising from 6.2 per cent in 2002-03 to 6.3 per cent in 2003-04, whereas the ratio of demand deposits to broad money supply M2 maintained its upward trend, rising further from 7.8 per cent in 2002-03 to 8.2 per cent in 2003-04.

The ratio of narrow money supply M1 to broad money supply M2 remained on an ascending path, rising further from 13.9 per cent in 2002-03 to 14.5 per cent in 2003-04. Conversely, the ratio of quasi-money to broad money supply M2 declined from 86.1 per cent in 2002-03 to 85.5 per cent in 2003-04.

Table III.5 gives details of monetary ratios for the years 1999-00 through June 2003-04.

Income Velocity of Circulation of Money

The income velocity of circulation of money measures the frequency with which 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 broad money supply M2 has remained virtually unchanged at 1.3 for the past five fiscal years.

The income velocity of narrow money supply M1 declined for the fourth consecutive year, dropping from 9.2 in 2002-03 to 8.6 in 2003-04. Ongoing modernisation of the payments system and the increasing use of debit cards for effecting transactions have largely contributed to the fall in the income velocity of circulation of money supply M1.

Table III.5: Monetary Ratios

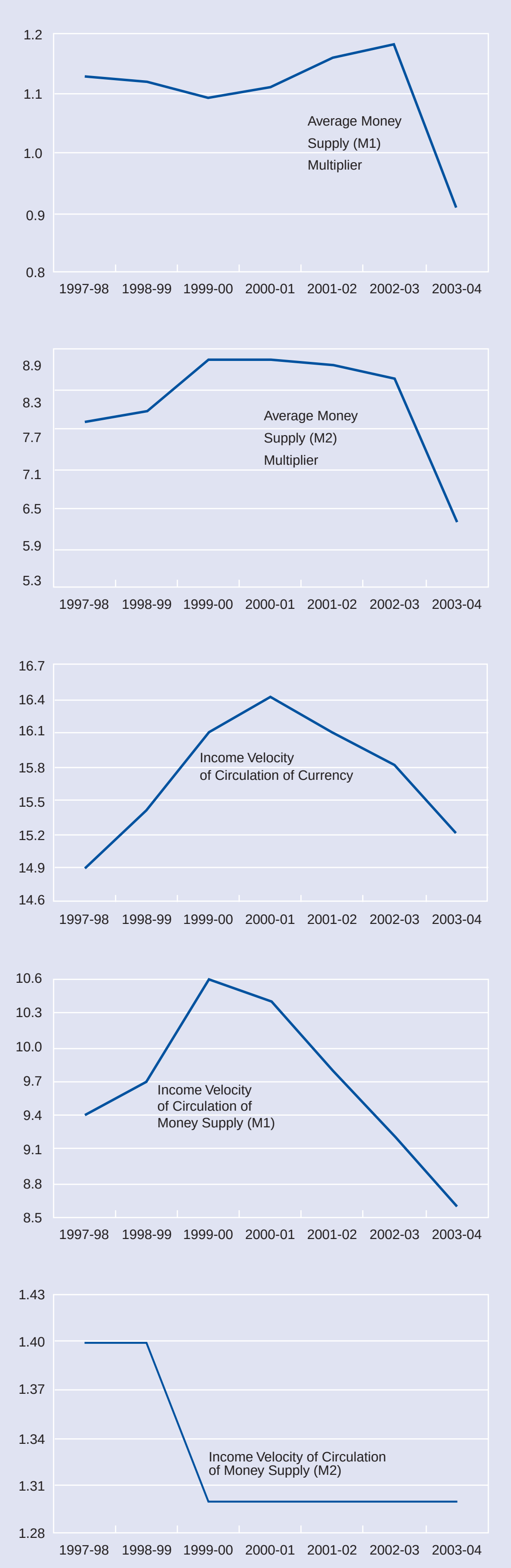
	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
1. Monthly Average for year ended (Rs million)					
A. Reserve Money	**9,765.4**	**10,752.7**	**12,101.9**	**13,772.7**	**20,966.6**
	(+3.3)	*(+10.1)*	*(+12.5)*	*(+13.8)*	*(+52.2)*
B. Aggregate Monetary Resources (AMR) (M2)	**85,444.2**	**94,043.1**	**104,936.4**	**116,643.2**	**131,497.7**
	(+13.6)	*(+10.1)*	*(+11.6)*	*(+11.2)*	*(+12.7)*
(a) Money Supply (M1)	**10,651.4**	**11,946.3**	**13,993.9**	**16,259.6**	**19,109.9**
	(+0.3)	*(+12.2)*	*(+17.1)*	*(+16.2)*	*(+17.5)*
(i) Currency with Public	5,030.5	5,628.1	6,341.9	7,210.8	8,268.5
	(+0.1)	*(+11.9)*	*(+12.7)*	*(+13.7)*	*(+14.7)*
(ii) Demand Deposits	5,620.9	6,318.2	7,652.0	9,048.8	10,841.4
	(+0.6)	*(+12.4)*	*(+21.1)*	*(+18.3)*	*(+19.8)*
(b) Quasi-Money	**74,792.8**	**82,096.8**	**90,942.5**	**100,383.6**	**112,387.8**
	(+15.8)	*(+9.8)*	*(+10.8)*	*(+10.4)*	*(+12.0)*
2. Average Money Multiplier					
A. Money Supply (M1)	**1.09**	**1.11**	**1.16**	**1.18**	**0.91**
B. Aggregate Monetary Resources (M2)	**8.75**	**8.75**	**8.67**	**8.47**	**6.27**
3. Other Monetary Ratios (Per cent)					
A. Currency to Money Supply (M1)	**47.2**	**47.1**	**45.3**	**44.3**	**43.3**
B. Demand Deposits to Money Supply (M1)	**52.8**	**52.9**	**54.7**	**55.7**	**56.7**
C. Currency to AMR	**5.9**	**6.0**	**6.0**	**6.2**	**6.3**
D. Demand Deposits to AMR	**6.6**	**6.7**	**7.3**	**7.8**	**8.2**
E. Money Supply to AMR	**12.5**	**12.7**	**13.3**	**13.9**	**14.5**
F. Quasi-Money to AMR	**87.5**	**87.3**	**86.7**	**86.1**	**85.5**

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.
As from August 2003, Bank of Mauritius Bills held by Category 1 banks are included in Reserve Money.
(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.

Table III.6: Income Velocity of Circulation of 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	15.8	9.2	1.3
2003-04	15.2	8.6	1.3

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



The income velocity of circulation of currency fell for the third consecutive year, from 16.1 in 2001-02 to 15.8 in 2002-03, and further down to 15.2 in 2003-04, largely explained by the increasing use of electronic means of payments.

Table III.6 provides details of the income velocity of circulation of money for the years 1996-97 through 2003-04. Chart III.4 shows the average money multiplier and the income velocity of circulation of money for the years 1997-98 through 2003-04.

Commercial Banking Sector

Main Features

At the end of June 2004, the domestic commercial banking sector in Mauritius comprised eleven Category 1 banks, made up of five local banks, two foreign-owned banks incorporated locally and four branches of foreign banks.

Mauritius Post and Cooperative Bank Ltd (MPCB) was issued a Category 1 Banking Licence in June 2003, following the merger between New Co-operative Bank Ltd and Mauritius Post Office Savings Bank, and became operational on 1 August 2003.

Banque des Mascareignes Ltée was granted a Category 1 Banking Licence on 8 January 2004 and started its operations on 14 June 2004.

The eleven Category 1 banks operated 151 branches, 13 counters, 1 mobile van and 273 Automated Teller Machines (ATMs), and employed 3,851 persons at the end of June 2004. The number of inhabitants per branch went down from 8,433 at the end of June 2003 to 8,098 at the end of June 2004, following an increase in the number of branches of banks across the country.

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 2003 and end-June 2004, total assets of Category 1 banks rose by Rs20,081 million, from Rs154,560 million to

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

(Rs million)

	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
1. TOTAL ASSETS	**109,865.6**	**118,232.7**	**134,679.8**	**154,559.7**	**174,640.7**
of which :					
A. Cash in Hand and Balances with Bank of Mauritius	**4,581.5**	**5,497.7**	**6,306.5**	**7,098.1**	**8,709.1**
B. Investments in Bank of Mauritius Bills	**-**	**-**	**-**	**-**	**7,586.6**
C. Investments in Treasury Bills and other Government Securities	**16,127.4**	**15,566.0**	**22,519.0**	**33,171.3**	**37,283.9**
D. Foreign Assets	**10,294.1**	**11,646.0**	**13,265.8**	**14,750.2**	**12,315.8**
E. Claims on Private Sector	**67,271.4**	**74,015.8**	**79,975.7**	**85,080.1**	**93,119.6**
F. Other	**11,591.2**	**11,507.2**	**12,612.8**	**14,460.0**	**15,625.7**
2. TOTAL LIABILITIES	**109,865.6**	**118,232.7**	**134,679.8**	**154,559.7**	**174,640.7**
of which :					
A. Capital and Reserves	**11,360.6**	**11,675.7**	**12,747.2**	**14,414.3**	**16,269.0**
B. Total Deposits	**84,356.2**	**92,375.3**	**104,275.3**	**116,295.6**	**132,729.8**
(i) Demand [1]	5,881.0	6,885.1	8,517.5	9,755.0	12 617.2
(ii) Time	33,938.7	34,052.3	37,060.7	41,808.9	43,394.5
(iii) Savings [2]	35,702.2	38,931.7	44,860.7	49,428.8	59,500.9
(iv) Government	605.9	448.7	426.3	575.0	302.0
(v) Foreign Currency	8,228.4	12,057.5	13,410.1	14,727.9	16,915.2
C. Total Borrowing from Banks Abroad	**3,040.2**	**2,975.4**	**3,203.4**	**6,765.8**	**6,423.6**
D. Other	**11,108.5**	**11,206.3**	**14,453.9**	**17,084.0**	**19,218.3**

[1] Include demand deposits of Category 2 banks. *[2] Include margin deposits.*
Figures may not add up to totals due to rounding.

Rs174,641 million, or 13.0 per cent, lower than the rise of 14.8 per cent registered in 2002-03.

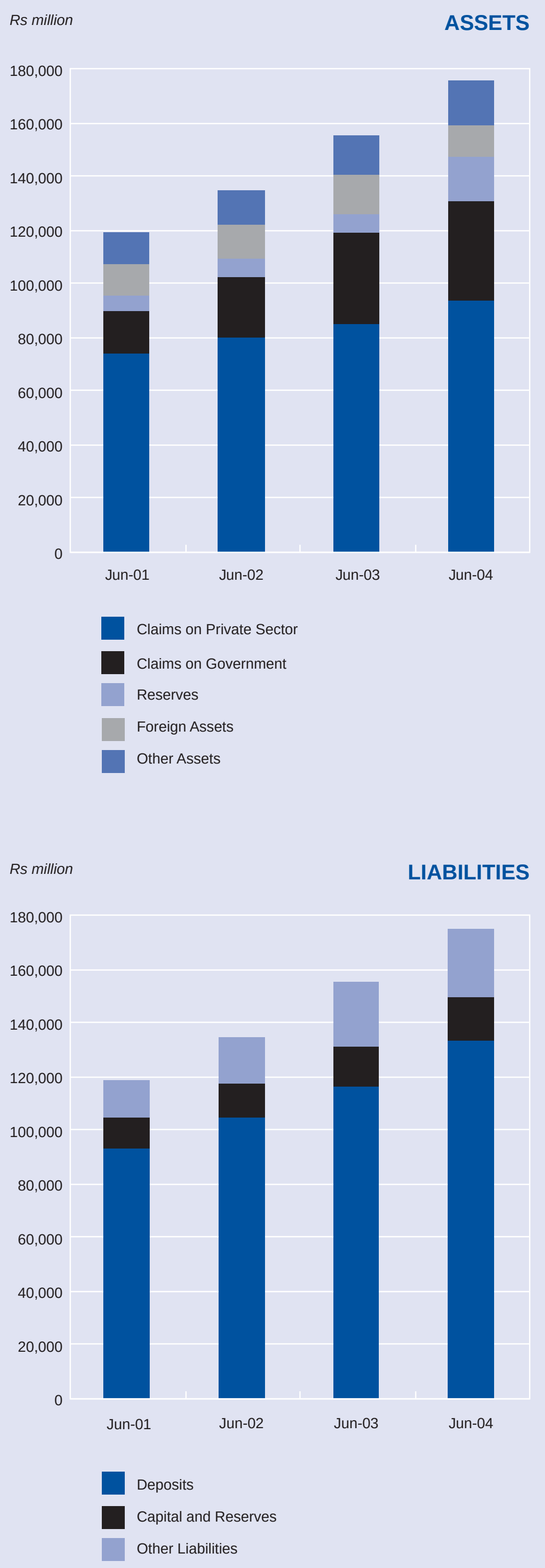
Category 1 banks' reserves, defined as their cash in hand, balances with the Bank of Mauritius and holdings of Bank of Mauritius Bills, increased by Rs9,198 million, from Rs7,098 million at the end of June 2003 to Rs16,296 million at the end of June 2004, or 129.6 per cent, compared to an increase of 12.6 per cent recorded in 2002-03. Bank of Mauritius Bills held by Category 1 banks accounted for around 82.5 per cent of the increase in Category 1 banks' reserves in 2003-04.

Foreign assets of Category 1 banks fell by Rs2,434 million in 2003-04, from Rs14,750 million at the end of June 2003 to Rs12,316 million at the end of June 2004, or 16.5 per cent, as against an increase of 11.2 per cent registered in 2002-03. Foreign bills purchased and discounted went down by Rs515 million, from Rs2,294 million to Rs1,779 million, or by 22.4 per cent, as against a rise of 19.4 per cent noted in 2002-03. Balances with banks abroad declined by Rs1,167 million, from Rs7,605 million to Rs6,438 million, or 15.3 per cent, compared to an increase of 10.6 per cent in 2002-03. Loans and foreign financing outside Mauritius went down by Rs783 million, from Rs3,748 million to Rs2,965 million, or 20.9 per cent, as against an increase of 15.3 per cent recorded in 2002-03.

Category 1 banks' investment in Treasury Bills and other Government securities increased by Rs4,113 million, from Rs33,171 million at the end of June 2003 to Rs37,284 million at the end of June 2004, or 12.4 per cent, compared to an increase of 47.3 per cent recorded in 2002-03.

Category 1 banks' credit to the private sector grew by Rs8,040 million, from Rs85,080 million at the end of June 2003 to Rs93,120

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



million at the end of June 2004, or 9.4 per cent, higher than the increase of 6.4 per cent registered in 2002-03. The credit-deposit ratio of Category 1 banks fell for the third consecutive year, from 73.2 per cent at the end of June 2003 to 70.2 per cent at the end of June 2004.

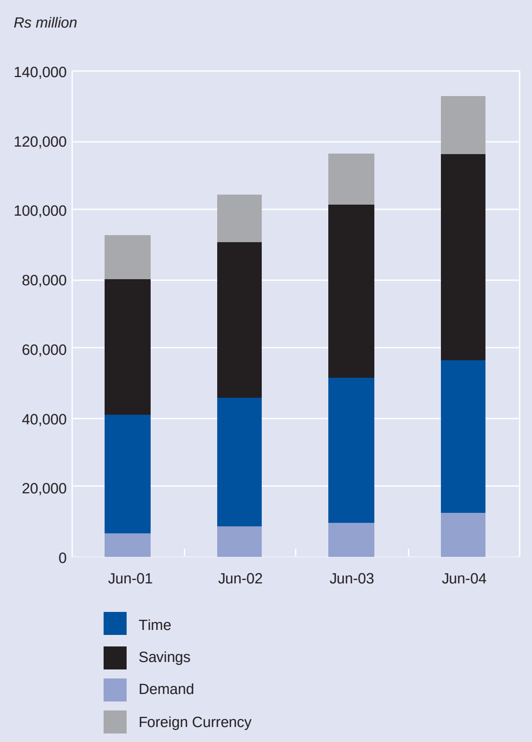
Total deposits with Category 1 banks went up by Rs16,434 million in 2003-04, from Rs116,296 million at the end of June 2003 to Rs132,730 million at the end of June 2004, or 14.1 per cent, compared to an increase of 11.5 per cent in 2002-03. Demand deposits rose by Rs2,862 million, from Rs9,755 million at the end of June 2003 to Rs12,617 million at the end of June 2004, or 29.3 per cent compared to an increase of 14.5 per cent in 2002-03. Savings deposits expanded by Rs10,072 million, from Rs49,429 million to Rs59,501 million at the end of June 2004, or 20.4 per cent compared to a growth of 10.2 per cent registered in 2002-03. Time deposits increased by Rs1,586 million, from Rs41,809 million at the end of June 2003 to Rs43,395 million at the end of June 2004, or 3.8 per cent, compared to an increase of 12.8 per cent in 2002-03. Foreign currency deposits rose by Rs2,187 million, from Rs14,728 million to Rs16,915 million, or 14.8 per cent, higher than the 9.8 per cent increase registered in 2002-03. Government deposits fell by Rs273 million, from Rs575 million at the end of June 2003 to Rs302 million at the end of June 2004, or 47.5 per cent, as against an increase of 35.0 per cent in 2002-03.

The shares of savings and demand deposits in total deposits increased from 42.5 per cent and 8.4 per cent, respectively, at the end of June 2003 to 44.8 per cent and 9.5 per cent, respectively, at the end of June 2004. The share of foreign currency deposits in total deposits remained unchanged at 12.7 per cent at the end of June 2004. In contrast, the share of time deposits in total deposits decreased from 36.0 per cent at the end of June 2003 to 32.7 per cent at the end of June 2004.

Foreign liabilities of Category 1 banks fell by Rs309 million in 2003-04, from Rs6,766 million at the end of June 2003 to Rs6,457 million at the end of June 2004, or 4.6 per cent, as against an increase of 111.2 per cent in 2002-03.

Capital and reserves of Category 1 banks grew by Rs1,855 million, from Rs14,414 million

Chart III.6: Deposits with Category 1 Banks



at the end of June 2003 to Rs16,269 million at the end of June 2004, or 12.9 per cent, compared to an increase of 13.1 per cent in the preceding year.

The average balance per account for demand, savings and time deposits stood at Rs150,156, Rs34,493 and Rs392,079 at the end of June 2004 compared to Rs126,476, Rs34,538 and Rs368,911, respectively, at the end of June 2003.

Table III.7 provides details of selected assets and liabilities of Category 1 banks for the years ended June 2000 through June 2004. Chart III.5 provides details of selected assets and liabilities of Category 1 banks, while Chart III.6 shows the types of deposits with Category 1 banks for the years ended June 2001 through June 2004.

Sectorwise Distribution of Credit to the Private Sector

Credit from Category 1 banks to the private sector expanded by Rs8,040 million, or 9.4 per cent, from Rs85,080 million at the end of June 2003 to Rs93,120 million at the end of June 2004, compared to an increase of 6.4 per cent between end-June 2002 and end-June 2003.

Loans and overdraft facilities rose by Rs6,492 million, or 9.8 per cent, from Rs66,286 million at the end of June 2003 to Rs72,778 million at the end of June 2004, lower than the rise of 10.1 per cent in 2002-03. Together they represented 78.2 per cent of total credit at the end of June 2004, up from 77.9 per cent at the end of June 2003. Loans and advances in foreign currency went up by Rs1,220 million, or 16.7 per cent, from Rs7,325 million at the end of June 2003 to Rs8,545 million at the end of June 2004, compared to an increase of 25.9 per cent in 2002-03. The share of loans and advances in foreign currency in total credit was 9.2 per cent at the end of June 2004 compared to 8.6 per cent at the end of June 2003. Local bills purchased and discounted rose by Rs226 million, or 34.9 per cent, from Rs648 million at the end of June 2003 to Rs874 million at the end of June 2004, as against a drop of 6.5 per cent in the preceding fiscal year. As a share of total credit, local bills purchased and discounted accounted for 0.9 per cent as at end-June 2004, up from 0.8 per cent at the end of June 2003. Bills receivable rose by Rs458 million, or 23.6 per cent, from Rs1,940 million at the end of June 2003 to Rs2,398 million at the end of June 2004, compared to a rise of 14.0 per cent in 2002-03. Their share in total credit stood at 2.6 per cent at the end of June 2004 compared to 2.3 per cent at the end of June 2003. Banks' investments in shares and debentures fell by Rs356 million, or 4.0 per cent, from Rs8,881 million at the end of June 2003 to Rs8,525 million at the end of June 2004, compared to a drop of 23.1 per cent in 2002-03. As a percentage of total credit, they accounted for 9.2 per cent at the end of June 2004, down from 10.4 per cent at the end of June 2003.

Credit extended to the New Economy expanded by Rs1,133 million, or 53.4 per cent, from Rs2,122 million at the end of June 2003 to Rs3,255 million at the end of June 2004 compared to an increase of 77.3 per cent recorded between end-June 2002 and end-June 2003. The share of the New Economy in total credit to the private sector rose from 2.5 per cent at the end of June 2003 to 3.5 per cent at the end of June 2004 and the New Economy accounted for 14.1 per cent of the increase in total credit in 2003-04.

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

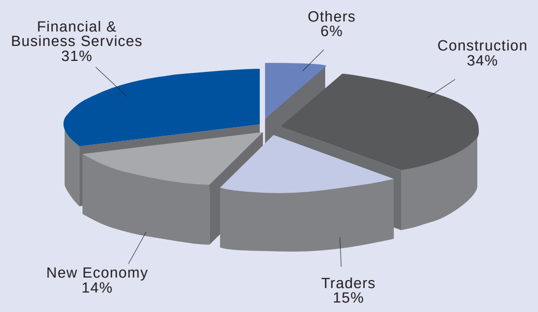
	Jun-02 (1)	Jun-03 (2)	Jun-04 (3)	Change between (1) and (2)		Change between (2) and (3)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Rs Mn)*	*(Per cent)*	*(Rs Mn)*	*(Per cent)*
Agriculture & Fishing	**7,532.4**	**8,304.0**	**7,712.4**	**771.6**	**10.2**	**-591.6**	**-7.1**
Of which:							
Sugar Industry - Estates	4,603.2	5,273.6	4,766.9	670.4	14.6	-506.7	-9.6
Sugar Industry - Others	1,029.0	1,042.6	976.8	13.6	1.3	-65.8	-6.3
Agricultural Development Certificate Holders	31.6	21.2	25.8	-10.4	-32.9	4.6	21.7
Sugarcane Planters	456.6	650.3	632.1	193.7	42.4	-18.2	-2.8
Other	1,412.0	1,316.4	1,310.8	-95.6	-6.8	-5.6	-0.4
Manufacturing	**13,646.2**	**13,116.1**	**13,203.5**	**-530.1**	**-3.9**	**87.4**	**0.7**
Of which:							
Export Enterprise Certificate Holders	7,840.1	6,619.1	6,326.0	-1,221.0	-15.6	-293.1	-4.4
Export Service Certificate Holders	181.9	175.4	149.2	-6.5	-3.6	-26.2	-14.9
Pioneer Status Certificate Holders	180.6	249.4	246.8	68.8	38.1	-2.6	-1.0
Small and Medium Enterprise Certificate Holders	102.1	95.4	88.9	-6.7	-6.6	-6.5	-6.8
Strategic Local Enterprise Certificate Holders	0.0	0.0	0.2	0.0	0.0	0.2	0.0
Furniture & Wood Products	413.3	423.1	391.2	9.8	2.4	-31.9	-7.5
Printing & Publishing	654.6	502.3	563.5	-152.3	-23.3	61.2	12.2
Steel/Metal Products	374.8	395.2	327.4	20.4	5.4	-67.8	-17.2
Food & Beverages	1,483.0	1,931.0	2,234.8	448.0	30.2	303.8	15.7
Plastic Products	154.2	140.6	148.9	-13.6	-8.8	8.3	5.9
Pharmaceuticals & Health Care	47.5	27.4	58.6	-20.1	-42.3	31.2	113.9
Jewellery & Precision Engineering	108.1	105.2	114.4	-2.9	-2.7	9.2	8.7
Electronics	82.1	87.2	103.3	5.1	6.2	16.1	18.5
Leather Products & Footwear	77.2	55.1	53.2	-22.1	-28.6	-1.9	-3.4
Other	1,946.5	2,309.7	2,397.2	363.2	18.7	87.5	3.8
Tourism	**11,846.6**	**13,951.9**	**13,695.5**	**2,105.3**	**17.8**	**-256.4**	**-1.8**
Of which:							
Hotels	5,198.2	5,378.2	5,068.4	180.0	3.5	-309.8	-5.8
Tour Operators & Travel Agents	225.8	300.7	363.8	74.9	33.2	63.1	21.0
Hotel Development Certificate Holders	1,009.2	1,044.6	1,058.3	35.4	3.5	13.7	1.3
Hotel Management Service Certificate Holders	4,899.8	6,670.8	6,618.8	1,771.0	36.1	-52.0	-0.8
Restaurants	176.1	223.7	212.0	47.6	27.0	-11.7	-5.2
Duty-Free Shops	1.7	2.0	1.9	0.3	17.6	-0.1	-5.0
Other	335.7	331.9	372.4	-3.8	-1.1	40.5	12.2
Transport	**1,249.9**	**1,205.5**	**1,376.7**	**-44.4**	**-3.6**	**171.2**	**14.2**
Of which:							
Buses, Lorries, Trucks & Cars	400.3	380.7	495.5	-19.6	-4.9	114.8	30.2
Shipping & Freight Forwarders	629.3	629.7	698.0	0.4	0.1	68.3	10.8
Other	220.3	195.1	183.1	-25.2	-11.4	-12.0	-6.2
Construction	**11,218.2**	**11,533.8**	**14,260.8**	**315.6**	**2.8**	**2,727.0**	**23.6**
Of which							
Building & Housing Contractors	1,598.5	1,697.3	1,717.1	98.8	6.2	19.8	1.2
Property Development - Commercial	941.7	1,023.4	1,538.8	81.7	8.7	515.4	50.4
Property Development - Residential	505.4	430.9	410.6	-74.5	-14.7	-20.3	-4.7
Property Development - Land Parcelling	231.7	187.6	192.2	-44.1	-19.0	4.6	2.5
Housing	6,262.4	6,647.9	8,395.4	385.5	6.2	1,747.5	26.3
Housing - Staff	525.8	525.2	626.2	-0.6	-0.1	101.0	19.2
Housing Development Certificate Holders	47.1	5.4	4.5	-41.7	-88.5	-0.9	-16.7
Industrial Building Enterprise Certificate Holders	336.3	329.6	295.8	-6.7	-2.0	-33.8	-10.3
Other	769.4	686.5	1 080.1	-82.9	-10.8	393.6	57.3

Continued on next page

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

	Jun-02 (1)	Jun-03 (2)	Jun-04 (3)	Change between (1) and (2)		Change between (2) and (3)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Rs Mn)*	*(Per cent)*	*(Rs Mn)*	*(Per cent)*
Traders	**11,364.2**	**12,313.4**	**13,545.6**	**949.2**	**8.4**	**1,232.2**	**10.0**
Of which:							
Wholesalers	3,074.2	2,981.5	4,396.2	-92.7	-3.0	1,414.7	47.4
Retailers - Supermarkets	417.0	613.5	1,154.8	196.5	47.1	541.3	88.2
Retailers - Shops & Snacks	295.6	210.3	224.3	-85.3	-28.9	14.0	6.7
Retailers - Pharmaceuticals and Chemists	114.4	152.9	197.3	38.5	33.7	44.4	29.0
Retailers - Others	1,271.1	1,049.9	1,934.0	-221.2	-17.4	884.1	84.2
Automobile Dealers & Garages	921.9	937.5	809.3	15.6	1.7	-128.2	-13.7
Other	5,270.0	6,367.8	4,829.6	1,097.8	20.8	-1,538.2	-24.2
New Economy	**1,196.4**	**2,121.6**	**3,254.8**	**925.2**	**77.3**	**1,133.2**	**53.4**
Of which:							
Telecommunications	1,110.5	1,797.8	2,944.2	687.3	61.9	1,146.4	63.8
Internet	6.5	8.1	5.4	1.6	24.6	-2.7	-33.3
E-Commerce	2.3	7.6	6.9	5.3	230.4	-0.7	-9.2
Information Technology - Hardware	29.5	31.8	45.4	2.3	7.8	13.6	42.8
Information Technology - Software	25.1	250.4	229.2	225.3	897.6	-21.2	-8.5
Personal Computers	12.3	9.7	8.8	-2.6	-21.1	-0.9	-9.3
Other	10.2	16.2	14.9	6.0	58.8	-1.3	-8.0
Financial and Business Services	**7,461.1**	**7,600.1**	**10,071.3**	**139.0**	**1.9**	**2,471.2**	**32.5**
Of which:							
Stockbrokers & Stockbroking Companies	330.8	289.8	280.4	-41.0	-12.4	-9.4	-3.2
Insurance Companies	240.1	336.0	402.2	95.9	39.9	66.2	19.7
Leasing Companies	1,664.3	1,128.3	774.1	-536.0	-32.2	-354.2	-31.4
Mutual Funds	50.0	155.3	169.3	105.3	210.6	14.0	9.0
Accounting & Consultancy Services	203.1	199.0	191.1	-4.1	-2.0	-7.9	-4.0
Other	4,972.8	5,491.6	8,254.3	518.8	10.4	2,762.7	50.3
Infrastructure	**1,453.1**	**1,345.1**	**1,197.1**	**-108.0**	**-7.4**	**-148.0**	**-11.0**
Of which:							
Airport Development	601.1	506.3	420.2	-94.8	-15.8	-86.1	-17.0
Power Generation	835.3	779.7	745.9	-55.6	-6.7	-33.8	-4.3
Water Development	2.4	0.0	2.8	-2.4	-100.0	2.8	-
Road Development	1.9	37.4	12.2	35.5	1,868.4	-25.2	-67.4
Other	12.3	21.7	16.0	9.4	76.4	-5.7	-26.3
Statutory and Parastatal Bodies	**2,900.3**	**1,911.2**	**1,471.7**	**-989.1**	**-34.1**	**-439.5**	**-23.0**
Freeport Enterprise Certificate Holders	**121.4**	**124.8**	**242.6**	**3.4**	**2.8**	**117.8**	**94.4**
Health Development Certificate Holders	**38.3**	**36.3**	**24.9**	**-2.0**	**-5.2**	**-11.4**	**-31.4**
Modernisation & Expansion Enterprise Certificate Holders	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Personal	**6,689.6**	**7,544.4**	**8,520.7**	**854.8**	**12.8**	**976.3**	**12.9**
Professional	**548.1**	**698.8**	**659.2**	**150.7**	**27.5**	**-39.6**	**-5.7**
Education	**161.4**	**149.3**	**234.2**	**-12.1**	**-7.5**	**84.9**	**56.9**
Human Resource Development Certificate Holders	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Media, Entertainment and Recreational Activities	**345.1**	**327.2**	**369.5**	**-17.9**	**-5.2**	**42.3**	**12.9**
Other Customers	**2,203.3**	**2,796.6**	**3,279.0**	**593.3**	**26.9**	**482.4**	**17.2**
TOTAL	**79,975.7**	**85,080.1**	**93,119.6**	**5,104.4**	**6.4**	**8,039.5**	**9.4**

Chart III.7: Sectorwise Contribution to the Increase in Credit to the Private Sector by Category 1 Banks in 2003-04



Credit to Traders expanded by Rs1,233 million, or 10.0 per cent, from Rs12,313 million at the end of June 2003 to Rs13,546 million at the end of June 2004. At the end of June 2004, credit to Traders represented 14.5 per cent of total credit to the private sector, unchanged from the end-June 2003 position and accounted for 15.3 per cent of the increase in total credit in 2003-04.

Credit to the Financial and Business Services sector registered an increase of Rs2,471 million, or 32.5 per cent, from Rs7,600 million at the end of June 2003 to Rs10,071 million at the end of June 2004. Its share in total private sector credit rose from 8.9 per cent at the end of June 2003 to 10.8 per cent at the end of June 2004.

Credit to the Construction sector increased by 23.6 per cent, or Rs2,727 million, from Rs11,534 million at the end of June 2003 to Rs14,261 million at the end of June 2004. Its share in total private sector credit rose from 13.6 per cent at the end of June 2003 to 15.3 per cent at the end of June 2004.

Credit to the Manufacturing sector increased by 0.7 per cent, from Rs13,116 million at the end of June 2003 to Rs13,204 million at the end of June 2004. However, the share of the Manufacturing sector in total private sector credit fell from 15.4 per cent at the end of June 2003 to 14.2 per cent at the end of June 2004.

Credit to the Personal sector increased by Rs977 million, or 12.9 per cent, from Rs7,544 million at the end of June 2003 to Rs8,521 million at the end of June 2004. Its share in total private sector credit rose slightly from 8.9 per cent at the end of June 2003 to 9.2 per cent at the end of June 2004. It accounted for 12.1 per cent of the increase in total credit in 2003-04. However, the Professional sector registered a decrease of Rs40 million in credit, or 5.7 per cent, from Rs699 million to Rs659 million as at the end of June 2004.

Credit allocated to the Tourism sector fell by Rs256 million, or 1.8 per cent, from Rs13,952 million at the end of June 2003 to Rs13,696 million at the end of June 2004. Its share in total private sector credit decreased from 16.4 per cent at the end of June 2003 to 14.7 per cent at the end of June 2004.

Credit to the sugar industry, including the Mauritius Sugar Syndicate, fell by Rs590 million, or 8.1 per cent, from Rs7,280 million at the end of June 2003 to Rs6,690 million at the end of June 2004. The share of the sugar industry in total private sector credit decreased from 8.6 per cent at the end of June 2003 to 7.2 per cent at the end of June 2004.

Credit granted to Statutory and Parastatal bodies fell by Rs439 million, or 23.0 per cent, from Rs1,911 million at the end of June 2003 to Rs1,472 million at the end of June 2004.

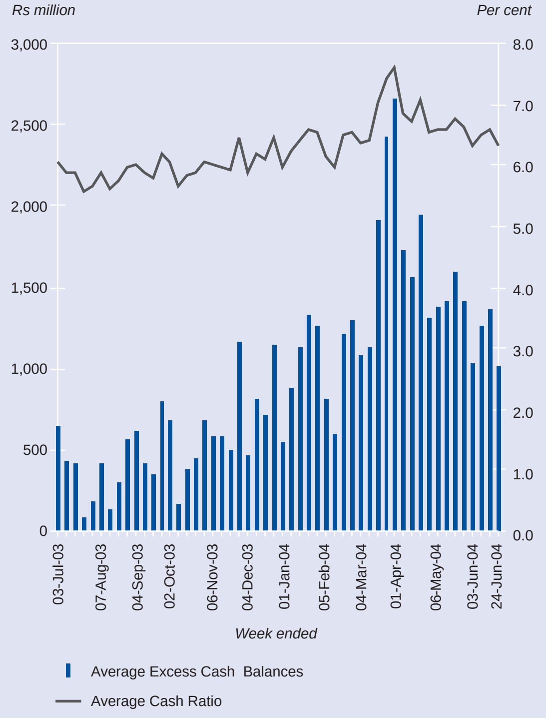
Chart III.7 shows the sectorwise contribution to the increase in credit to the private sector by Category 1 Banks in 2003-04. Table III.8 gives the breakdown of the sectorwise distribution of credit to the private sector as at end-June 2002, end-June 2003 and end-June 2004.

Maintenance of Cash Ratio by Category 1 Banks

In 2003-04, the minimum weekly average cash ratio that Category 1 banks were required to maintain remained unchanged at 5.5 per cent of their total deposit liabilities. Cash reserves comprise banks' balances with the Bank of Mauritius and cash in their vaults.

The average cash ratio maintained by Category 1 banks during fiscal year 2003-04 varied from a low of 5.58 per cent in July 2003 to a peak of 7.61 per cent in April 2004, compared to a range of 5.55 per cent to 6.47 per cent in 2002-03. The weekly average cash balances of banks fluctuated between a minimum of Rs6,385 million in the fourth week of July 2003 and a maximum of Rs9,565 million in the first week of April 2004. In 2002-03, the weekly average cash balances varied between Rs5,716 million and Rs7,101 million.

Chart III.8: Average Excess Cash Balances and Average Cash Ratio



Reflecting higher levels of excess liquidity in the banking system, the average excess cash balances held by Category 1 banks varied between Rs90 million and Rs2,654 million in 2003-04, compared to a range of Rs56 million to Rs1,067 million in 2002-03.

Table III.9 gives details of the average cash ratio maintained by Category 1 banks in 2002-03 and 2003-04. Chart III.8 shows the average excess cash balances and average cash ratio during 2003-04.

Interest Rates

To signal its monetary policy stance, the Bank of Mauritius uses the Lombard Rate. Changes in the Lombard Rate are more or less transmitted to other interest rates in the banking sector.

During 2003-04, the Lombard Rate was reduced on three occasions, each time by 25 basis points, in a bid to reduce costs of funds and support the growth of investments in the economy. The Bank reduced the Lombard Rate by 25 basis points from 10.25 per cent to 10.00 per cent on 12 September 2003, to 9.75 per cent on 27 November 2003 and to 9.50 per cent on 29 January 2004.

Category 1 banks adjusted their interest rate structure more or less in line with the

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)*
2002-03			
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
2002-03	**5,716-7,101**	**56-1,067**	**5.55-6.47**
2003-04			
Jul-Sep	6,385-7,265	90-802	5.58-6.18
Oct-Dec	6,699-7,758	171-1,157	5.64-6.47
Jan-Mar	7,261-9,290	545-2,427	5.95-7.45
Apr-Jun	8,059-9,566	1,019-2,654	6.29-7.61
2003-04	**6,385-9,566**	**90-2,654**	**5.58-7.61**

Table III.10: Other Interest Rates

(Per cent per annum)

	Weighted Average Yield on Bills Accepted at Primary Auctions	Simple Average Bank Rate	Weighted Average Interbank Interest Rate	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
2003								
Jul	9.13	8.33	4.08	5.25 - 6.00	5.25 - 13.00	7.75 - 21.00	7.85	12.37
Aug	9.08	8.42	3.89	5.25 - 6.00	5.25 - 13.00	7.75 - 21.00	7.84	12.28
Sep	8.80	8.28	2.78	5.00 - 5.50	5.00 - 13.00	7.50 - 21.00	7.69	12.03
Oct	8.67	7.83	1.96	5.00 - 5.50	5.00 - 13.00	7.50 - 21.00	7.68	11.91
Nov	8.37	7.81	1.26	4.75 - 5.25	4.75 - 13.00	7.50 - 21.00	7.62	11.73
Dec	8.01	7.35	1.40	4.75 - 5.25	4.75 - 13.00	7.25 - 21.00	7.56	11.71
2004								
Jan	7.98	7.10	1.27	4.50 - 5.25	4.50 - 13.00	7.25 - 21.00	7.42	11.50
Feb	6.83	6.30	1.45	4.50 - 4.75	4.50 - 13.00	7.00 - 21.00	7.08	11.43
Mar	5.61	5.31	1.00	4.00 - 4.75	4.00 - 13.00	6.50 - 21.00	7.02	11.53
Apr	4.65	4.25	1.00	4.00 - 4.75	2.80 - 13.00	6.50 - 21.00	6.84	11.24
May	3.69	3.43	1.00	4.00 - 4.50	2.70 - 13.00	6.50 - 21.00	6.80	11.18
Jun	4.72	4.55	1.02	4.00 - 4.50	2.70 - 13.00	6.50 - 21.00	6.86	11.07

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 8.75 per cent to 9.25 per cent in July 2003 to a range of 8.50 per cent to 9.00 per cent in September 2003. The prime lending rate declined further to a range of 8.25 per cent to 9.00 per cent in November 2003 following the second reduction in the Lombard Rate. The third cut in the Lombard Rate led to another reduction in the prime lending rate of Category 1 banks to a range of 8.00 per cent to 8.75 per cent in January 2004. In late March 2004 and early April 2004, although there was no change in the Lombard Rate, Category 1 banks lowered their prime lending rate by another 50 to 75 basis points to a range of 7.50 per cent to 8.00 per cent mainl on account of the excess liquidity in the banking system. At the end of June 2004, the prime lending rate of Category 1 banks varied between 7.50 per cent and 8.00 per cent. Interest rates charged by Category 1 banks on loans and advances fell from a range of 7.75 per cent to 21.00 per cent in July 2003 to a range of 7.50 per cent to 21.00 per cent in September 2003, further down to a range of 7.25 per cent to 21.00 per cent in December 2003, and to a range of 7.00 per cent to 21.00 per cent in February 2004. In March 2004, interest rates fell further to a range of 6.50 per cent to 21.00 per cent after Category 1 banks reduced their

Chart III.9: Simple Average Bank Rate, Weighted Average Interbank Interest Rate and Inflation Rate

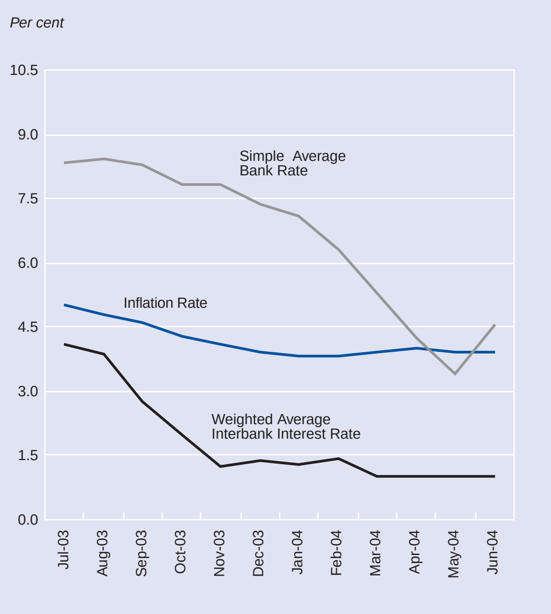
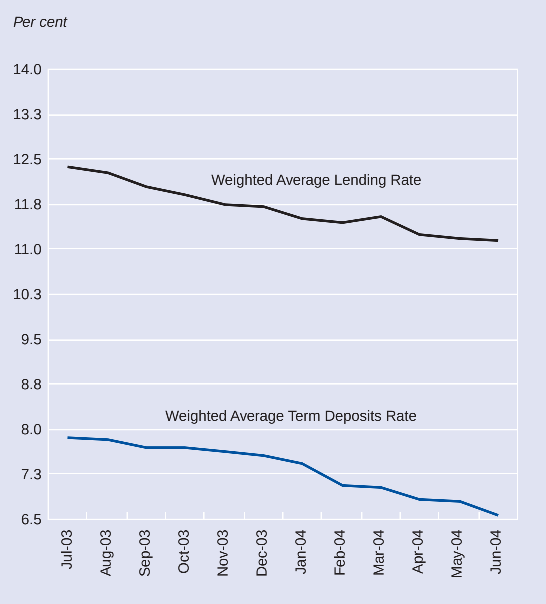


Chart III.10: Weighted Average Lending and Term Deposits Rates



prime lending rate. They remained within that range in June 2004.

Interest paid by Category 1 banks on savings deposits went down from a range of 5.25 per cent to 6.00 per cent in July 2003 to a range of 5.00 per cent to 5.50 per cent in September 2003, further down to a range of 4.75 per cent to 5.25 per cent in November 2003, and to a range of 4.50 per cent to 5.25 per cent in January 2004. At the end of February 2004, the upper limit fell to 4.75 per cent while in March 2004, the lower limit declined to 4.00 per cent. At the end of June 2004, the interest rate paid on savings deposits varied between 4.00 per cent and 4.50 per cent.

Interest rates on deposits with a maturity of up to one year fell from a range of 5.25 per cent to 10.50 per cent in June 2003 to a range of 5.00 per cent to 10.50 per cent in September 2003, further down to a range of 4.75 per cent to 10.25 per cent in November 2003, and to a range of 4.50 per cent to 10.00 per cent in January 2004. The upper limit fell to 9.75 per cent in February 2004 while the lower limit dropped to 4.00 per cent in March 2004, to 2.80 per cent in April 2004 and 2.70 per cent in May 2004. At the end of June 2004, interest rates on deposits with maturity of up to one year varied between 2.70 per cent and 9.75 per cent. Overall, interest rates declined by 0.75 to 2.55 percentage points during fiscal year 2003-04.

Interest rates on deposits maturing between one and two years fell from a range of 5.63 per cent to 11.00 per cent in June 2003 to a range of 5.25 per cent to 11.00 per cent in September 2003. The lower limit went down to 5.00 per cent in October 2003, further down to 4.75 per cent in December 2003, to 4.50 per cent in February 2004, and to 3.20 per cent in April 2004. The upper limit dropped to 10.85 per cent in April 2004. In May 2004, interest rates varied between 3.25 per cent and 10.85 per cent and in June 2004, between 3.75 per cent and 11.00 per cent. Thus, during 2003-04, interest rates on medium-term time deposits fell by 1.88 percentage points.

Interest rates on longer-term time deposits, that is, of maturity exceeding 24 months, fell from a range of 5.25 per cent to 13.00 per cent in June 2003 to a range of 5.00 per cent and to 13.00 per cent in September 2003, with the lower limit declining to 4.75 per cent in November 2003. The lower limit fell further to 4.50 per cent in February 2004 and to 3.50 per cent in April 2004 but rose to 3.75 per cent in May 2004 and to 4.00 per cent in June 2004. Thus, in 2003-04, interest rates on long-term deposits fell by 1.25 percentage points.

The weighted average lending rate of Category 1 banks decreased gradually from 12.45 per cent in June 2003 to 11.43 per cent in February 2004 before rising to 11.53 per cent in March 2004. It then started to fall again to reach 11.07 per cent in June 2004.

The weighted average term deposits rate decreased continuously from 7.87 per cent in June 2003 to reach 6.86 per cent in June 2004. The spread between the weighted average lending rate and the weighted average term deposits rate varied between 4.08 and 4.52 percentage points in 2003-04 compared to a range of 4.24 to 4.69 percentage points in 2002-03.

The real rate of interest on savings deposits rose from 0.1 percentage point in June 2003 to a peak of 0.8 percentage point in December 2003, before declining to reach 0.1 percentage point as at end-June 2004.

The weighted average yield on Treasury Bills/Bank of Mauritius Bills accepted at primary auctions fell steadily from 9.06 per cent in June 2003 to 3.69 per cent in May 2004 before picking up to close at 4.72 per cent in June 2004. The average Bank Rate, which is the weighted average yield on Treasury Bills/Bank of Mauritius Bills of maturities of 91 days, 182 days and 364 days accepted at primary auctions, went down steadily from 8.37 per cent in June 2003 to 3.43 per cent in May 2004 before recovering to close at 4.55 per cent in June 2004. The weighted average interbank interest rate fell from 4.45 per cent in June 2003 to 1.02 per cent in June 2004.

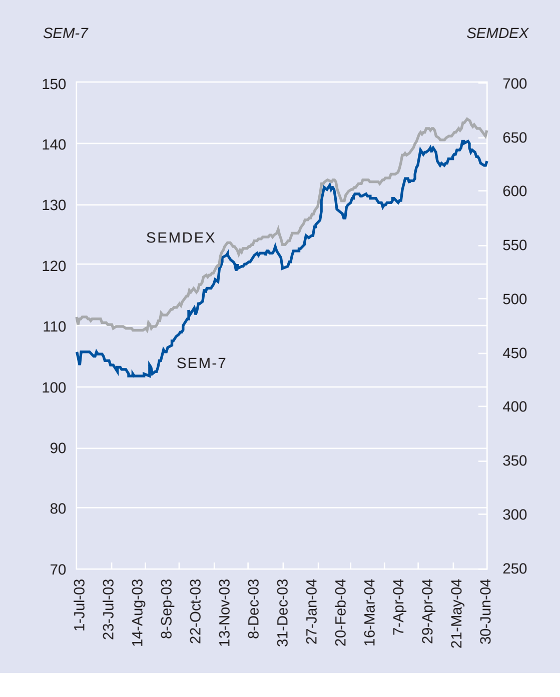
Table III.10 gives details of the interest rate structure of the banking sector, while chart III.9 shows the movements in the rate of inflation, the simple average Bank Rate and the weighted average interbank interest rate during 2003-04. Chart III.10 shows the movements in the weighted average lending rate and the weighted average term deposits rate during 2003-04.

Capital Market Developments

The Stock Exchange of Mauritius Ltd

During fiscal year 2003-04, all the stock market indices, namely, SEMDEX, SEM-7, and SEMTRI consistently showed positive growth,

Chart III.11: Movements in the SEMDEX and the SEM-7



partly as a result of receding market yields on alternative investments, low interest rates and sustained interest from foreign investors. As at 30 June 2004, there were 40 domestic-listed companies with a market capitalisation of Rs61.8 billion compared to 39 listed companies with a market capitalisation of Rs45.4 billion as at 30 June 2003.

During 2003-04, the Listing Committee of The Stock Exchange of Mauritius Ltd approved the listing of the 75,000,000 ordinary shares of Mauritius Leasing Company at a share price of Rs2.50 and 91,099,397 shares of British American Investment Ltd at a share price of Rs1.00 each on the local Stock Exchange.

There were 253 trading sessions on the Official Market in 2003-04, with the aggregate value of transactions amounting to Rs3.1 billion for a volume of 163.5 million shares and debentures transacted, compared to 250 trading sessions in 2002-03, with an 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 changes each quarter. As at 30 June 2004, 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. Shell (Mauritius) Ltd, Ireland Blyth Ltd and United Basalt Products Ltd formed part of the Reserve List for this index.

The SEMDEX, the stock market index, increased from 486.56 at the end of June 2003 to 655.09 at the end of June 2004. The SEM-7 increased from 106.93 on 30 June 2003 to 137.08 on 30 June 2004. The SEMDEX and the SEM-7 both reached all-year highs of 664.40 and 140.43, respectively, on 14 June 2004. The SEMDEX and the SEM-7 hit all-year lows of 470.25 and 101.58 on 25 August 2003, respectively. The turnover recorded on the Over-the-Counter (OTC) Market was Rs1,700.3 million, with a volume of 68.3 million shares transacted during the 101 sessions held in 2003-04.

The SEM Total Return Index (SEMTRI), in rupee terms, which includes price earning ratios and dividend earnings, besides measuring daily price changes on listed stocks, rose by 43.8 per cent, from 1,015.93 as at end-June 2003 to 1,460.80 as at end-June 2004 while in US dollar terms, it increased by 48.8 per cent, from 542.14 to 806.88.

During 2003-04, foreigners purchased shares for a total amount of Rs741.6 million and sold shares for Rs277.6 million. Net investment by foreign investors stood at Rs464.0 million in 2003-04 in contrast to a net disinvestment of Rs41.3 million in 2002-03. The monthly value of foreign purchases and sales of shares traded on the Official Market reached peaks of Rs111.4 million in May 2004 and Rs80.9 million in October 2003, respectively.

As from 15 December 2003, the Government of Mauritius Treasury Bills/Bank of Mauritius Bills were listed on The Stock Exchange of Mauritius Ltd. Purchases of Government of Mauritius Securities/Bank of Mauritius Bills on the stock exchange which, in accordance with Section 30 of the Stock Exchange Act, may be made only through a stockbroking company, are restricted to Mauritian citizens and limited to a maximum of 20 units per order (one unit=Rs100,000 nominal).

For the period 15 December 2003 to 30 June 2004, the Bank of Mauritius has listed an amount of Rs335 million of Treasury Bills on The Stock Exchange of Mauritius Ltd. For the period 15 December 2003 to 30 June 2004, sales of Treasury Bills on the Official Market, which are restricted to individuals only, amounted to Rs246 million.

Chart III.11 shows the movements in the SEMDEX and SEM-7 during 2003-04.

Other Financial Corporations

Development Bank of Mauritius Ltd (DBM)

The Development Bank of Mauritius Ltd 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 (ICT), Biotechnology and Transport. The DBM also provides a wide range of specially designed schemes covering Agriculture, Tourism, Small and Medium Enterprises (SMEs) and ICT sectors.

The DBM Financial Services Ltd, a subsidiary of DBM, was incorporated on 29 July 2002 with the principal objective of taking over the remaining portfolio of the ex-MCCB Ltd and carrying out any other activities related to the financial services sector. The company started operations in July 2003. In November 2001 and June 2002, the DBM subscribed to 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 Rs308 million, or 4.4 per cent, from Rs7,043 million at the end of June 2003 to Rs7,351 million at the end of June 2004. Equity holdings of the DBM went up by Rs161 million or 39.5 per cent from Rs408 million at the end of June 2003 to Rs569 million at the end of June 2004. Investment in Treasury Bills stood at Rs116 million at the end of June 2004, up from Rs45 million at the end of June 2003. Total loans disbursed by the DBM rose by Rs30 million, or 3.9 per cent, from Rs766 million at the end of June 2003 to Rs796 million at the end of June 2004.

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 Rs3.8 billion, or 14.6 per cent, from Rs26.0 billion at the end of June 2003 to Rs29.8 billion at the end of June 2004. Its investments in Treasury/Bank of Mauritius Bills and other Government Securities rose by Rs2.3 billion, or 12.8 per cent, from Rs17.9 billion at the end of June 2003 to Rs20.2 billion at the end of June 2004. Total loans disbursed by the NPF decreased by Rs1.1 billion, or 36.7 per cent, from Rs3.0 billion at the end of June 2003 to Rs1.9 billion at the end of June 2004.

Depository Corporations Survey

The Depository Corporations Survey (DCS) is a consolidation of the activities of the Bank of Mauritius, Category 1 banks, Category 2 banks and non-bank financial institutions that are authorised to transact deposit-taking business in Mauritius. The DCS is based on the new Monetary and Financial Statistics Manual (MFSM) which was published by the IMF in 2000 in replacement of The Guide to Money and Banking Statistics.

At the end of June 2003, there were ten Category 1 banks, twelve Category 2 banks, and fourteen non-bank financial institutions authorised to transact deposit-taking business in Mauritius. In addition to these, the Post Office Savings Bank (POSB) was included in the DCS together with the Bank of Mauritius. At the end of June 2004, there were eleven Category 1 banks, twelve Category 2 banks and fourteen non-bank financial institutions authorised to transact deposit-taking business, which together with the Bank of Mauritius, formed part of the DCS. Of the non-bank financial institutions that are authorised to transact deposit-taking business in Mauritius, one was yet to start operations at 30 June 2004, although it had been granted authorisation. Mauritius Post and Cooperative Bank Ltd, a Category 1 bank, became operational on 1 August 2003, following the merger of the POSB with the New Co-operative Bank Ltd.

The DCS currently provides stock data on those depository corporations' liabilities that are components of broad money, as nationally defined, and data on depository corporations that are claims on other sectors of the economy, that is, represent credit to other sectors. The DCS also gives data on depository corporations' claims on and liabilities to nonresidents.

Net foreign assets of depository corporations increased by Rs18,495 million, or 21.6 per cent, from Rs85,519 million at the end of June 2003 to Rs104,014 million at the end of June 2004. Claims on nonresidents by depository corporations rose by Rs47,434 million, or 24.7 per cent, from Rs192,084 million to Rs239,518 million, mainly on account of an increase of Rs43,676 million, or 28.6 per cent, at other depository corporations while Bank of Mauritius claims on nonresidents rose by Rs3,759 million, or 9.5 per cent. The increase at other depository corporations was essentially attributed to Category 2 banks, which registered an increase of Rs46,850 million, or 36.2 per cent. Liabilities to nonresidents went up by Rs28,940 million, or 27.2 per cent, from Rs106,564 million to Rs135,504 million, principally on account of the increase of Rs28,874 million, or 27.1 per cent, registered at other depository corporations while foreign liabilities of the Bank of Mauritius rose by Rs66 million, or 41.6 per cent. Again, Category 2 banks accounted for the major part of the increase with a contribution of Rs29,149 million, or 33.5 per cent.

Domestic claims of depository corporations expanded by Rs24,084 million, or 17.0 per cent, from Rs141,589 million at the end of June 2003 to Rs165,673 million at the end of June 2004. Net claims on Central Government from depository corporations went up by Rs14,648 million or 62.2 per cent, from Rs23,548 million to Rs38,196 million, driven by the increase of Rs11,670 million, or 94.0 per cent, at the Bank of Mauritius followed by the increase of Rs3,802 million, or 11.5 per cent, at Category 1 banks. Claims on Other Sectors rose by Rs9,436 million, or 8.0 per cent, from Rs118,041 million to Rs127,477 million, driven by increases of Rs6,131 million or 6.8 per cent at Category 1 banks, Rs1,519 million, or 10.4 per cent, at Category 2 banks, Rs1,699 million, or 12.7 per cent, at non-bank deposit-taking institutions and Rs87 million or 81.7 per cent, at the Bank of Mauritius. Loans by other depository corporations, which falls under Claims on Other Sectors, rose by Rs8,515 million, or 8.5 per cent, from Rs100,580 million to Rs109,095 million, driven by increases of Rs5,448 million or 7.3 per cent at Category 1 banks, Rs1,677 million, or 12.5 per cent, at non-bank deposit-taking institutions and Rs1,390 million, or 10.6 per cent, at Category 2 banks.

Broad money liabilities (BML) issued by depository corporations increased by Rs39,506 million, or 22.8 per cent, from Rs173,070 million at the end of June 2003 to Rs212,576 million at the end of June 2004. Of the components of BML, currency with public went up by Rs977 million, or 13.2 per cent, from Rs7,423 million to Rs8,400 million; transferable deposits expanded by Rs16,395 million, or 41.7 per cent, from Rs39,348 million to Rs55,743 million; savings deposits rose by Rs7,262 million, or 16.9 per cent, from Rs42,984 million to Rs50,246 million; time deposits went up by Rs11,451 million, or

Table III.11: Depository Corporations Survey

	Jun-03 (1)	Jun-04 (2)	Change Between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per cent)*
1. Net Foreign Assets	**85,519.5**	**104,014.4**	**18,494.9**	**21.6**
Bank of Mauritius	39,424.7	43,117.5	3,692.8	9.4
Other Depository Corporations	46,094.8	60,897.0	14,802.2	32.1
Category 1 Banks	*3,645.4*	*774.1*	*-2,871.3*	*-78.8*
Category 2 Banks	*42,473.7*	*60,174.4*	*17,700.7*	*41.7*
Non-Bank Deposit-Taking Institutions	*-24.2*	*-51.6*	*-27.4*	*113.2*
2. Domestic Claims	**141,589.1**	**165,672.9**	**24,083.8**	**17.0**
A. Net Claims on Central Government	***23,548.3***	***38,195.8***	***14,647.5***	***62.2***
Bank of Mauritius	-12,409.7	-739.8	11,669.9	-94.0
Other Depository Corporations	35,957.9	38,935.6	2,977.7	8.3
Category 1 Banks	*33,038.1*	*36,839.9*	*3,801.8*	*11.5*
Category 2 Banks	*0.1*	*0.1*	*0.0*	*0.0*
Non-Bank Deposit-Taking Institutions	*2,919.7*	*2,095.6*	*-824.1*	*-28.2*
B. Claims on Other Sectors	***118,040.9***	***127,477.1***	***9,436.2***	***8.0***
Bank of Mauritius	106.8	194.1	87.3	81.7
Other Depository Corporations	117,934.1	127,283.1	9,349.0	7.9
Category 1 Banks	*89,964.8*	*96,095.9*	*6,131.1*	*6.8*
Category 2 Banks	*14,551.3*	*16,069.8*	*1,518.5*	*10.4*
Non-Bank Deposit-Taking Institutions	*13,418.0*	*15,117.3*	*1,699.3*	*12.7*
3. ASSETS = LIABILITIES	**227,108.7**	**269,687.4**	**42,578.7**	**18.7**
4. Broad Money Liabilities	**173,069.6**	**212,576.2**	**39,506.6**	**22.8**
A. Currency with Public	***7,423.2***	***8,399.7***	***976.5***	***13.2***
B. Transferable Deposits	***39,347.6***	***55,742.6***	***16,395.0***	***41.7***
Bank of Mauritius	89.1	19.0	-70.1	-78.7
Other Depository Corporations	39,258.5	55,723.6	16,465.1	41.9
Category 1 Banks	*21,992.1*	*27,150.3*	*5,158.2*	*23.5*
Category 2 Banks	*17,266.4*	*28,573.3*	*11,306.9*	*65.5*
Non-Bank Deposit-Taking Institutions	*0.0*	*0.0*	*0.0*	*0.0*
C. Savings Deposits	***42,983.5***	***50,245.8***	***7,262.3***	***16.9***
Bank of Mauritius	0.0	0.0	0.0	0.0
Other Depository Corporations	42,983.5	50,245.8	7,262.3	16.9
Category 1 Banks	*41,284.0*	*48,965.2*	*7,681.2*	*18.6*
Category 2 Banks	*0.2*	*298.8*	*298.6*	*149,300.0*
Non-Bank Deposit-Taking Institutions	*1,699.2*	*981.8*	*-717.4*	*-42.2*
D. Time Deposits	***83,249.9***	***94,701.3***	***11,451.4***	***13.8***
Bank of Mauritius	258.7	260.2	1.5	0.6
Other Depository Corporations	82,991.1	94,441.1	11,450.0	13.8
Category 1 Banks	*46,781.3*	*49,102.5*	*2,321.2*	*5.0*
Category 2 Banks	*27,562.2*	*33,583.9*	*6,021.7*	*21.8*
Non-Bank Deposit-Taking Institutions	*8,647.6*	*11,754.7*	*3,107.1*	*35.9*
E. Securities other than Shares included in Broad Money	***65.3***	***3,486.8***	***3,421.5***	***5239.7***
Bank of Mauritius	0.0	3,347.3	3,347.3	-
Other Depository Corporations	65.3	139.5	74.2	113.6
Category 1 Banks	*0.0*	*0.0*	*0.0*	*0.0*
Category 2 Banks	*0.0*	*0.0*	*0.0*	*0.0*
Non-Bank Deposit-Taking Institutions	*65.3*	*139.5*	*74.2*	*113.6*
5. Other Items (net)	**54,039.1**	**57,111.2**	**3,072.1**	**5.7**

Figures may not add up to totals due to rounding.

13.8 per cent, from Rs83,250 million to Rs94,701 million; whereas securities other than shares rose by Rs3,422 million from Rs65 million to Rs3,487 million. On an institution-wise basis, Category 1 banks contributed Rs15,161 million, representing 38.4 per cent of the total increase in BML, Category 2 banks contributed Rs17,627 million, accounting for 44.6 per cent of the total, the Bank of Mauritius contributed Rs3,279 million representing 8.3 per cent of the total and non-bank deposit-taking institutions contributed Rs2,464 million, accounting for 6.2 per cent of the total. Currency with public contributed the remaining 2.5 per cent of the increase in BML.

Table III.11 shows the Depository Corporations Survey at at end-June 2003 and end-June 2004.

Central Bank Survey

The Central Bank Survey (CBS) is one component survey of the DCS and shows the components of the monetary base. The CBS covers only central banking functions performed by the central bank.

The monetary base comprises central bank liabilities that support the expansion of broad money and credit and is also known as high-powered money because changes in the monetary base usually lead to larger changes in money and credit.

The monetary base increased by Rs14,652 million, or 98.5 per cent, from Rs14,867 million at the end of June 2003 to Rs29,519 million at the end of June 2004, reflecting essentially the issue of BoM Bills to other depository and non-depository corporations. Currency in circulation rose by Rs1,259 million, or 13.2 per cent, from Rs9,527 million to Rs10,786 million while liabilities to Other Depository Corporations (ODCs) increased by Rs10,114 million, from Rs4,992 million to Rs15,106 million as a result of ODCs holding BoM Bills issued by the Bank. Securities other than Shares included in broad money went up by Rs3,347 million on account of BoM Bills held by non-depository corporations. A narrow definition of the monetary base would exclude BoM Bills and over the period, narrow monetary base expanded by Rs2,521 million, or 17.0 per cent, to Rs17,388 million.

On the sources side of the monetary base, net foreign assets of the Bank increased by Rs3,693 million, or 9.4 per cent, from Rs39,425 million to Rs43,118 million. Domestic claims of the Bank, another source, expanded by

Table III.12: Central Bank Survey

	Jun-03 (1)	Jun-04 (2)	Change Between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per Cent)*
1. Net Foreign Assets	**39,424.7**	**43,117.5**	**3,692.8**	**9.4**
Claims on Nonresidents	39,583.7	43,342.7	3,759.0	9.5
Liabilities to Nonresidents	159.0	225.2	66.2	41.6
2. Domestic Claims	**-10,072.4**	**2,017.6**	**12,090.0**	**-120.0**
A. Net Claims on Central Government	-12,409.7	-739.8	11,669.9	-94.0
B. Claims on Other Sectors	106.8	194.1	87.3	81.7
C. Claims on Other Depository Corporations	2,230.5	2,563.4	332.9	14.9
3. ASSETS = LIABILITIES	**29,352.3**	**45,135.1**	**15,782.8**	**53.8**
4. Monetary Base	**14,867.2**	**29,518.8**	**14,651.6**	**98.5**
A. Currency in Circulation	9,527.3	10,786.2	1,258.9	13.2
B. Liabilities to Other Depository Corporations	4,992.0	15,106.0	10,114.0	202.6
C. Deposits Included in Broad Money	347.9	279.3	-68.6	-19.7
D. Securities other than Shares Included in Broad Money	0.0	3,347.3	3,347.3	-
5. Other Items (net)	**14,485.1**	**15,616.3**	**1,131.2**	**7.8**

Figures may not add up to totals due to rounding.

Table III.13: Other Depository Corporations Survey

	Jun-03 (1) (Rs Mn)	Jun-04 (2) (Rs Mn)	Change Between (1) and (2) (Rs Mn)	(Per Cent)
1. Net Foreign Assets	**46,094.8**	**60,897.0**	**14,802.2**	**32.1**
Claims on Nonresidents	152,499.9	196,175.5	43,675.6	28.6
Liabilities to Nonresidents	106,405.1	135,278.6	28,873.5	27.1
2. Domestic Claims	**160,994.3**	**184,382.6**	**23,388.3**	**14.5**
A. Net Claims on Central Government	35,957.9	38,935.6	2,977.7	8.3
B. Claims on Other Sectors	117,934.1	127,283.1	9,349.0	7.9
C. Claims on Central Bank	7,102.2	18,163.9	11,061.7	155.8
3. ASSETS = LIABILITIES	**207,089.1**	**245,279.6**	**38,190.5**	**18.4**
4. Liabilities to Central Bank	**2,232.6**	**2,517.3**	**284.7**	**12.8**
5. Deposits Included in Broad Money	**165,233.1**	**200,410.4**	**35,177.3**	**21.3**
A. Transferable Deposits	39,258.5	55,723.6	16,465.1	41.9
B. Savings Deposits	42,983.5	50,245.8	7,262.3	16.9
C. Time Deposits	82,991.1	94,441.1	11,450.0	13.8
6. Securities other than Shares included in Broad Money	**65.3**	**139.5**	**74.2**	**113.6**
7. Other Items (net)	**39,558.0**	**42,212.3**	**2,654.3**	**6.7**

Figures may not add up to totals due to rounding.

Rs12,090 million, or 120.0 per cent, to Rs2,018 million. Net claims on Central Government accounted for the bulk of the increase in domestic claims with a contribution of Rs11,670 million, which reflected the running down of its cash balances at the Bank by the government. Table III.12 shows the Central Bank Survey as at end-June 2003 and end-June 2004.

Other Depository Corporations Survey

The Other Depository Corporations Survey (ODCS) is the other component survey of the DCS and covers all institutional units that issue liabilities included in the national definition of broad money. The liability side of the ODCS is structured to show those liabilities that are included in broad money and the assets side focuses on credit extended to nonresidents and to each of the various domestic sectors.

Net foreign assets of ODCs went up by Rs14,802 million, or 32.1 per cent, from Rs46,095 million at the end of June 2003 to Rs60,897 million at the end of June 2004. Claims on nonresidents increased by Rs43,676 million, or 28.6 per cent, to Rs196,176 million while liabilities to nonresidents rose by Rs28,874 million, or 27.1 per cent, to Rs135,279 million.

Domestic claims rose by Rs23,388 million, or 14.5 per cent, from Rs160,994 million at the end of June 2003 to Rs184,383 million at the end of June 2004. Of the components of domestic claims, net claims on Central Government went up by Rs2,978 million, or 8.3 per cent, to Rs38,936 million; claims on other sectors rose by Rs9,349 million, or 7.9 per cent, to Rs127,283 million; while claims on the central bank expanded by Rs11,062 million, or 155.8 per cent, to Rs18,164 million.

Deposits included in broad money went up by Rs35,177 million, or 21.3 per cent, from Rs165,233 million at the end of June 2003 to Rs200,410 million at the end of June 2004. Transferable deposits increased by Rs16,465 million, or 41.9 per cent, to Rs55,723 million, savings deposits went up by Rs7,262 million, or 16.9 per cent, to Rs50,246 million, and time deposits rose by Rs11,450 million, or 13.8 per cent, to Rs94,441 million.

Table III.14: Category 1 Banks' Survey

	Jun-03 (1)	Jun-04 (2)	Change Between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per Cent)*
1. Net Foreign Assets	**3,645.4**	**774.1**	**-2,871.3**	**-78.8**
Claims on Nonresidents	23,042.8	19,873.5	-3,169.3	-13.8
Liabilities to Nonresidents	19,397.4	19,099.4	-298.0	-1.5
2. Domestic Claims	**130,101.0**	**150,383.0**	**20,282.0**	**15.6**
A. Net Claims on Central Government	33,038.1	36,839.9	3,801.8	11.5
B. Claims on Other Sectors	89,964.8	96,095.9	6,131.1	6.8
C. Claims on Central Bank	7,098.1	17,447.1	10,349.0	145.8
3. ASSETS = LIABILITIES	**133,746.3**	**151,157.1**	**17,410.8**	**13.0**
4. Liabilities to Central Bank	**2,172.9**	**2,487.6**	**314.7**	**14.5**
5. Deposits Included in Broad Money	**110,057.4**	**125,218.0**	**15,160.6**	**13.8**
A. Transferable Deposits	21,992.1	27,150.3	5,158.2	23.5
B. Savings Deposits	41,284.0	48,965.2	7,681.2	18.6
C. Time Deposits	46,781.3	49,102.5	2,321.2	5.0
6. Securities other than Shares included in Broad Money	**0.0**	**0.0**	**0.0**	**0.0**
7. Other Items (net)	**21,516.0**	**23,451.4**	**1,935.4**	**9.0**

Figures may not add up to totals due to rounding.

Securities other than shares included in Broad Money rose by Rs74 million, from Rs65 million at the end of June 2003 to Rs139 million at the end of June 2004, or 113.6 per cent. Table III.13 presents the Other Depository Corporations Survey as at end-June 2003 and end-June 2004.

Category 1 Banks Survey

The number of Category 1 banks went up from ten at the end of June 2003 to eleven at the end of June 2004, following the coming into operation of Banque des Mascareignes Ltée in mid-June 2004. The total assets (liabilities) of Category 1 banks rose by Rs17,411 million, or 13.0 per cent, from Rs133,746 million at the end of June 2003 to Rs151,157 million at the end of June 2004.

Net foreign assets of Category 1 banks dropped by Rs2,871 million, or 78.8 per cent, from Rs3,645 million at the end of June 2003 to Rs774 million at the end of June 2004, following declines of Rs3,169 million, or 13.8 per cent, in claims on nonresidents and Rs298 million, or 1.5 per cent, in liabilities to nonresidents.

Domestic claims increased by Rs20,282 million, or 15.6 per cent, from Rs130,101 million at the end of June 2003 to Rs150,383 million at the end of June 2004, largely as a result of the increase in claims on Bank of Mauritius following the issue of BoM Bills. Net claims on Central Government rose by Rs3,802 million, or 11.5 per cent, from Rs33,038 million to Rs36,840 million whereas claims on Other Sectors increased by Rs6,131 million, or 6.8 per cent, from Rs89,965 million to Rs96,096 million. Claims on Bank of Mauritius expanded by Rs10,349 million, or 145.8 per cent, from Rs7,098 million to Rs17,447 million.

Deposits included in broad money rose by Rs15,161 million, or 13.8 per cent, from Rs110,057 million at the end of June 2003 to Rs125,218 million at the end of June 2004, resulting from increases of Rs5,158 million, or 23.5 per cent, in transferable deposits, Rs7,681 million, or 18.6 per cent, in savings deposits and Rs2,321 million, or 5.0 per cent, in time deposits. Table III.14 show the Category 1 Banks Survey as at end-June 2003 and end-June 2004.

Table III.15: Category 2 Banks' Survey

	Jun-03 (1)	Jun-04 (2)	Change Between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per Cent)*
1. Net Foreign Assets	**42,473.7**	**60,174.4**	**17,700.7**	**41.7**
Claims on Nonresidents	129,452.4	176,302.0	46,849.6	36.2
Liabilities to Nonresidents	86,978.7	116,127.6	29,148.9	33.5
2. Domestic Claims	**14,551.5**	**16,070.0**	**1,518.5**	**10.4**
A. Net Claims on Central Government	0.1	0.1	0.0	0.0
B. Claims on Other Sectors	14,551.3	16,069.8	1,518.5	10.4
C. Claims on Central Bank	0.1	0.1	0.0	0.0
3. ASSETS = LIABILITIES	**57,025.1**	**76,244.5**	**19,219.4**	**33.7**
4. Liabilities to Central Bank	**0.0**	**0.0**	**0.0**	**0.0**
5. Deposits Included in Broad Money	**44,828.8**	**62,456.0**	**17,627.2**	**39.3**
A. Transferable Deposits	17,266.4	28,573.3	11,306.9	65.5
B. Savings Deposits	0.2	298.8	298.6	149,300.0
C. Time Deposits	27,562.2	33,583.9	6,021.7	21.8
6. Securities other than Shares included in Broad Money	**0.0**	**0.0**	**0.0**	**0.0**
7. Other Items (net)	**12,196.3**	**13,788.5**	**1,592.2**	**13.1**

Figures may not add up to totals due to rounding.

Table III.16: Non-Bank Deposit-Taking Institutions' Survey

	Jun-03 (1)	Jun-04 (2)	Change Between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per cent)*
1. Net Foreign Assets	**-24.2**	**-51.6**	**-27.4**	**113.2**
Claims on Nonresidents	4.8	0.0	-4.8	-100.0
Liabilities to Nonresidents	29.0	51.6	22.6	77.9
2. Domestic Claims	**16,341.8**	**17,929.6**	**1,587.8**	**9.7**
A. Net Claims on Central Government	2,919.7	2,095.6	-824.1	-28.2
B. Claims on Other Sectors	13,418.0	15,117.3	1,699.3	12.7
C. Claims on Central Bank	4.1	716.7	712.6	17,380.5
3. ASSETS = LIABILITIES	**16,317.6**	**17,878.0**	**1,560.4**	**9.6**
4. Liabilities to Central Bank	**59.7**	**29.7**	**-30.0**	**-50.3**
5. Deposits Included in Broad Money	**10,346.8**	**12,736.4**	**2,389.6**	**23.1**
A. Transferable Deposits	0.0	0.0	0.0	0.0
B. Savings Deposits	1,699.2	981.8	-717.4	-42.2
C. Time Deposits	8,647.6	11,754.7	3,107.1	35.9
6. Securities other than Shares included in Broad Money	**65.3**	**139.5**	**74.2**	**113.6**
7. Other Items (net)	**5,845.7**	**4,972.5**	**-873.2**	**-14.9**

Figures may not add up to totals due to rounding.

Category 2 Banks Survey

Between end-June 2003 and end-June 2004, the number of Category 2 banks remained unchanged at twelve. Total assets (liabilities) of Category 2 banks increased by Rs19,219 million, or 33.7 per cent, from Rs57,025 million at the end of June 2003 to Rs76,244 million at the end of June 2004.

Net foreign assets of Category 2 banks increased by Rs17,700 million, or 41.7 per cent, from Rs42,474 million at the end of June 2003 to Rs60,174 million at the end of June 2004, resulting largely from the increase in claims on nonresidents which rose by Rs46,850 million, or 36.2 per cent, fully offsetting the rise of Rs29,149 million, or 33.5 per cent, in liabilities to nonresidents.

Domestic claims went up by Rs1,518 million, or 10.4 per cent, from Rs14,552 million at the end of June 2003 to Rs16,070 million at the end of June 2004, solely on account of the increase in claims on other sectors.

Deposits included in broad money expanded by Rs17,627 million, or 39.3 per cent, from Rs44,829 million at the end of June 2003 to Rs62,456 million at the end of June 2004, following increases of Rs11,307 million, or 65.5 per cent, in transferable deposits, Rs6,022 million, or 21.8 per cent, in time deposits and Rs299 million in savings deposits. Table III.15 shows the Category 2 Banks Survey as at end-June 2003 and end-June 2004.

Non-Bank Deposit-Taking Institutions Survey

The number of non-bank financial institutions authorised to transact deposit-taking business stood at 14 at the end of June 2004. Total assets (liabilities) of non-bank deposit-taking institutions went up by Rs1,560 million, or 9.6 per cent, from Rs16,318 million at the end of June 2003 to Rs17,878 million at the end of June 2004.

Domestic claims increased by Rs1,588 million, or 9.7 per cent, from Rs16,342 million at the end of June 2003 to Rs17,930 million at the end of June 2004, largely on account of the increase of Rs1,699 million, or 12.7 per cent, in claims on other sectors followed by the increase of Rs713 million in claims on central bank which offset the drop of Rs824 million, or 28.2 per cent, in net claims on Central Government.

Deposits included in broad money expanded by Rs2,390 million, or 23.1 per cent, from Rs10,347 million at the end of June 2003 to Rs12,737 million at the end of June 2004. Time deposits went up by Rs3,107 million, or 35.9 per cent, to Rs11,755 million while savings deposits fell by Rs717 million, or 42.2 per cent, to Rs982 million.

Securities other than shares included in broad money rose by Rs74 million, or 113.6 per cent, from Rs65 million to Rs139 million. Table III.16 shows the Non-Bank Deposit-Taking Institutions Survey as at end-June 2003 and end-June 2004.

Box 2 Advance Notice of the Change in Methodology of Monetary Statistics[1]

Introduction

Mauritius is currently participating in the International Monetary Fund's (IMF) General Data Dissemination System (GDDS) and started posting its metadata on the IMF's Data Standards Bulletin Board in September 2000. The Government of Mauritius has already taken the commitment to graduate Mauritius from the GDDS to the Special Data Dissemination Standard (SDDS).

In July 2001, a mission from the IMF's Statistics Department visited Mauritius to make, *inter alia*, a summary assessment of the data quality of Mauritius' macroeconomic statistics. With regard to monetary statistics, the mission recommended that the Bank implements the new Monetary and Financial Statistics Manual (MFSM) which was published by the IMF in 2000 in replacement of the Guide to Money and Banking Statistics. Accordingly, the Bank had to implement a new framework for the compilation and reporting of monetary data for all depository corporations.

Broadly, this new framework would entail, *inter alia*, expanding the scope of the monetary statistics so that it includes all depository corporations, namely the central bank, Category 1 banks, Category 2 banks and the non-bank deposit-taking institutions so as to derive a Depository Corporations Survey (DCS). This entails the application of market price valuation for financial instruments, the improvement of sectorisation and classification of accounts, and the use of an accrual, rather than a cash, basis of recording.

In this respect, the Bank designed a new reporting format and held consultations with all the depository corporations before finalising the reporting format. Depository corporations were requested to submit electronically their monthly returns as from June 2003 based on the new reporting format.

The MFSM provides a conceptual framework for presenting monetary and financial statistics, the implementation of which requires a long-term and flexible approach. It provides a set of tools for identifying, classifying, and recording stocks and flows of financial assets and liabilities.

Institutional Units and Sectors

Sectorisation of domestic institutional units is a key element in the compilation and presentation of monetary and financial statistics. Corporations, government units, households and non-profit institutions serving households differ with respect to their economic objectives, functions and behaviour. The MFSM follows the sectorisation principles of the 1993 SNA and defines an institutional unit as an economic entity that is capable of owning assets, incurring liabilities, and engaging in the full range of economic transactions. An institutional unit is classified as a resident unit if it has a centre of economic interest in the economic territory of the country in question.

There are two main types of institutional units: (a) households, and (b) legal or social entities, which is further subdivided into the following mutually exclusive sectors (i) financial corporations, (ii) nonfinancial corporations, (iii) general government and (iv) non-profit institutions serving households (NPISH).

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[1] *Based on the IMF Monetary and Financial Statistics Manual.*

The financial corporations sector consists of all resident corporations or quasi-corporations principally engaged in financial intermediation or in related auxiliary financial activities. The subsectors of the financial corporations sector are the central bank, other depository corporations and other financial corporations. The central bank is the national financial institution that exercises control over key aspects of the financial system and carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to other depository corporations. The other depository corporations subsector consists of all resident financial corporations (except the central bank) and quasi-corporations that are mainly engaged in financial intermediation and that issue liabilities included in the national definition of broad money. The other financial corporations subsector relate to insurance corporations and pension funds, other financial intermediaries and financial auxiliaries.

The nonfinancial corporations sector encompasses corporations and quasi-corporations engaging primarily in the production of goods and nonfinancial services. This sector is divided, on the basis of the types of institutional units exercising control, into two mutually exclusive subsectors: (i) public nonfinancial corporations, which are resident nonfinancial corporations and quasi-corporations controlled by government unit and (ii) other nonfinancial corporations that comprise foreign-controlled and national private nonfinancial corporations.

General government units exercise legislative, judicial, or executive authority over other institutional units within a specified area. In the Mauritian context, the general government subsectors are made up of (i) budgetary central government, (ii) extra-budgetary units, (iii) social security funds, and (iv) state and local government.

For the purpose of monetary and financial statistics, households and NPISH are not shown separately, but combined under the heading "Other resident sectors".

Classification of Financial Assets and Liabilities

Financial instruments comprise the full range of financial contracts made between institutional units and are classified as financial assets, which are financial claims that have demonstrable value, or as other financial instruments, which are contingent or conditional upon the occurrence of uncertain future events that are outside the financial assets boundary. The 1993 SNA classification scheme is based primarily on two criteria (1) the liquidity of the asset and (2) the legal characteristics that describe the form of the underlying creditor/debtor relationship. The concept of liquidity subsumes other more specific characteristics, such as negotiability, transferability, marketability, or convertability.

The eight major categories of financial assets/liabilities are (1) Monetary Gold and SDRs, (2) Currency and Deposits, (3) Securities other than Shares, (4) Loans, (5) Shares and Other Equity, (6) Insurance Technical Reserves, (7) Financial Derivatives, and (8) Other Accounts Payable/Receivable.

Stocks, Flows and Accounting Rules

Claims and obligations should be recorded as they accrue, that is, when they are created, transferred, or cancelled, rather than when payments for transactions occur. The general principle is that data should be compiled on a gross basis. The basic principle is the use of market prices or fair values for valuing financial assets and liabilities. Market exchange rates should be used to convert foreign-currency-denominated assets and liabilities into their domestic currency equivalents. Time of recording of transactions is based on the principle of simultaneous recording by the parties to the transaction and the application of accrual accounting. Claims and obligations should be recorded as they accrue, that is, when they are created, transferred, or cancelled, rather than when payments for transactions occur. Valuations should be based on market prices or market-price equivalents of financial assets and liabilities.

The standard unit of account for monetary and financial statistics is the national currency unit. All foreign-currency-denominated stocks and flows must be converted into national currency amounts using the market exchange rate prevailing at the moment they are entered in the accounts, that is, the moment when the transaction or other flow occurs, or the point in time to which the balance sheet applies. The midpoint between the buying and selling rate of exchange should be used so that any service charge is excluded.

The Framework for Monetary Statistics

The monetary statistics cover stock and flow data on the assets and liabilities of the financial corporations sector and its subsectors and include data for all institutional units in the financial corporations sector. The framework for the monetary statistics embodies two levels of data compilation and presentation. At the first level, stock and flow data reported by individual institutional units are aggregated into sectoral balance sheets, which contain comprehensive data for the individual financial corporations subsector — that is, the central bank, other depository corporations, and other financial corporations. At the second level, the data in the sectoral balance sheets are consolidated into surveys.

The Depository Corporations Survey (DCS) and its component surveys — the Central Bank Survey (CBS) and the Other Depository Corporations Survey (ODCS) [2] — are the major focus of the monetary statistics and constitute a core set of data for macroeconomic analysis. The DCS contains stock and flow data on those depository corporations' liabilities that are components of broad money, as nationally defined, and data on depository corporations' assets that are claims on (i.e., credit to) other sectors of the economy. The DCS also contains data on depository corporations' claims on and liabilities to nonresidents. The CBS and ODCS show the data that are consolidated to obtain the DCS and other data that are used in monetary and credit analysis at the separate levels of the central bank and other depository corporations. In particular, the CBS shows the components of the monetary base.

The purpose of the sectoral balance sheets is to provide a framework for the collection and presentation of data in a format that facilitates (i) the compilation of surveys and (ii) the presentation of flow of funds for the financial corporations sector. The data for a sectoral balance sheet are obtained from the individual institutional units classified into standard components, in accordance with the sectorisation, instrument classification, and accounting principles prescribed. In addition, sectoral balance sheets are directly useful for analyses requiring subsector data that are more highly disaggregated than the asset and liability categories shown in the corresponding financial subsector surveys.

The DCS covers the accounts of the depository corporations and is a consolidation of the CBS and ODCS. The DCS constitutes the principal set of monetary statistics for macroeconomic policy. The DCS is a consolidated statement of stocks and flows for the accounts of all financial sector corporations that incur liabilities included in the national definition of broad money. The framework of the DCS is designed to facilitate analysis of broad money and its components, credit aggregates and their components, and depository corporations' foreign assets and liabilities and other assets and liabilities.

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[2] *Other Depository Corporations include Category 1 Banks, Category 2 Banks and Non-Bank Deposit-Taking institutions.*

By maintaining the balance sheet identity in the DCS, the broad money liabilities are linked to their claims on (i.e., credit to) nonresidents and sectors of the domestic economy, and to their other assets and liabilities. This balance sheet identity is reflected in the stock and flow data in the DCS. For each country, the national definition of broad money is used in determining the institutional units covered by the DCS. All institutional units that (1) are included in the financial corporations sector and (2) issue liabilities included in the national definition of broad money are classified as depository corporations and are therefore included in the DCS.

The Bank of Mauritius is currently producing stock data, that is, end of period data for depository corporations and intends to compile and disseminate flow data in a medium-term perspective. Moreover, the Bank continues to produce, in parallel, the monetary survey based on the Guide to Money and Banking Statistics.

IV. GOVERNMENT FINANCE

Government finances in 2003-04 were characterised by a shortfall in expected revenue and lower expenditure than originally estimated. The budget deficit, as a percentage of GDP at market prices, reached an estimated 5.6 per cent in 2003-04 compared to the initial estimate of 5.5 per cent.

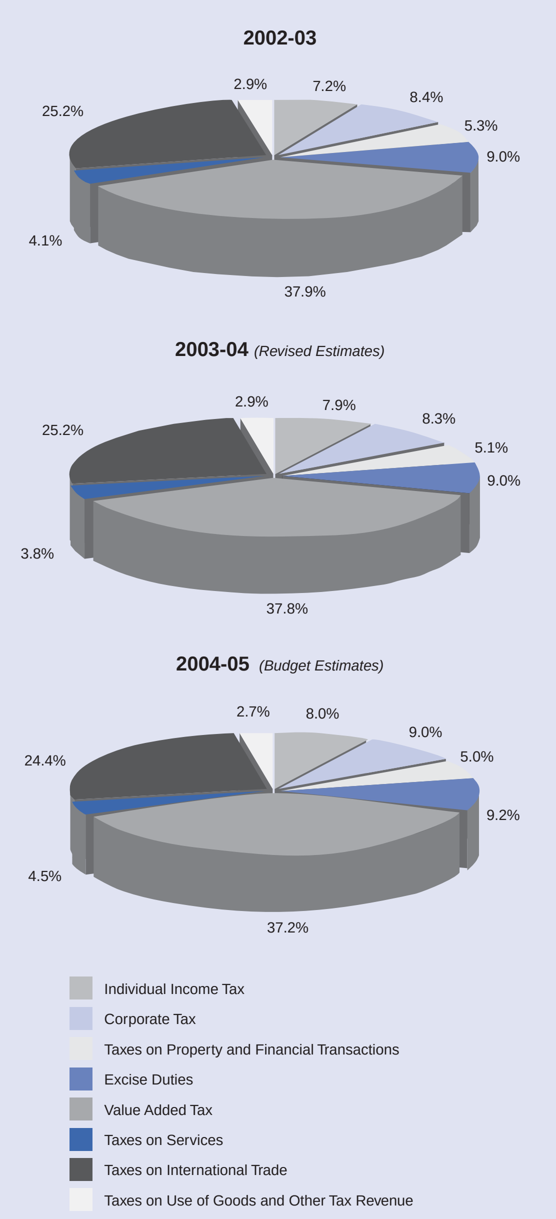
In bid to stem the rise in the public debt, which had reached an estimated high of 64.0 per cent of GDP at market prices at the end of June 2003, the Government took the decision to separate debt management from monetary management. As from 22 August 2003, the Bank of Mauritius started to auction Treasury Bills and other Government securities to meet the borrowing needs of the Government and Bank of Mauritius Bills for monetary policy purposes.

On the revenue side, total derived revenue and grants were lower than the initial estimates mainly on account of lower receipts from value added tax (VAT), excise duties on imports and registration fees. In addition, remittance of profits by the Bank of Mauritius also fell short of the amount budgeted. While the fall in revenue arising from VAT and excise duties can be explained by the slackness in domestic consumption, remittance of profits from the central bank has been adversely affected by the issue of Bank of Mauritius Bills as from August 2003 and the low level of interest rates that has prevailed on international markets. However, the shortfall in VAT receipts and excise duties on imports has been partly offset by higher than expected receipts from customs duty and excise duties on local manufactures. Estimated total derived revenue and grants for 2003-04 amounted to Rs33.4 billion compared to the original estimates of Rs34.2 billion.

Total derived expenditure and lending minus repayments reached an estimated Rs42.6 billion compared to an original estimate of Rs43.4 billion. The difference related mainly to lower interest payments accruing on internal debt, lower expenditure on good and services and lower than originally estimated capital expenditure. However, the lower expenditure on these items has been partly offset by higher than expected spending on current transfers and subsidies.

The budget deficit for 2003-04 amounted to Rs9,157 million, slightly lower than the original estimate of Rs9,200 million. As a percentage of GDP at market prices, the budget deficit stood at 5.6 per cent compared to 6.2 per cent in 2002-03. The deficit was financed solely from domestic sources, through the drawdown of the accumulated deposits of the Government at the central bank and by way of borrowings from Category 1 banks. Financing from the non-bank sector as well as financing from external sources were negative.

Chart IV.1: Composition of Tax Revenue



At the end of June 2004, total public debt was estimated at Rs93,427 million, representing a decrease of 2.2 per cent on the June 2003 level. As a percentage of GDP at market prices, total public debt fell from 64.0 per cent at the end of June 2003 to 56.7 per cent at the end of June 2004. Interest payments on internal and external debt in 2003-04 amounted to Rs6,696 million compared to Rs6,473 million in 2002-03.

Revenue and Grants

Total derived revenue and grants went up from Rs30,298 million in 2002-03 to Rs33,401 million in 2003-04, or 10.2 per cent, compared to 19.9 per cent in the preceding year. As a percentage of GDP at market prices, total derived revenue and grants remained unchanged at 20.3 per cent in 2003-04. The increase in total revenue can be explained by the rise in tax revenue, which was only partly offset by the fall in non-tax revenue. Grants received by Government increased from Rs363 million in 2002-03 to Rs602 million in 2003-04. As a percentage of total derived revenue, the share of tax revenue rose from 86.5 per cent in 2002-03 to 87.9 per cent in 2003-04. Conversely, the share of non-tax revenue declined from 13.5 per cent in 2002-03 to 11.9 per cent in 2003-04.

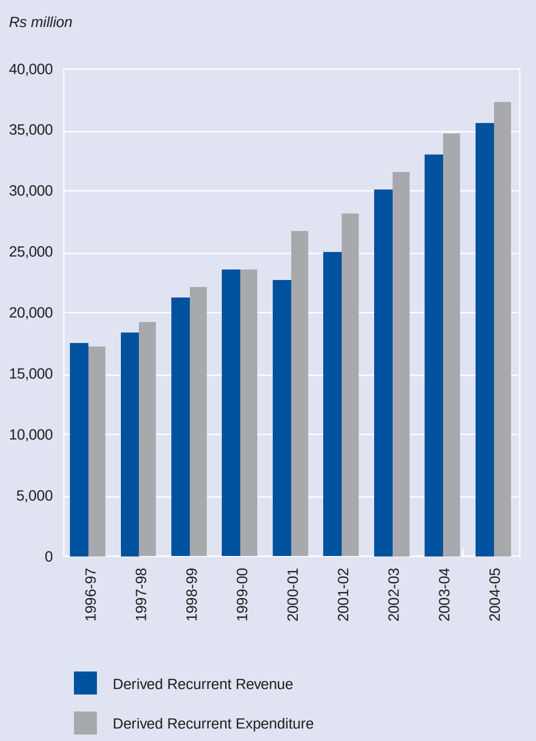
Tax revenue registered a rise of 11.3 per cent, from Rs25,879 million in 2002-03 to Rs28,814 million in 2003-04, lower than the increase of 20.3 per cent recorded in the preceding year. Taxes on Income, Profits and Capital Gains, Taxes on International Trade, Taxes on Goods and Services, and Taxes on Property went up by 16.6 per cent, 11.4 per cent, 10.3 per cent and 5.9 per cent, respectively. The buoyancy of tax revenue with respect to GDP at market prices was 1.1 in 2003-04.

Revenue from domestic taxes on goods and services rose by Rs1,444 million, or 10.3 per cent, from Rs13,957 million in 2002-03 to Rs15,401 million in 2003-04, compared to a higher increase of 29.0 per cent in 2002-03. Approximately 75 per cent of the increase can be attributed to the value added tax (VAT). Net revenue from VAT amounted to Rs10,901 million, representing an increase of Rs1,089 million, or 11.1 per cent, on the corresponding figure of Rs9,812 million for 2002-03. Excise duties went up by Rs250 million to Rs2,582 million. As a percentage of tax revenue, the share of domestic taxes on goods and services declined from 53.9 per cent in 2002-03 to 53.4 per cent in 2003-04.

Taxes on international trade recorded an increase of 11.4 per cent in 2003-04 compared to 10.7 per cent in 2002-03. In absolute terms, they increased by Rs742 million, from Rs6,523 million in 2002-03 to Rs7,265 million in 2003-04. After registering a rise of 16.1 per cent in 2002-03, excise duty on imports went up by 8.8 per cent, from Rs3,025 million in 2002-03 to Rs3,290 million in 2003-04. Customs duty went up by 13.7 per cent, from Rs3,497 million in 2002-03 to Rs3,975 million in 2003-04, compared to an increase of 6.4 per cent in 2002-03. As a percentage of tax revenue, the share of taxes on international trade remained unchanged at 25.2 per cent in 2003-04.

Revenue from taxes on income, profits and capital gains went up by Rs666 million, from Rs4,014 million in 2002-03 to Rs4,680 million in 2003-04, or 16.6 per cent, higher than the rate of 14.9 per cent registered in 2002-03.

Chart IV.2: Government Derived Recurrent Revenue and Derived Recurrent Expenditure



2003-04: Revised estimates *2004-05: Budget estimates*

Table IV.1: Classification of Government Revenue and Grants

(Rs million)

	2001-02	2002-03	2003-04 Revised Estimates	2004-05 Budget Estimates
1. Tax Revenue	**21,519.3**	**25,879.2**	**28,814.0**	**32,669.0**
Taxes on Income, Profits and Capital Gains	3,493.9	4,013.5	4,680.0	5,565.0
	(16.2)	*(15.5)*	*(16.2)*	*(17.0)*
Individual Income Tax	1,619.0	1,858.9	2,280.0	2,630.0
	(7.5)	*(7.2)*	*(7.9)*	*(8.1)*
Corporate Tax	1,874.9	2,154.5	2,400.0	2,935.0
	(8.7)	*(8.3)*	*(8.3)*	*(9.0)*
Taxes on Property	1,298.9	1,374.6	1,456.0	1,629.0
	(6.0)	*(5.3)*	*(5.1)*	*(5.0)*
Land and Real Estate	249.6	306.3	340.0	375.0
	(1.2)	*(1.2)*	*(1.2)*	*(1.1)*
Financial Transactions	1,049.3	1,068.3	1,116.0	1,254.0
	(4.9)	*(4.1)*	*(3.9)*	*(3.8)*
Domestic Taxes on Goods and Services	10,820.4	13,957.0	15,401.0	17,502.0
Of which:	*(50.3)*	*(53.9)*	*(53.4)*	*(53.6)*
(a) Excise Duties	2,298.6	2,332.2	2,582.0	3,000.0
	(10.7)	*(9.0)*	*(9.0)*	*(9.2)*
(b) Value Added Tax	7,053.4	9,812.2	10,901.0	12,150.0
	(32.8)	*(37.9)*	*(37.8)*	*(37.2)*
(c) Taxes on Services	978.5	1,069.0	1,108.0	1,480.0
	(4.5)	*(4.1)*	*(3.8)*	*(4.5)*
(i) Tax on Gambling	891.1	966.9	988.0	1,050.0
	(4.1)	*(3.7)*	*(3.4)*	*(3.2)*
(ii) Tax on Hotel Bills	86.8	101.4	120.0	130.0
	(0.4)	*(0.4)*	*(0.4)*	*(0.4)*
(d) Taxes on Use of Goods	489.9	743.6	810.0	872.0
	(2.3)	*(2.9)*	*(2.8)*	*(2.7)*
Taxes on International Trade	5,893.5	6,522.6	7,265.0	7,960.0
	(27.4)	*(25.2)*	*(25.2)*	*(24.4)*
Customs Duty	3,287.9	3,497.4	3,975.0	4,340.0
	(15.3)	*(13.5)*	*(13.8)*	*(13.3)*
Excise Duty on Imports	2,605.6	3,025.2	3,290.0	3,620.0
	(12.1)	*(11.7)*	*(11.4)*	*(11.1)*
Other Tax Revenue	12.6	11.5	12.0	13.0
	(0.1)	*(0.0)*	*(0.0)*	*(0.0)*
2. Non-tax Revenue	**3,306.7**	**4,033.2**	**3,915.0**	**2,639.0**
3. Derived Capital Revenue	**127.8**	**23.0**	**70.0**	**5.0**
4. Total Derived Revenue	**24,953.8**	**29,935.4**	**32,799.0**	**35,313.0**
5. Grants	**316.5**	**362.7**	**602.0**	**567.0**
6. Total Derived Revenue and Grants	**25,270.3**	**30,298.1**	**33,401.0**	**35,880.0**
7. Total Derived Revenue and Grants as a % of GDP	**18.5**	**20.3**	**20.3**	**19.8**

Figures in brackets are percentages of Tax Revenue.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

Individual income tax went up by Rs421 million, from Rs1,859 million in 2002-03 to Rs2,280 million in 2003-04, or 22.6 per cent, up from 14.8 per cent in 2002-03. Corporate tax increased by Rs246 million, from Rs2,154 million in 2002-03 to Rs2,400 million in 2003-04, or 11.4 per cent, down from an increase of 14.9 per cent in 2002-03. As a percentage of total tax revenue, the share of taxes on income, profits and capital gains went up from 15.5 per cent in 2002-03 to 16.2 per cent in 2003-04.

Taxes on property went up by Rs81 million, from Rs1,375 million in 2002-03 to Rs1,456 million in 2003-04, or 5.9 per cent, unchanged from the increase registered in 2002-03. As a percentage of tax revenue, the share of taxes on property declined marginally from 5.3 per cent in 2002-03 to 5.1 per cent in 2003-04.

Non-tax revenue, which comprises mainly transfer of funds, receipts from public services, interest, royalties and other property income, fell by Rs118 million, from Rs4,033 million in 2002-03 to Rs3,915 million in 2003-04, or 2.9 per cent, as against a 22.0 per cent increase in 2002-03.

Table IV.1 gives details on Government revenue and grants for the years 2001-02 through 2004-05. Chart IV.1 shows the composition of tax revenue for the years 2002-03 through 2004-05.

Expenditure and Lending minus Repayments

Total derived expenditure and lending minus repayments went up from Rs39,533 million in 2002-03 to Rs42,558 million in 2003-04, or 7.7 per cent, down from 17.8 per cent in 2002-03. As a percentage of GDP at market prices, total derived expenditure and lending minus repayments fell from 26.5 per cent in 2002-03 to 25.8 per cent in 2003-04. Recurrent expenditure grew by Rs3,171 million in 2003-04 while capital expenditure went up by Rs111 million over the same period. Lending minus repayments fell from Rs980 million in 2002-03 to Rs724 million in 2003-04. As a percentage of total derived expenditure, recurrent expenditure went up from 81.8 per cent in 2002-03 to 83.0 per cent in 2003-04. Conversely, the share of derived capital expenditure fell from 18.2 per cent to 17.0 per cent over the same period.

Derived recurrent expenditure went up by 10.1 per cent, from Rs31,538 million in 2002-03 to Rs34,709 million in 2003-04, compared to a rise of 13.1 per cent in the preceding year. Increases of 14.2 per cent, 9.4 per cent and 3.1 per cent were recorded in expenditure on goods and services, current transfers and subsidies, and interest payments, respectively, in 2003-04.

Interest payments on local and external loans taken together went up by Rs201 million, from Rs6,390 million in 2002-03 to Rs6,591 million in 2003-04, or 3.1 per cent, compared to a higher increase of 40.7 per cent in 2002-03. Interest payments on domestic loans went up by Rs185 million, from Rs6,202 million in 2002-03 to Rs6,387 million in 2003-04. Interest payments on external loans grew by Rs15 million, from Rs189 million to Rs204 million over the same period. As a percentage of derived recurrent expenditure, total interest payments fell from 20.3 per cent in 2002-03 to 19.0 per cent in 2003-04.

Chart IV.3: Composition of Government Expenditure

Current transfers and subsidies went up by Rs1,186 million, from Rs12,614 million in 2002-03 to Rs13,800 million in 2003-04, or 9.4 per cent, higher than the rate of 9.1 per cent registered in 2002-03. Some 40 per cent of the increase was accounted for by increases in subsidies and transfers and the remaining 60 per cent was attributed to contributions. Total subsidies and

Table IV.2: Distribution of Government Expenditure

(Rs million)

	2001-02	2002-03	2003-04 Revised Estimates	2004-05 Budget Estimates
1. Derived Recurrent Expenditure	**27,881.2**	**31,538.1**	**34,709.2**	**37,232.5**
Expenditure on Goods and Services	11,781.7	12,534.1	14,318.0	15,340.5
	(42.3)	*(39.7)*	*(41.3)*	*(41.2)*
(a) Wages and Salaries [1]	8,854.4	9,366.0	10,873.0	11,696.1
	(31.8)	*(29.7)*	*(31.3)*	*(31.4)*
(b) Other Goods and Services	2,927.3	3,168.1	3,445.0	3,644.4
	(10.5)	*(10.0)*	*(9.9)*	*(9.8)*
Interest Payments	4,541.1	6,390.4	6,591.0	6,882.0
	(16.3)	*(20.3)*	*(19.0)*	*(18.5)*
(a) External	207.2	188.6	204.0	232.0
	(0.7)	*(0.6)*	*(0.6)*	*(0.6)*
(b) Domestic	4,333.9	6,201.8	6,387.0	6,650.0
	(15.5)	*(19.7)*	*(18.4)*	*(17.9)*
Current Transfers and Subsidies	11,558.4	12,613.6	13,800.2	15,010.0
	(41.5)	*(40.0)*	*(39.8)*	*(40.3)*
(a) Subsidy on Rice and Flour	393.1	429.0	420.0	420.0
	(1.4)	*(1.4)*	*(1.2)*	*(1.1)*
(b) Transfers to Local Government	851.4	904.3	1,112.0	1,175.0
	(3.1)	*(2.9)*	*(3.2)*	*(3.2)*
(c) Contributions	5,772.8	6,286.4	7,000.3	7,338.0
	(20.7)	*(19.9)*	*(20.2)*	*(19.7)*
(d) Other Subsidies and Current Transfers	4,541.1	4,993.9	5,267.9	6,077.0
	(16.3)	*(15.8)*	*(15.2)*	*(16.3)*
2. Capital Expenditure	**5,043.4**	**7,014.5**	**7,125.0**	**7,358.0**
3. Total Derived Expenditure	**32,924.6**	**38,552.6**	**41,834.2**	**44,590.5**
4. Lending minus Repayments	**644.5**	**980.2**	**724.0**	**372.0**
5. Total Derived Expenditure and Lending minus Repayments	**33,569.1**	**39,532.8**	**42,558.2**	**44,962.5**
6. Total Derived Expenditure and Lending minus Repayments as a % of GDP	**24.5**	**26.5**	**25.8**	**24.8**

[1] Include Travelling and Transport.
Figures in brackets are percentages of Derived Recurrent Expenditure.
Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

transfers went up by Rs473 million, from Rs6,327 million in 2002-03 to Rs6,800 million in 2003-04, or 7.5 per cent, down from 9.4 per cent in the preceding year. Subsidy on rice and flour fell by Rs9 million to Rs420 million. Transfers to local government grew by Rs208 million to Rs1,112 million. Contributions to the National Pensions Fund, the National Savings Fund and public service pensions went up by Rs714 million, from Rs6,286 million in 2002-03 to Rs7,000 million in 2003-04, or 11.4 per cent, up from 8.9 per cent in 2002-03. As a percentage of derived recurrent expenditure, current transfers and subsidies fell from 40.0 per cent in 2002-03 to 39.8 per cent in 2003-04.

Expenditure on goods and services went up by Rs1,784 million, from Rs12,534 million in 2002-03 to Rs14,318 million in 2003-04, or 14.2 per cent, up from 6.4 per cent in 2002-03. Around 84 per cent of the increase represented additional expenditure on wages and salaries, inclusive of travelling and transport, which, in absolute terms, went up by Rs1,507 million, from Rs9,366 million in 2002-03 to Rs10,873 million in 2003-04. As a percentage of derived recurrent expenditure, expenditure on goods and services increased from 39.7 per cent in 2002-03 to 41.3 per cent in 2003-04.

Derived capital expenditure went up by Rs110 million, from Rs7,015 million in 2002-03 to Rs7,125 million in 2003-04, or 1.6 per cent. Substantial additional capital expenses were incurred during 2003-04 in respect of Housing and Community Amenities (Rs2,184 million), Education (Rs1,003 million), Transport and Communication (Rs603 million), and General Public Services (Rs495 million).

Table IV.2 shows the distribution of government expenditure for the years 2001-02 through 2004-05. Charts IV.2 and IV.3 show derived recurrent revenue and derived recurrent expenditure for the years 1996-97 through 2004-05, and the composition of government expenditure for the years 2000-01 through 2004-05, respectively.

Budgetary Operations and Financing of the Deficit

The estimated budget deficit in 2003-04 amounted to Rs9,157 million compared to Rs9,235 million in the previous year. Total derived revenue and grants was estimated at Rs33,401 million and total derived expenditure and lending minus repayments was estimated at Rs42,558 million 2003-04. The budget deficit as a percentage of GDP at market prices fell from 6.2 per cent in 2002-03 to 5.6 per cent in 2003-04.

The budget deficit for 2003-04 was financed only from domestic sources. Net foreign financing amounted to negative Rs386 million in 2003-04 with gross external loans received and investment in Treasury Bills by nonresidents amounting to Rs827 million and negative Rs330.8 million, respectively. Foreign capital repayments amounted to Rs882 million.

On the domestic front, all the financing came through the running down of the deposits held by the Government at the central bank and from net additional borrowing from Category 1 banks. Financing from the non-bank sector was negative. Financing from Category 1 banks stood at Rs3,608.6 million in 2003-04 compared to Rs10,283.1 million in the previous fiscal year. Net financing by the non-bank sector was negative at Rs3,462.3 million. The relatively low level of financing from Category 1 banks and the negative financing from the non-bank sector was attributed to the relatively lower volume of Treasury Bills that had been put on tender during 2003-04. The net effect was a net disinvestment from Government securities.

Table IV.3 shows the financing of the budget deficit by type of debt holder and instrument for the years 2000-01 through 2004-05.

Public Debt

Total public debt, consisting of internal and external public debt, fell by Rs2,060 million, from Rs95,487 million at the end of June 2003 to Rs93,427 million at the end of June 2004, or 2.2 per cent, as against an increase of 25.8 per cent in 2002-03. This reflected declines of 1.6 per cent and 7.2 per cent in internal and external public debt, respectively. As a percentage of GDP at market prices, total public debt fell from 64.0 per cent at the end of June 2003 to 56.7 per cent at the end of June 2004.

Table IV.3: Budgetary Operations and Financing

(Rs million)

	2000-01	2001-02	2002-03	2003-04 Revised Estimates	2004-05 Budget Estimates
1. Total Derived Revenue and Grants	**22,809.3**	**25,270.3**	**30,298.1**	**33,401.0**	**35,880.0**
2. Total Derived Expenditure and Lending Minus Repayments	**31,087.7**	**33,569.1**	**39,532.8**	**42,558.2**	**44,962.5**
3. Budget Deficit (1-2)	**-8,278.4**	**-8,298.8**	**-9,234.7**	**-9,157.2**	**-9,082.5**
4. Foreign Financing (Net) (a+b-c)	**-3,537.5**	**990.1**	**249.7**	**-385.8**	**170.0**
(a) Gross External Loans Received (excluding IMF)	348.5	1,737.9	922.9	827.0	1,076.0
(b) Foreign Invesment in Treasury Bills	46.1	-40.0	163.0	-330.8	-
(c) Foreign Capital Repayments	3,932.1	707.8	836.2	882.0	906.0
5. Domestic Financing (Net) (A+B+C+D)	**11,815.9**	**7,308.9**	**8,985.0**	**9,543.0**	**8,912.5**
A. Monetary Authorities (a+b+c-d)	**-628.4**	**-5,544.9**	**-7,787.1**	**10,261.4**	
(a) Government Stocks	937.2	-213.7	-728.5	-6.1	
(b) Treasury Bills	-476.5	-165.0	-297.4	655.8	
(c) Advances	-1,089.4	0.0	0.0	0.0	
(d) Deposits	-0.3	5,166.1	6,761.2	-9,611.7	
B. Category 1 Banks (a+b+c+d-e)	**-261.3**	**7,044.1**	**10,283.1**	**3,608.6**	
(a) Government Stocks	-918.5	-557.6	-150.4	257.4	
(b) Treasury Bills	403.1	7,579.2	10,412.4	2,513.6	
(c) Advances	96.7	0.0	0.0	0.1	
(d) Five-Year Government Bonds	0.0	0.0	169.8	564.5	
(e) Deposits	-157.4	-22.5	148.7	-273.0	
C. Non-Bank Sector (a+b+c+d)	**6,478.4**	**4,943.9**	**6,802.9**	**-3,462.3**	
(a) Government Stocks	1,592.7	94.9	421.4	1,934.3	
(b) Treasury Bills	6,964.2	4,849.0	5,747.2	-6,807.7	
(c) Independence and Republic Bonds	-2,078.5	-	-	-	
(d) Five-Year Government Bonds	-	-	634.2	1,411.1	
D. Other Domestic Financing	**6,227.2**	**865.7**	**-313.9**	**-864.7**	
6. Ratio of Budget Deficit to GDP at market prices (Per cent)	**6.7**	**6.1**	**6.2**	**5.6**	**5.0**

Source: Ministry of Finance and Economic Development, Government of Mauritius.

Internal Debt

Total internal public debt dropped by Rs1,411 million, from Rs86,413 million at the end of June 2003 to Rs85,002 million at the end of June 2004, or 1.6 per cent, as against a rise of 28.8 per cent in 2002-03. As a percentage of GDP at market prices, total internal debt fell from 57.9 per cent at the end of June 2003 to 51.6 per cent at the end of June 2004.

Government short-term obligations, made up essentially of Treasury Bills, fell by Rs5,805 million, from Rs74,138 million at the end of June 2003 to Rs68,333 million at the end of June 2004, representing a drop of 7.8 per cent, as against a rise of 34.1 per cent in 2002-03. As a percentage of total internal public debt, Government short-term obligations fell from 85.8 per cent at the end of June 2003 to 80.4 per cent at the end of June 2004.

Table IV.4: Public Debt

(Rs million)

OUTSTANDING AS AT END-JUNE	2000	2001	2002	2003	2004 [1]
1. Short-term Obligations	**32,972.6**	**40,683.5**	**55,287.4**	**74,138.3**	**68,332.9**
(a) Treasury Bills [2]	31,882.7	40,683.1	55,287.0	74,137.9	68,332.5
(b) Advances from Bank of Mauritius	1,089.4	0.0	0.0	0.0	0.0
(c) Tax-Reserve Certificates	0.4	0.4	0.4	0.4	0.4
2. Medium and Long-term Obligations	**13,668.5**	**12,710.0**	**11,808.0**	**12,274.3**	**16,669.4**
(a) Government Stocks	11,590.0	12,710.0	11,808.0	11,408.0	13,803.1
(b) 5-Year Republic Bonds	2,078.5	-	-	-	-
(c) Five-Year Government of Mauritius Bonds	-	-	-	866.3	2,866.3
3. Internal Public Debt (1+2)	**46,641.1**	**53,393.5**	**67,095.4**	**86,412.6**	**85,002.3**
4. External Public Debt	**10,189.7**	**7,167.9**	**8,785.0**	**9,074.0**	**8,424.5**
(a) Foreign Loans	9,891.0	6,816.0	8,465.0	8,549.7	8,300.0
(b) Foreign Investment in Treasury Bills	298.7	351.9	320.0	524.3	124.5
5. Public Debt (3+4)	**56,830.8**	**60,561.4**	**75,880.4**	**95,486.6**	**93,426.8**
6. Public Debt as a % of GDP at market prices	**50.5**	**48.9**	**55.4**	**64.0**	**56.7**
DEBT CHARGES DURING FISCAL YEAR ENDED 30 JUNE	**2000**	**2001**	**2002**	**2003**	**2004**
7. Amortisation	**1,812.0**	**4,889.0**	**1,725.0**	**1,987.0**	**2,109.0**
(a) Internal	892.0	957.0	1,017.0	1,151.0	1,227.0
(b) External	920.0	3,932.0 [3]	708.0	836.0	882.0
8. Interest	**4,125.0**	**5,348.0**	**4,589.0**	**6,473.0**	**6,696.0**
(a) Internal	3,660.0	4,929.0	4,360.0	6,273.0	6,478.0
(b) External	465.0	419.0	229.0	200.0	218.0
9. Total Debt Servicing (7+8)	**5,937.0**	**10,237.0**	**6,314.0**	**8,460.0**	**8,804.0**

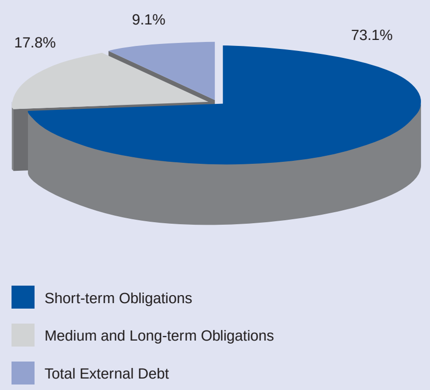
1 Provisional.
2 Excluding Treasury Bills held by foreign investors.
3 Includes repayment of Rs3,125 million in respect of Floating Rate Notes loan.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

Medium and long-term obligations of the Government went up by 35.8 per cent, from Rs12,274 million at the end of June 2003 to Rs16,669 million at the end of June 2004. A total nominal amount of Rs2,000 million of Five-Year Government of Mauritius Bonds was issued during the year 2003-04. There were also two issues of Mauritius Development Loan Stocks for a total nominal amount of Rs3,000 million during the fiscal year. Stocks for a nominal amount of Rs605 million were redeemed during 2003-04. The share of medium and long-term obligations of the Government in total internal public debt went up from 14.2 per cent at the end of June 2003 to 19.6 per cent at the end of June 2004.

External Debt

Total external public debt fell by Rs649 million, from Rs9,074 million at the end of June 2003 to Rs8,425 million at the end of June 2004. During the year ended 30 June 2004, gross disbursements and amortisation amounted to Rs827 million and Rs882 million, respectively. Interest payments and other charges amounted to Rs218 million.

Chart IV.4: Composition of Public Debt as at end-June 2004



Foreign loans contracted by Rs250 million, from Rs8,550 million as at end-June 2003 to Rs8,300 million as at end-June 2004. Investment in Treasury Bills by nonresidents registered a fall of Rs399 million, from Rs524 million as at end-June 2003 to Rs125 million as at end-June 2004.

The external debt of financial public corporations and non-financial public enterprises fell by Rs2,427 million, from Rs17,629 million at the end of June 2003 to Rs15,202 million at the end of June 2004. Disbursements and capital repayments amounted to Rs955 million and Rs3,536 million, respectively, during fiscal year 2003-04 while interest payments and other charges amounted to Rs716 million.

The external debt of the private sector fell by Rs312 million, from Rs2,271 million at the end of June 2003 to Rs1,959 million at the end of June 2004. Total disbursements and capital repayments in 2003-04 amounted to Rs253 million and Rs565 million, respectively. Interest payments amounted to Rs46 million.

The total stock of external debt of the government, financial public corporations, non-financial public enterprises and the private sector fell by Rs3,388 million, from Rs28,974 million at the end of June 2003 to Rs25,586 million at the end of June 2004.

The debt service ratio of the country, defined as principal repayments and interest payments on external debt as a percentage of exports of goods and non-factor services, fell from 8.2 per cent in 2002-03 to 6.4 per cent in 2003-04.

Table IV.4 gives details of public debt for the years 1999-00 through 2003-04. Chart IV.4 shows the composition of public debt as at end-June 2004.

Budget 2004-05

In the 2004-05 Budget Speech, Government has outlined its aims to improve growth potential and to ensure that the wealth created translates into social progress and development for each and everyone. A number of initiatives pertaining to social enhancement have been announced, ranging from land reform, higher welfare benefits, cheaper medication or further duty reductions, to compulsory 16-year old schooling or employee participation schemes. The philosophy underlying the Budget rests on two main pillars, namely to inspire full confidence into the population and the business sector, in particular, in the face of increasing competition on international markets and to ensure that the benefits of economic progress are more equitably distributed.

In a bid to achieve its vision and objectives, the Government has set out eight priorities:

(i) Further democratisation of the economy.

(ii) Focus on the means and ways to boost private investment and employment creation in every sector of the economy.

(iii) Tackle the employment problem from its roots.

(iv) Strengthening and reforming the various institutions so that they are better prepared to meet the impending challenges of the economy.

(v) Addressing the issues that have a direct bearing on the day-to-day life of the people.

(vi) Giving more protection to consumers.

(vii) Continued efforts to reduce poverty and promote social inclusion.

(viii) Adopting new approaches to budgeting, namely, Medium Term Expenditure Framework and Result-Based Budgeting and Targeting.

The budget aims at stimulating and facilitating investment to give an impetus to job creation. Along the same lines announced in last year's budget, the government is planning to remove unnecessary delays and administrative hurdles so as to make procedures more business friendly. Consequently, the Investment Promotion Act will be amended to empower the Board of Investment to approve projects in less than 24 hours and a new legislative framework for permits and licences will be promulgated. The Investment Incentive Schemes are being rationalised to avoid cumbersome administrative procedures and to reflect policy priorities.

To remedy the unemployment problem, special training programmes for 3000 people who have not passed the Certificate of Primary Education will be implemented. These trainees will be given a stipend of Rs1,500 per month. A similar programme will be launched for the benefit of those who have not passed the School Certificate. In addition, the Skills Development Programme will be extended to 600 graduates and diploma holders.

Furthermore, non-income earning families would be advised to either start a micro-business through micro-credit facilities that would be provided by the authorities or take up employment in the EPZ sector after being provided with relevant training over a period of three months.

To further enhance prospects of the tourism industry, the Mauritius Tourism Promotion Authority will concentrate on markets with potential for high growth, namely, China, India and some Middle East Countries. Negotiations are ongoing for more flights to meet the increase in room capacity. An Air Access Policy Unit is being created to advise Government on air access policies. To meet the increasing demand from young people wishing to embark on a career in tourism, the Pointe Jérome Youth Centre will be partly converted into a school for training in hotel and tourism. A Tourist Arrival Fee of 20 Euros per adult tourist visiting Mauritius and Rodrigues and 10 Euros for children under 12 will be introduced.

The 2004-05 Budget has also enumerated a number of issues that relate to the manufacturing sector so that new and impending challenges are met. With increasing pressures from global competition and trade liberalisation, Government will work together with the private sector to enhance the resilience of manufacturing firms. The Textile Emergency Support Team (TEST) initiative will be formalised through the creation of a new integrated institutional support organisation that will cover the whole manufacturing sector. A private company, jointly owned by the public and private sectors, will be created and will take over the core activities of MIDA, EPZDA and SUBEX-M. This new company will provide flexible and responsive services to firms throughout their life cycle. Investment missions will be organised by the Board of Investment to attract international partners who will work with local manufacturing firms to enable the transfer of technology and managerial know-how. The Mauritius Standards Bureau and the Legal Metrology Division will be restructured. Customs duty on various industrial inputs will be reduced or abolished to cut down manufacturing costs and improve competitiveness. The special allowance of 25 per cent over and above the existing 25 per cent investment allowance has been extended but will be gradually phased out over a period of four years. The Anti-dumping, Countervailing and Safeguard Measures Bill will be finalised. A Trade Offset Programme (TOP) will be set up to encourage collaborative business ventures and trade between foreign companies exporting to Mauritius and local companies.

The agricultural sector, which has received considerable attention in past budgetary exercises, will continue to benefit from the same privilege. Government will, in collaboration with stakeholders, start working on the Mid-Term Review of the Sugar Sector Strategic Plan. It will concentrate on building research capabilities, improving irrigation facilities, encouraging mechanisation and de-rocking. Irrigation projects in the northern region of the island will be implemented and small-scale irrigation projects will be financed. The Non-Sugar Sector Strategic Plan is also in progress with the development of high value-added products with export potential. Budgetary measures include appropriate institutional support, financing facilities, marketing intelligence, training and research and development capabilities.

Medium Term Expenditure Framework

The economic strategy and policy orientation of the Government announced a few years ago included a comprehensive budget reform, the centrepiece of which is the Medium Term Expenditure Framework (MTEF). In November 2003, the Government introduced the MTEF, which is essentially the casting of the budget in a medium-term perspective, typically three years, on a rolling basis instead of the traditional one-year basis.

Setting the budgetary exercise in a medium term horizon offers certain advantages that allow spending Ministries to be in a better position to predict the financial outcome of their activities. In addition, the MTEF offers greater transparency and accountability and thus urges the Government to be prudent in its allocative choices.

The MTEF is a Programme-based Budgeting (PBB) as against the current practice of "line item budgeting" (LIB). PBB is a method of budgeting that attempts to relate resources allocated to the results that need to be achieved whilst the LIB focuses essentially on results or output. The adoption of the PBB will culminate into a shift from excessive emphasis on costs to organisation design and relevancy.

The MTEF is a useful instrument in public expenditure management and has the potential to bring about significant improvements in the way budgets are formulated, executed and monitored.

The MTEF is to be implemented on a phased basis and in the first phase the MTEF on Education and Training would be adopted. In the second phase, the approach would be extended to Health, Social Security, Environment and Public Infrastructure. In the third and final phase, the MTEF would be introduced in all the ministries. Thereafter, when the MTEF is fully operational, the annual National Budget would be cast on a three-year rolling basis instead of one year.

V. EXTERNAL TRADE AND BALANCE OF PAYMENTS

The current account of the balance of payments posted for the fourth year running a surplus estimated at Rs1,803 million in 2003-04 compared with a surplus of Rs3,554 million in 2002-03. A higher surplus was recorded in the services account while the current transfers account registered a lower surplus. The combined surpluses on the services and current transfers accounts, however, more than offset the combined deficits on the merchandise and income accounts. In relation to GDP, the surplus on the current account represented 1.1 per cent in 2003-04 compared to 2.4 per cent in 2002-03.

The deficit on the merchandise account of the balance of payments widened from Rs8,645 million in 2002-03 to Rs10,240 million in 2003-04. On a balance of payments basis, total exports (f.o.b.) grew by 2.4 per cent, from Rs53,247 million in 2002-03 to Rs54,499 million in 2003-04. Total imports (f.o.b.) rose by 4.6 per cent, from Rs61,892 million in 2002-03 to Rs64,739 million in 2003-04. The surplus on the services account increased from Rs10,014 million in 2002-03 to Rs11,403 million in 2003-04.

The capital and financial account, inclusive of reserve assets, recorded net outflows of Rs986 million in 2003-04 compared with net outflows of Rs5,611 million in 2002-03. Exclusive of reserve assets, the capital and financial account recorded net inflows of Rs2,239 million in 2003-04 compared with net inflows Rs3,488 million in 2002-03.

For 2004-05, the merchandise account deficit has been projected to widen to Rs10,768 million. The services account has been projected to record a lower surplus while a lower deficit is expected on the income account. A lower surplus has been forecast on the current transfers account. As a result, the current account of the balance of payments in 2004-05 has been projected to record a surplus of Rs1,808 million, equivalent to 1.0 per cent of GDP.

Table V.1 gives a summary of the balance of payments accounts for the years 2000-01 through 2004-05.

Table V.1: Balance of Payments Summary

(Rs million)

	2000-01	2001-02	2002-03 [1]	2003-04 [2]	2004-05 [3]
Current Account	**4,257**	**7,458**	**3,554**	**1,803**	**1,808**
Goods	**-6,977**	**-6,177**	**-8,645**	**-10,240**	**-10,768**
Exports f.o.b.	45,222	47,938	53,247	54,499	57,440
Imports f.o.b.	52,199	54,115	61,892	64,739	68,208
Imports c.i.f.	56,204	58,151	66,267	69,665	74,377
Services	**9,159**	**11,908**	**10,014**	**11,403**	**11,218**
Income	**336**	**-248**	**-47**	**-1,026**	**-105**
Current Transfers	**1,739**	**1,975**	**2,232**	**1,666**	**1,463**
Capital and Financial Account	**-2,619**	**-6,275**	**-5,611**	**-986**	**-1,808**
Capital Account	**-40**	**-30**	**-57**	**-40**	**-35**
Financial Account	**-2,579**	**-6,245**	**-5,554**	**-946**	**-1,773**
of which:					
Reserve Assets	-5,107	-5,908	-9,099	-3,225	-1,125
Net Errors and Omissions	-1,638	-1,183	2,057	-817	0

[1] *Revised.* [2] *Estimates.* [3] *Projections.*

Notes: *(a) Import data for 2000-01 are inclusive of import of marine vessel (Rs398 million).*
(b) Import data for 2001-02 are inclusive of import of aircraft (Rs1,575 million).
(c) Import data for 2002-03 are inclusive of import of aircraft (Rs1,073 million).
(d) Import data for 2003-04 are inclusive of import of aircraft (Rs225 million).
(e) As from 2002-03, data on imports and exports include transactions through the Mauritius Freeport.

Services, Income and Current Transfers

The surplus on the services account improved by 13.9 per cent, from Rs10,014 million in 2002-03 to Rs11,403 million during the year under review, reflecting mainly the significant rise in the surplus on the travel account, from Rs12,587 million in 2002-03 to Rs15,803 million in 2003-04, which more than offset the deterioration in the transportation and other services accounts. Although the uncertainty that had affected global tourism in 2002-03 largely subsided in 2003-04, the number of tourist arrivals to Mauritius grew moderately by 0.7 per cent, from 694,247 in 2002-03 to 699,389 in 2003-04. However, gross tourism earnings surged from Rs17,998 million in the preceding year to a record high of Rs22,394 million in 2003-04 with remittances from foreign tour operators witnessing a substantial increase. Currency appreciation of our major source countries, namely, the United Kingdom and the euro area, vis-à-vis the domestic currency as well as higher hotel tariff rates as existing hotels continued to move up-market, on the back of major refurbishment and upgrading of leisure facilities, contributed to the higher tourism earnings. Total visitor nights spent increased from 6,882,000 in 2002-03 to 6,929,000 in 2003-04, while the average length of stay per tourist remained unchanged at 9.9 nights. Expenditure on foreign travel by residents increased by 21.8 per cent to Rs6,591 million in 2003-04 after dropping by nearly 19 per cent in 2002-03. Net inflows on the travel account thus rose by 25.6 per cent to Rs15,803 million in 2003-04. Average expenditure per Mauritian resident travelling abroad increased by 14.7 per cent, from Rs33,729 in 2002-03 to Rs38,689 in 2003-04. The transportation account recorded a deficit of Rs2,079 million in 2003-04 compared with a lower deficit of Rs1,756 million in 2002-03, while the deficit in the "other services" account widened further, from Rs817 million in 2002-03 to Rs2,321 million in 2003-04.

The income account recorded a net outflow of Rs1,026 million in 2003-04 compared with a net outflow of Rs47 million in the preceding fiscal year. The deterioration in the income account reflected largely lower earnings on foreign assets in an environment characterised by low interest rates on the international markets. The net surplus on the current transfers account declined from Rs2,232 million in 2002-03 to Rs1,666 million in 2003-04.

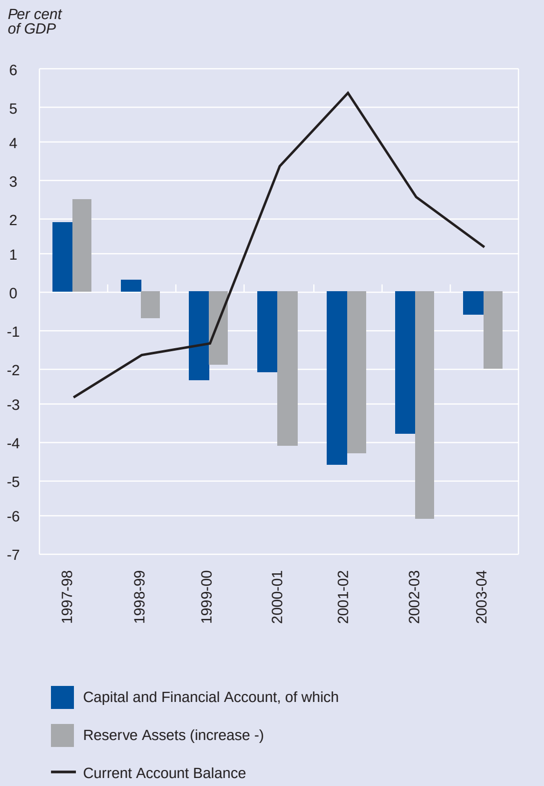
Chart V.1 shows the main components of the current account for fiscal years 1997-98 through 2003-04. Chart V.2 shows the financing of the current account from 1997-98 through 2003-04.

Capital and Financial Account

During 2003-04, foreign direct investment in Mauritius recorded net inflows of Rs1,465 million compared with net inflows of Rs1,705 million in 2002-03. Direct investment abroad by residents registered net outflows of Rs501 million in 2003-04 as against net inflows of Rs55 million in 2002-03. Consequently, direct investment recorded net inflows of Rs964 million in 2003-04 compared to net inflows of Rs1,760 million during the preceding fiscal year. Portfolio

Chart V.1: Components of the Current Account

Chart V.2: Financing of the Current Account



investment recorded net outflows of Rs664 million in 2003-04, slightly higher than the net outflows of Rs614 million registered in 2002-03. This reflected higher net portfolio investments abroad effected by residents, from Rs736 million in 2002-03 to Rs877 million in 2003-04, which more than offset the increase in nonresidents' net portfolio investments in Mauritius, from Rs122 million a year earlier to Rs213 million in 2003-04. Nonresidents' net investment on the local stock market increased by Rs464 million during 2003-04 while they disinvested a net amount of Rs251 million from the money market.

Loan receipts on account of Government amounted to Rs827 million in 2003-04 while capital repayments totalled Rs882 million, implying a net outflow of Rs55 million. Non-financial public enterprises and financial public corporations recorded an amount of Rs955 million on account of loans received while capital repayments totalled Rs3,536 million, thus registering a net outflow of Rs2,581 million in 2003-04 as compared to a net outflow of Rs2,341 million during 2002-03. Private long-term capital movements recorded a net outflow of Rs320 million in 2003-04 compared to a net outflow of Rs299 million during the preceding fiscal year. Short-term net foreign assets of Category 1 banks declined by Rs2,126 million in 2003-04 as compared to a fall of Rs2,078 million in 2002-03.

Net International Reserves

The net international reserves of the country, made up of the net foreign assets of the banking system, the foreign assets of the Government and the country's Reserve Position in the International Monetary Fund (IMF), increased by Rs1,607 million, from Rs48,414 million at the end of June 2003 to Rs50,021 million at the end of June 2004.

Table V.2 shows the monthly level of net international reserves of the country during fiscal year 2003-04.

The major component of net international reserves, namely, net foreign assets of the Bank of Mauritius, went up by Rs3,678 million, from Rs39,584 million at the end of June 2003 to Rs43,262 million at the end of June 2004. Net foreign assets of Category 1 banks fell by Rs2,126 million, from Rs7,984 million at the end of June 2003 to Rs5,858 million at the end of June 2004.

In terms of import cover, the level of net international reserves of the country at the end of June 2004 represented around 8.6 months of imports (including transactions through the Mauritius Freeport but excluding imports of aircrafts and marine vessels), compared with 8.9 months of imports at the end of June 2003. The end-June 2005 level of net international reserves of the country has been projected at Rs51,227 million, equivalent to 8.3 months of imports.

Exchange Rate Developments

The US dollar, which started the fiscal year 2003-04 on a firm tone, managed to maintain its upward momentum, supported by heightened expectations of a strong US economic recovery as evidenced by the release of several

Table V.2: Net International Reserves

(Rs million)

	Bank of Mauritius Net Foreign Assets	Category 1 Banks Net Foreign Assets	Others [1]	Net International Reserves
2003				
Jul	40,117	7,449	850	**48,416**
Aug	39,770	7,199	836	**47,805**
Sep	41,048	6,852	856	**48,756**
Oct	42,300	6,422	848	**49,570**
Nov	42,202	6,778	848	**49,828**
Dec	40,805	7,247	849	**48,901**
2004				
Jan	40,220	7,089	828	**48,137**
Feb	40,637	6,760	821	**48,218**
Mar	42,269	7,484	860	**50,613**
Avr	42,535	6,695	876	**50,106**
May	43,823	6,843	907	**51,573**
Jun	43,262	5,858	901	**50,021**

[1] *Comprise foreign assets of the Government and the country's Reserve Position in the IMF.*

encouraging key US economic indicators throughout July and August 2003. On 12 August 2003, the US Federal Open Market Committee (FOMC) unanimously decided to maintain its accommodative monetary policy stance, leaving the federal funds rate unchanged at its 45-year low of 1.0 per cent and even indicating that it intended to keep interest rates low for an extended period. By the start of September 2003, market confidence in the US dollar suffered as concerns over the financing of the huge US current account deficit and the substantial rise in the US fiscal deficit, which seemed to have so far played a secondary role, resurfaced. The release of a dismal US August 2003 jobs report also gave market participants a relatively less optimistic outlook for the US recovery. At its meeting on 16 September 2003, the US Federal Reserve maintained the federal funds rate at 1.0 per cent and, in its accompanying statement, the Committee reiterated that rates could remain low for a considerable period and also described the labour market as "weakening". The Group of Seven (G7) meeting in Dubai during the third week of September, which called for "greater flexibility" in exchange rates, triggered the US dollar's sharp decline. Even though G7 officials subsequently downplayed the communiqué, saying that the market had misinterpreted the statement, this did little to reverse the US dollar's decline. Bearish market sentiment towards the US dollar persisted throughout October 2003 as the US currency failed to capitalise on the release of generally encouraging US economic data. Moreover, comments by US officials stating their commitment to a strong US dollar policy were taken as merely designed to slow down the weakening of the US currency rather than reversing its trend. On 28 October 2003, the US Federal Reserve kept the federal funds rate steady at 1.0 per cent, noting however that the US labour market "appeared to be stabilizing". The US dollar remained persistently under downward pressure in November and December 2003, with the market continuously discounting the release of fairly robust US data amid ongoing concerns about the widening US current account deficit. At its regular FOMC meeting on 9 December 2003, the US Federal Reserve held its key interest rate steady at 1.0 per cent, reiterating in its accompanying statement that borrowing costs could remained accommodative for a "considerable period". Even the capture of former Iraqi President Saddam Hussein failed to provide support to the weakening US currency.

The US dollar entered the year 2004 on a soft note, remaining vulnerable to market worries about the United States ultra-low interest rates and US officials' relaxed approach to the US currency's declining trend. Even the release of the US fourth quarter 2003 GDP data at the end of January 2004, which confirmed that the US economic recovery was well on track, failed to stimulate the US dollar. On 28 January 2004, at its FOMC meeting, the US Federal Reserve, as expected, left its federal funds rate unchanged at 1.0 per cent but the Committee, this time, changed its accompanying statement stating that it could be patient in removing the accommodative stance. The statement issued by the Group of Seven Finance Ministers' at its meeting on 6-7 February 2004, warning that "excess volatility and disorderly movements in exchange rates were undesirable for economic growth", fell short of market expectations and failed to pump more confidence in the US dollar, which remained undermined by worries over the low yields on dollar-denominated assets and the US twin deficits. Comments from US Federal Reserve Chairman, Alan Greenspan, in his semi-annual testimony on US monetary policy before the US House of Representatives' Financial Services Committee on 11 February 2004, showing no evident apprehension about the US dollar's slide and instead pointing to the benefits of a cheapened currency for the United States, further dented the US currency. By the close of February 2004, however, the sharp downturn of the US dollar appeared to have come to an end. At its regular FOMC meeting on 16 March 2004, the US Federal Reserve kept its federal funds rate unchanged at 1.0 per cent but stated that it could be patient in removing its accommodative policy stance. Hawkish remarks from US Federal Reserve officials as well as economic data that further underscored favourable US economic outlook brought expectations of future interest rate rise in the United States to the forefront, thereby providing additional support to the US dollar. The release of stronger-than-expected March 2004 US jobs data in April 2004, which had so far been the weak link in US economic recovery, further raised expectations that the US historically low interest rates cycle was nearing its end. In his testimony before the US Congress' Joint Economic Committee on 21 April 2004, US Federal Reserve Chairman, Alan Greenspan, intensified market expectations that US interest rates might rise sooner rather than later when he stated that "the federal funds rate must rise at some point to prevent pressures on price inflation from eventually emerging". On 4 May 2004, at its FOMC meeting, although the US Federal Reserve held its federal funds rate unchanged at 1.0 per cent, it indicated, in its accompanying statement, that rates could eventually rise at a "measured" pace. Positive US economic data releases during that month kept the US dollar relatively well bid. Towards the end of May 2004, soaring oil prices, seen as a risk to US growth prospects, prompted a heavy sell-off of the US currency. However, an OPEC decision to raise export quota of member countries thereafter gradually stabilised oil prices, helping the US dollar to recover. Market expectations for a 25 basis points rise in the US federal funds rate continued to gather momentum throughout June 2004 when finally, as expected, at its FOMC meeting on 29-30 June 2004, the US Federal Reserve raised its key policy rate by 25 basis points to 1.25 per cent. The US dollar closed fiscal year 2003-04 on growing expectations that the US currency might be about to make a more sustained rally in the months ahead.

Battered by weak market sentiment that economic growth in the euro zone would lag behind, the euro, in July 2003, lost its relative strength vis-à-vis the US dollar. At its governing council meeting on 10 July 2003, the ECB left its key refinancing rate unchanged at 2.0 per cent, stating that the current monetary stance was appropriate in view of the favourable outlook for price stability over the medium term. The euro maintained its decline against the generally strong US dollar throughout August 2003 and on 3 September 2003, the single currency traded at its intra-fiscal year low of below US$1.08 level. Capitalizing on the bearish US dollar market sentiment, the euro thereafter rebounded against the US currency, making impressive gains. Even comments from ECB officials regarding the euro-US dollar movement failed to curb the single currency's uptrend as they were regarded as mostly aiming to slow the US dollar's decline rather than refraining the euro's advance. On 18 November 2003, the single currency moved, for the first time since its launch in January 1999, to a record high of US$1.1977 in Tokyo trade. Comments from newly appointed ECB President, Jean-Claude Trichet, who repeatedly said that he favoured a strong euro, also supported the single currency.

Since then, the euro, bearing the brunt of general US dollar weakness, maintained its upward movement against the US dollar, breaking several key psychological levels. On 31 December 2003, the euro ended the year trading at another historical high of US$1.2650 during New York trade. ECB policymakers, on their part, did not express any public concern about the euro's rapid rise, noting instead that the single currency remained in line with its long-term average and that the central bank was in favour of a strong and stable currency. On 12 January 2004, in New York trade, the euro pushed to another record high of US$1.2898, a level that however overcame the indifference of euro zone politicians and central bankers. ECB President, Jean-Claude Trichet, abandoned his usual mantra of stable and strong currency to warn against "excessive volatility". The change in stance, considered by market players as verbal intervention to tone down the euro, managed to bring down the euro to more sustainable levels as it eased significantly, trading around the US$1.24 level at the close of January 2004. However, starting early February 2004, the euro resumed its bullish ascent against the US dollar. On 18 February 2004, the single currency, in New York trade, attained a new all-time high of US$1.2927, which triggered another round of verbal intervention from euro zone officials calling for the ECB to cut rates given that the euro's strength might pose a risk to the euro area's economic recovery. Subsequently, the single currency witnessed a reversal of its gains vis-à-vis the US dollar while the ECB, on its part, at its governing council meeting on 4 March 2004, despite calls for a rate cut, maintained its key interest rate at 2.0 per cent, stating that its monetary policy stance remained in line with the maintenance of price stability. The persistently wide US-euro area growth gap and the prospective narrowing yield gap as expectations of US interest rate hikes came in the forefront were the major factors driving the euro down. By the close of April 2004, the euro had fallen below the US$1.20 level. The expected narrowing yield gap between the United States and the euro area explained much of the single currency's downward movement against the US dollar thereafter. However, by the last week of May 2004, the euro rebounded vis-à-vis the US dollar, returning above the US$1.20 level as it drew support from the release of a surprisingly encouraging GDP report, which showed that for the first three months of 2004, the euro zone economy grew by 0.6 per cent quarter-on-quarter and by 1.3 per cent year-on-year. Comments from an ECB official that the euro zone economy was on track for recovery and that high oil prices would not have a dramatic effect on growth and inflation sustained the euro's gains. On 3 June 2004, at its rate-setting policy meeting, the ECB, while maintaining its key refinancing rate steady at 2.0 per cent, shrugged off concerns that runaway oil prices could choke off the tentative economic recovery in the euro zone. The euro, on its part, closed June 2004 trading at around US$1.2084 on expectations that it was quite unlikely that the ECB would hike interest rates in the near future unless there were clear indications that the euro area's economic recovery was well underway.

Following the Bank of England's (BoE) surprise decision to cut its key repo rate by 25 basis points to 3.50 per cent at its Monetary Policy Committee (MPC) on 10 July 2003, the Pound sterling, which had closed fiscal year 2002-03 trading around US$1.6525, lost ground against the US dollar. Minutes of the MPC meeting released later in the month revealed that members voted 8-1 in favour of the 25 basis points rate cut on the basis that sterling's rise since May 2003 could lower growth in the coming months. Furthermore, as UK economic data released throughout July 2003 kept the market nervous of possible future rate cuts, the Pound sterling weakened further and did not seem to benefit much from its relatively higher interest rate advantage against the US dollar. On 3 September 2003, the Pound had reached its intra-year low against the US currency, trading below the US$1.5650 level. However, towards end-September 2003, as the market lost confidence in the US dollar, the Pound sterling managed to recoup all its previous losses. The strength of the Pound gathered momentum and on 22 October 2003, the British currency reached a five-year peak of US$1.6965 against the US dollar after the Bank of England released the minutes of its October 2003 MPC meeting, which revealed that the MPC had come within one vote of a 25 basis points hike. In Asian trade on 24 October 2003, the Pound crossed the psychological level of US$1.70 after the release of strong UK GDP data and better-than-expected retail sales data, which also reinforced market expectations of a near-term rate hike as early as November 2003. In a widely expected move, the

BoE, at its MPC meeting on 6 November 2003, increased its key repo rate by a quarter percentage point to 3.75 per cent, the first increase by any of the world's top four central banks in more than 3 years. The MPC cited inflationary pressures, which were "likely to build gradually', as the main reason for the "modest" quarter-point rise that should keep inflation in line with the BoE's target. Drawing support from the broad-based weakness of the US dollar and benefiting from favourable interest rate differentials both vis-à-vis the euro and the US dollar, the British currency strengthened throughout December 2003 to end the year trading at around US$1.7808.

Amid broad-based US dollar weakness, the Pound sterling continued its ascent, trading, on average, at US$1.8215 in January 2004 and further higher at US$1.8667 in February 2004 after the BoE had raised its key repo rate by 25 basis points to 4.00 per cent at its February meeting. During the month of February 2004, on the 18th in London trade, the Pound sterling had risen above US$1.9100 for the first time in more than 11 years as investors continued to unload their US dollar positions in favour of higher-yielding currencies, including the Pound sterling. With the US dollar recovering across the board in March 2004, the Pound sterling lost ground against the US currency to trade, on average, at US$1.8297. Both at its March and April 2004 MPC meetings, the BoE left its key interest rate unchanged at 4.0 per cent, and in April 2004, the Pound was trading, on average, at US$1.8073. At its May 2004 MPC meeting, as widely expected, the BoE hiked its key repo rate from 4.0 per cent to 4.25 per cent. According to the minutes released thereafter, the 25 basis points increase was not the only hike option that was discussed at the Committee meeting as members had also considered raising the key repo rate by 50 basis points. Benefiting from the broad-based US dollar weakness in the first week of June 2004, the Pound sterling recouped some of its losses against the US dollar. Upbeat UK retail sales data and positive manufacturing surveys also provided support to the Pound, which traded above US$1.8300. In line with expectations, the BoE raised its key repo rate by 25 basis points to 4.50 per cent at its June 2004 MPC meeting. Minutes of the MPC released later showed that members voted unanimously for a rate hike but there was little to suggest another rise for July 2004 and at the close of fiscal year 2003-04, the Pound sterling had dropped to around US$1.8074.

Throughout July 2003, the Japanese yen remained mostly range-bound within JPY118 per US dollar and slightly lower than JPY120 per US dollar except for a few days when it dropped below JPY118 per US dollar. Despite growing optimism over the Japanese economy, the Japanese currency failed to breach key resistance levels during the most part of August 2003 amid signs of the Japanese authorities' displeasure for the yen's appreciation and potential costs for speculators arising from yen-selling intervention. However, in the final week of August 2003, the Japanese yen gained ground against the US dollar on the back of soaring Tokyo stocks, fuelled by ongoing repatriation by Japanese investors and European fund operators rebalancing of their portfolios in favour of the Japanese currency. The yen's appreciation against the US dollar was more significant in the second half of September 2003, leading analysts to argue that the yen's rise was being driven by expectations that Japan would be one of the biggest winners in the global economic recovery. The G7 meeting in the third weekend of September 2003, which called for "greater flexibility" in exchange rates, triggered a sharp rise of the Japanese yen against the US dollar. On average, in September 2003, the Japanese yen traded higher at JPY115.05 per US dollar compared with JPY118.78 per US dollar in August 2003. The Japanese yen's upward trend against the US dollar continued in October 2003, breaking out of a narrowly trading range to a new three-year high despite a record amount of foreign exchange intervention by the Japanese authorities. Japanese officials, for their part, maintained verbal intervention saying repeatedly that recent currency movements in the market had been too rapid. The Bank of Japan, with already ultra-low interest rates, further eased its monetary policy stance at its October 2003 board meeting by raising the ceiling for liquidity it provides to the banking sector in order to encourage banks to lend and invest to get the economy moving faster. In October 2003, on average, the Japanese yen traded at JPY109.51 per US dollar. Meanwhile, in November 2003, rumours of foreign exchange intervention over the authorities' worries that the export-driven economic recovery could be hurt by a too strong currency increased markets' reluctance to overbid the Japanese currency. However, the yen continued to appreciate, and in December 2003, was, on average, trading higher at JPY107.79 per US dollar. Despite the Bank of Japan's surprise move in January 2004 to ease its monetary policy further, the yen's rise gathered momentum in January and February 2004 and the Japanese currency broke several key levels to trade, on average, at around JPY106.34 per US dollar. Throughout February 2004, the Japanese finance authorities continued to address the issue of excessive volatility in JPY/US$ by intervening systematically ahead of the JPY105 per US dollar level. Amid broad-based recovery of the US dollar, the Japanese yen moved lower against the US currency, trading, on average, at JPY108.50 per US dollar in March 2004. However, on the back of growing optimism over the Japanese economy, the yen recouped some of its losses in April 2004, trading, on average, at JPY107.40 per US dollar. But with soaring oil prices, it clawed back in May 2004 to trade, on average, at JPY112.03 per US dollar. With data releases showing strength in the Japanese economy, the Japanese yen recovered sharply by the third week of June 2004 and closed the month at around JPY108.60 per US dollar.

Reflecting international trends and local market conditions, the exchange rate movements of the Mauritian rupee vis-à-vis the currencies of our major trading partners during 2003-04 displayed a mixed performance. On a 12-month running period between June 2003 and June 2004, the rupee, on a daily average basis, appreciated against the US dollar by 3.4 per cent while it depreciated vis-à-vis the South African rand, euro, Pound sterling and Japanese yen by 20.8 per cent, 8.9 per cent, 5.5 per cent and 4.2 per cent, respectively.

Table V.3 shows the exchange rate of the Mauritian rupee vis-à-vis major trading partner currencies.

The Mauritian rupee started fiscal year 2003-04 on a slightly weaker tone, trading at an average rate of Rs29.5972 against the US dollar. It continued to lose ground until 17 July 2003 when it reached Rs29.8626, its lowest level for the fiscal year. Thereafter, the rupee gradually appreciated against the US currency, partly supported by the broad-based weakness of the US dollar on the international foreign exchange market and the comfortable liquidity position on the domestic interbank foreign exchange

Table V.3: Exchange Rate of the Rupee vis-à-vis Major Trading Partner Currencies

Indicative Selling Rates	Average for 12 Months Ended June 2003	Average for 12 Months Ended June 2004	Appreciation/ (Depreciation) of Rupee Between (1) and (2)
	(Rupees) (1)	(2)	*(Per cent)* (3)
Australian dollar	17.0124	19.9852	(14.9)
Hong Kong dollar	3.7567	3.6421	3.1
Indian rupee (100)	61.8520	62.9209	(1.7)
Japanese yen (100)	24.2951	25.3587	(4.2)
Kenya shilling (100)	38.2343	37.1451	2.9
New Zealand dollar	15.2294	17.6957	(13.9)
Singapore dollar	16.7232	16.5125	1.3
South African rand	3.2894	4.1525	(20.8)
Swiss franc	20.5367	21.4961	(4.5)
US dollar	29.0384	28.0769	3.4
Pound sterling	46.0027	48.6704	(5.5)
Euro	30.3656	33.3191	(8.9)

Note: With effect from October 1998, the daily average exchange rate of the rupee is based on the average selling rates for T.T. and D.D. of all Category 1 banks.

market. Higher yield differentials favouring rupee-denominated assets also benefited the Mauritian rupee against a backdrop of market expectations that interest rates on the major reserve currencies would remain low for quite some time. On 12 September 2003, the Bank of Mauritius reduced its Lombard rate by 25 basis points to 10.00 per cent. By the end of September 2003, the rupee had breached below the Rs29 level on the domestic market and thereafter continued to appreciate against the US dollar, albeit moderately. On 27 November 2003, the Bank of Mauritius had lowered the Lombard rate by a further 25 basis points to 9.75 per cent. This was followed by another cut in the Lombard Rate to 9.50 per cent on 29 January 2004. Reflecting the broad-based weakness of the US dollar on the international foreign exchange market, the rupee continued to appreciate and reached an intra-year high of Rs25.9939 vis-à-vis the US dollar on 12 February 2004, its highest level since May 2000.

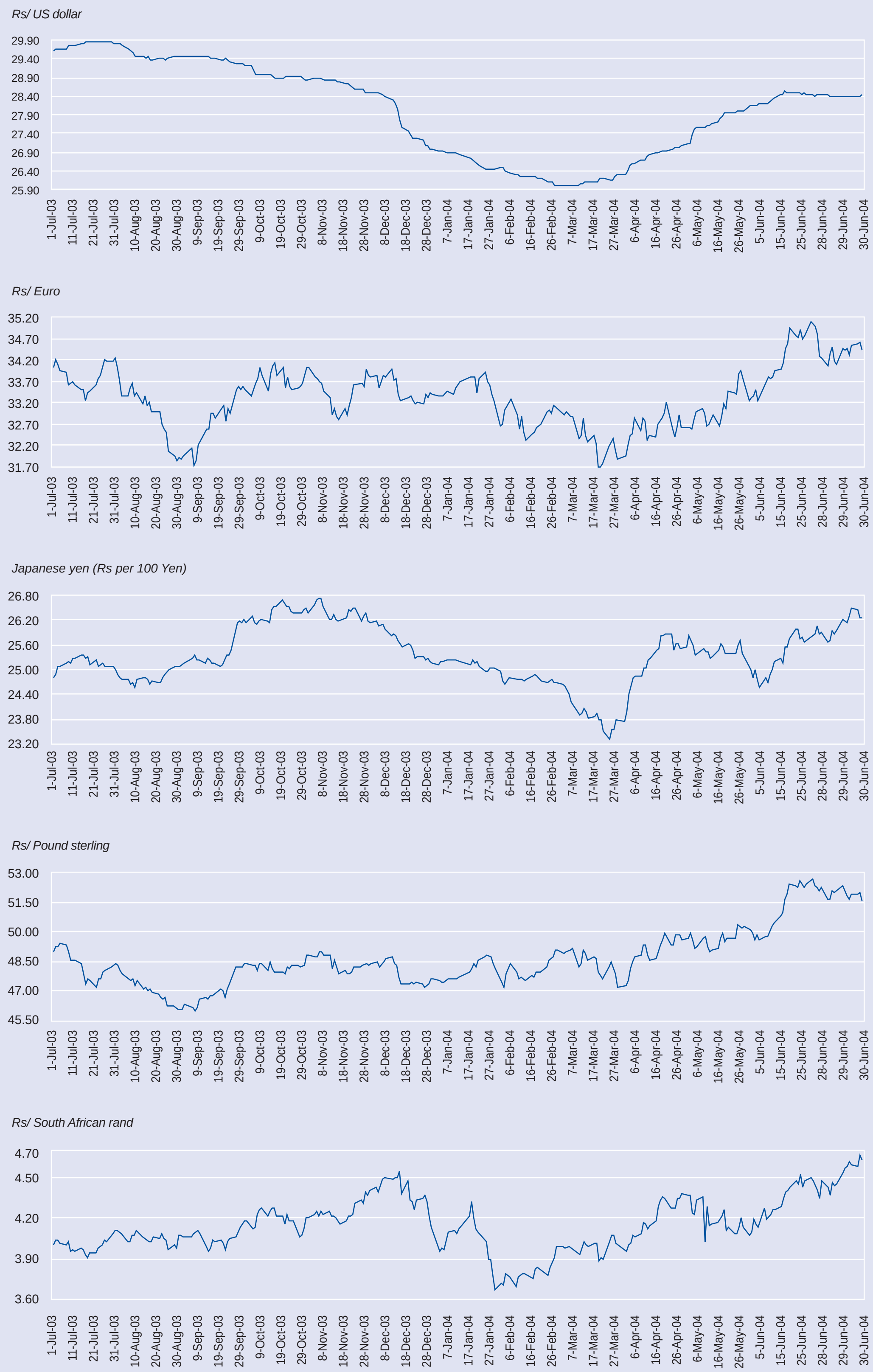
Amid firming expectations, beginning March 2004, that US interest rates would be raised soon and the sharp downtrend of the US dollar appearing to have come to an end on the international market, the rupee lost ground against the US currency, reflecting partly the narrowing interest rate differential. On 6 April 2004, the US dollar was trading above the Rs27 mark and by 7 May 2004, the US dollar had breached above the Rs28 level. Thereafter, the rupee witnessed a relative stability against the US currency and closed fiscal year 2003-04 trading at an average rate of Rs28.4550.

The movements of the rupee vis-à-vis the euro reflected a combination of the single currency's movements against the US dollar on the international foreign exchange market and the movements of the rupee against the US dollar. The rupee, which started trading at an average rate of Rs34.0361 against the euro at the beginning of July 2003, gained ground vis-à-vis the single currency to trade slightly below the Rs32 mark in the first week of September 2003. Thereafter, the Rs/euro exchange rate traded within the range of Rs32 to Rs34 per euro until end-February 2004. On 3 March 2004, the rupee breached below the Rs32 level to trade at an intra-year high of Rs31.7013. However, from then on, the rupee steadily depreciated against the single currency and attained a record low of Rs35.081 on 7 June 2004. The rupee thereafter recouped some of its losses vis-à-vis the euro to close the fiscal year trading at a slightly lower rate of Rs34.415.

Table V.4: Inward and Outward Remittances of Category 1 Banks

	Inward Remittances		Outward Remittances		Surplus / Shortfall (-)	
	(Rs million)	*(US$ million)*	*(Rs million)*	*(US$ million)*	*(Rs million)*	*(US$ million)*
	(1)		(2)		(1) - (2)	
2003						
Jul	6,048	203.2	5,888	197.8	160	5.4
Aug	5,801	196.9	5,669	192.4	132	4.5
Sep	5,898	200.9	5,934	202.2	-36	-1.3
Oct	6,238	215.8	6,613	228.8	-375	-13.0
Nov	5,366	187.5	5,369	187.6	-3	-0.1
Dec	6,560	240.5	6,887	252.5	-327	-12.0
2004						
Jan	5,537	209.4	5,979	226.1	-442	-16.7
Feb	5,294	203.0	5,309	203.6	-15	-0.6
Mar	7,361	278.1	6,915	261.2	446	16.9
Apr	5,453	199.0	6,164	224.9	-711	-25.9
May	5,597	198.3	7,003	248.1	-1,406	-49.8
Jun	5,811	204.5	6,936	244.1	-1,125	-39.6
2003-04	**70,964**	**2,537.1**	**74,666**	**2,669.3**	**-3,702**	**-132.2**

Chart V.3: Movements of the Daily Exchange Rate of the Rupee vis-à-vis Major Currencies: 2003-04



Beginning July 2003, the rupee, which was trading at Rs48.958 against the Pound sterling, gained further ground and even reached an intra-year high of Rs45.994 on 3 September 2003. Thereafter, the domestic currency depreciated vis-à-vis the Pound and remained stuck within narrow ranges between Rs47 and Rs49, briefly touching above Rs49 in early February 2004. In the third week of March 2004, the Rs/Pound exchange rate again breached above the Rs49 mark to consistently remain above that level for the rest of the fiscal year. With the strengthening of the Pound on the international market, the rupee sank to all-time lows against the British currency, breaching for the first time ever above Rs50 on 5 May 2004, subsequently above Rs51 on 26 May 2004 and past Rs52 on 28 May 2004. The Mauritian rupee closed fiscal year 2003-04 trading at Rs51.550 per Pound.

From an average rate of Rs25.19 per 100 Yen on 1 July 2003, the rupee gradually depreciated vis-à-vis the Japanese yen to breach above the Rs26 per 100 Yen mark for the first time ever on 22 September 2003. The weakness of the Mauritian rupee vis-à-vis the yen continued in the face of the rapid appreciation of the Japanese currency on the international foreign exchange market. The rupee attained its intra-year low of Rs26.72 per 100 Yen on 29 and 30 October 2003. Thereafter, in the wake of the gradual appreciation of the Mauritian rupee vis-à-vis the US dollar, the rupee also moved higher vis-à-vis the Japanese yen breaching below Rs24 per 100 Yen on 23 February 2004 for the first time since June 2003. On 8 March 2004, the Mauritian rupee reached an intra-year high of Rs23.33 per 100 Yen. Thereafter, following the gradual depreciation of the rupee vis-à-vis the US dollar, the rupee also moved lower against the Japanese yen to close fiscal year 2003-04 trading at an average rate of Rs26.24 per 100 Yen.

Chart V.3 shows the trends in the daily exchange rates of the rupee against the US dollar, euro, Japanese yen, Pound sterling and South African rand. Table V.4 summarises the monthly inward and outward remittances of Category 1 banks during 2003-04.

Box 3 The IMF's 2002 Coordinated Portfolio Investment Survey (CPIS)

The Coordinated Portfolio Investment Survey (CPIS) collects information on holdings by domestic residents of securities issued by unrelated nonresidents. The aim of the CPIS, which is conducted under the aegis of the International Monetary Fund (IMF), is to significantly improve the coverage of cross-border portfolio investment assets at the country and global level. The CPIS also aims at providing a disaggregation according to the country of residency of the issuer, so as to allow the derivation of cross-border portfolio investment liabilities, both at the country and global level.

The CPIS collects comprehensive information, with geographical detail on the country of residence of the issuer, on the stock of cross-border equities, long-term bonds and notes, and short-term debt instruments. These can be used in the compilation or improvement of international investment position (IIP) statistics on portfolio investment capital and will also serve as a valuable tool in understanding international movements in and holdings of financial assets. In addition, with the IMF's assistance, the bilateral data collected in national surveys can be exchanged among countries. Since the bilateral data provide creditor-source for nonresidents' holdings of debt securities, they are a useful addition to national data sources for the compilation of external debt statistics. They complement the Bank for International Settlements (BIS) International Banking Statistics and the Joint BIS-IMF-OECD–World Bank statistics on external debt.

The first internationally coordinated portfolio investment survey was organised by the IMF and was conducted as at end-December 1997 (the 1997 CPIS). All major investing countries participated in the 1997 CPIS and 29 countries took part. Starting with the 2001 survey, the CPIS is now an annual survey with reference date of end-December of each year. An annual CPIS database will help facilitate the study of the volatility of capital flows over time, improve estimation of statistics on portfolio investment and associated income flows, and promote analysis of the links between portfolio investment flows and changes in the price of securities.

It was decided to include cross-border portfolio holdings of each of the following items in the 2001 CPIS, on a mandatory basis: (i) equity securities, (ii) long-term debt securities, and (iii) short-term debt securities, by country of issuer. The IMF Committee recommended that participating countries also supply a geographical breakdown of the value of securities holdings that are included in reserve assets. Accordingly, the Survey of the Geographical Distribution of Securities Held as Foreign Exchange Reserves (SEFER) was held in parallel with the 2001 CPIS. The IMF Committee also recommended that a survey be conducted of large international organisations, the Survey of Geographical Distribution of Securities Held by International Organizations (SSSIO), in order to obtain the value of their holdings of securities.

Results of the 2002 CPIS

Total portfolio investment assets at the end of December 2002 stood at US$13.7 trillion compared to US$12.6 trillion at the end of December 2001. For the 2002 CPIS, securities held as foreign exchange reserves and securities held by international organizations amounted to US$1.4 trillion. The United States, United Kingdom and Japan were the largest investing countries with a share of 43 per cent of total cross-border holding of securities, higher than the share of 38 per cent for the 2001 CPIS. Of total cross-border holdings, US$4.7 trillion were held as equity securities, US$7.7 trillion as long-term debt and US$1.3 trillion as short-term debt in the 2002 CPIS. The top eight economies that were the largest issuers and holders of securities that were traded internationally were the United States, United Kingdom, Japan, Luxembourg, Germany, France, Italy and Netherlands. These economies accounted for about 69 per cent of cross-border holdings of equity and debt securities, and about 63 per cent of cross-border liabilities to nonresidents in the form of nonresidents' holdings of equities and debt securities as reported by partner countries.

The results of the 2001 and 2002 CPIS are available on the Fund's website (Portfolio Investment: CPIS Data Results; http://www.imf.org/external/np/sta/pi/datarsl.htm).

CPIS in Mauritius

Mauritius participated in the CPIS for the first time in 2001 with reference date of 31 December 2001, and thereafter agreed to participate in annual CPIS. The IMF in fact stressed the importance of the participation of offshore financial centers that figure so largely in global cross-border portfolio investment. Following an analysis of the results of the 1997 CPIS, it was concluded that a large part of the global discrepancy between global holdings of cross-border portfolio investment assets and global holdings of cross-border portfolio investment liabilities could be attributed to under-reporting of cross-border portfolio investment assets of offshore financial centres, among others.

In Mauritius, the Bank of Mauritius (which is the focal point for the conduct of the survey) and the Financial Services Commission (FSC) conducted the 2001 and 2002 CPIS jointly. The Bank of Mauritius has been surveying banks, insurance companies and local funds while the FSC covered the non-bank Global Business sector with both using an end-investor survey for the collection of information. There were gaps in coverage for the household sector as most economies had difficulty including securities held with nonresident custodians by their household sector. The survey was conducted in accordance with standardised definitions and methodologies and draws on best practices in survey design and was identified in the IMF's *Coordinated Portfolio Investment Survey Guide (Second Edition)* published in 2002.

Drawing on the experience of the 2001 CPIS, the Bank of Mauritius increased its coverage of institutions for the 2002 CPIS to include a number of funds and investment companies. The enactment of the Finance Act 2002 in August 2002 gave the FSC the mandate to call for statistical information it requires from its licensees. The response rate for the FSC was thus vastly improved for the 2002 CPIS and given that all the largest Management Companies (MCs) did report on the Global Business Companies (GBCs) administered by them, the consolidated data of the FSC provided the bulk of cross-border portfolio investment assets of these GBCs. The data from both the Bank of Mauritius and the Financial Services Commission were consolidated and forwarded to the IMF in October 2003.

Based on the 2002 CPIS, total portfolio investment assets of Mauritius, exclusive of foreign exchange reserve assets, stood at US$17,128 million at the end of December 2002. India was the destination for most of the portfolio investments (US$7,309 million or 42.7 per cent) followed by Indonesia (US$2,859 million or 16.7 per cent) and the United States (US$2,285 million or 13.3 per cent). Most of the investments were in the form of equities (US$14,087 million or 82.2 per cent) while long-term debt stood at US$3,072 million (or 17.9 per cent). Portfolio investments in short-term debt were negative at US$30.5 million, reflecting short positions taken by the global business sector. As expected, the global business sector represented the bulk of total portfolio investments with a share of 97.6 per cent.

Given that the FSC is responsible for licensing and regulating insurance companies, mutual funds, pension funds and investment companies, starting with the 2003 CPIS with reference date of 31 December 2003, as mutually agreed by the Bank and the FSC, the latter would be responsible for surveying the Non-Bank Financial Institutions as well as the Global Business sector. The Bank of Mauritius would continue to survey Category 1 and Category 2 banks.

Metadata Questionnaire

The CPIS metadata questionnaire (MQ) is designed to provide compilers and users with economy-specific information on how compilers have conducted their CPIS. Nearly all economies that have participated in the CPIS have completed an MQ for the 2001 CPIS. The results of the MQ are shown in the form of tables that show responses to questions across economies and tables that show responses for each individual economy. All of the metadata contains information on the type of collection system underlying the CPIS, the legal and institutional framework for collecting these data, whether the concepts and definitions as suggested in the Coordinated Portfolio Investment Survey Guide, second edition were followed, statistical techniques, consistency with international investment position data, revision policy, and data and metadata accessibility. Individual country information for the MQ for the 2001 CPIS are available on the Fund's website (http://www.imf.org/external/np/sta/pi/MdTbPr.htm).

Box 4 Public Information Notice following the conclusion of the 2004 IMF Article IV Consultation with Mauritius

On July 21, 2004, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Mauritius.[1]

Background

Real GDP growth is expected to rebound to around 4½ percent in 2003/04, following a disappointing 2¾ percent in 2002/03 (July-June). This largely reflects the recovery of tourism and sugar production, the latter due to favorable weather, and continued strong construction and transportation activity. However, high domestic production costs and increasing competition have continued to affect adversely the Export Processing Zone (EPZ) sector, which registered negative growth for the second consecutive year. The unemployment rate rose to 10.2 percent in 2003 from 9.7 percent in 2002.

The overall fiscal deficit in 2003/04 is estimated to be in line with the target of 5.5 percent of GDP, a reduction from 6.2 percent in 2002/03. This improvement reflects primarily higher tax and nontax revenue. The estimated overall balance of 30 nonfinancial public sector corporations shifted to a surplus of 0.9 percent in 2002/03 from a deficit of 0.6 percent of GDP in 2001/02. The Central Electricity Board (CEB) continues to face financial difficulties. The financial position of the State Trading Corporation (STC) is expected to improve following the introduction in early April 2004 of an automatic mechanism for adjusting the prices of petroleum products.

There is a danger that public debt could become unsustainable as a result of continuing central government fiscal deficits. The public debt, which was around 66 percent of GDP in 1999/00, rose to about 80 percent in 2002/03, and is projected at 73 percent of GDP by end-June 2004.

The Bank of Mauritius (BOM) has established credibility in achieving its inflation objective. Average annual inflation fell to around 4 percent in 2003, from 6.4 percent in 2002, reflecting in part slower growth in credit to the private sector. The outlook is for a further moderate fall in inflation over the near term, as demand pressures remain subdued. Given lower inflation expectations, the BOM lowered its Lombard rate in five steps by a total of 200 basis points, to 9½ percent in late January 2004. However, given the weaknesses in key sectors of the economy, banks have been cautious in advancing credit, which has led to a situation of excess liquidity in the banking system. The financial system in Mauritius is generally sound. The government has also taken a number of actions to strengthen its Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework.

The overall balance of payments surplus is projected to decline from 6½ percent of GDP in 2002/03 to below 2 percent in 2003/04. The current account is projected to remain in surplus with the recovery of the tourism sector offsetting a widening in the trade deficit. The capital and financial account

1. Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. This PIN summarizes the views of the Executive Board as expressed during the July 21, 2004 Executive Board discussion based on the staff report.

is projected to register a small deficit of 0.8 percent of GDP in 2003/04 compared with a surplus in 2002/03. FDI flows are expected to weaken in 2003/04, however, portfolio investment inflows (primarily from U.S. and U.K. mutual funds) should register strong growth as a result of high interest rate differentials.

Executive Board Assessment

Directors noted Mauritius' impressive social and economic achievements during the last twenty-five years, in particular the strong GDP growth, high level of domestic savings, and improving living standards. These achievements have been underpinned by the strength of public institutions, good governance, respect for the rule of law, a stable democratic system, and a transparent regulatory environment—elements that will continue to serve the country well as it confronts future economic challenges. Nevertheless, Directors expressed concern about the high and growing level of unemployment, especially among the unskilled, the uncertain medium-term outlook for a number of key economic sectors, and the large stock of domestic public debt.

Directors considered that, to safeguard Mauritius's past achievements, prepare for a more competitive global environment, and strengthen medium-term fiscal sustainability, the authorities should focus in the period ahead on implementing structural adjustments and reforms, especially in the sugar and textile sectors and the labor market, and on reducing persistent budget deficits. It would be important to press ahead in these areas while the economy is still performing well, and the public debt is manageable.

Directors welcomed the reduction in the fiscal deficit achieved during 2003/04 and the fiscal efforts announced in the 2004/05 Budget Speech. At the same time, they urged the authorities to take further measures to reduce the deficit, with a view to returning the domestic public debt to a sustainable path and stabilizing the debt-to-GDP ratio over the medium term. They recommended, on the revenue side, a broadening of the income tax base and the extension of the VAT to additional items. On the spending side, they saw scope for more carefully prioritizing government expenditures, stretching out non-critical capital projects, and targeting the now-generalized subsidies for rice and flour to only the disadvantaged groups. The need to maintain fiscal discipline in the period leading to the general elections was underscored. Given the importance of improving the maturity structure of the debt, Directors considered that the creation of a debt management unit in the Ministry of Finance would be a step in the right direction.

Directors commended the authorities for their success in reducing inflation. Looking ahead, they urged the central bank to monitor closely the excess liquidity in the banking system to guard against a rapid expansion of credit to the private sector and increased inflation. Directors encouraged the Bank of Mauritius to review the effectiveness of its monetary policy instruments, in particular the signaling role of the Lombard rate. Directors noted that the current level of the real effective exchange rate appears to be broadly in line with macroeconomic fundamentals. They welcomed the central bank's policy of allowing the exchange rate to respond to market forces, and supported the central bank's view that external competitiveness should be fostered through real productivity gains.

Directors considered that the Mauritian financial system is well developed, sound, and profitable. They welcomed the authorities' positive response to the recommendations of the Financial Sector Assessment Program carried out in 2003. Directors noted that the development of an efficient corporate bond market would allow institutional investors to diversify their portfolios and help reduce credit concentration, and could strengthen the overall stability and soundness of the financial system. Directors welcomed the issuance of guidance notes to banks on anti-money laundering and countering the financing of terrorism, and the passage of the Convention on the Suppression of the Financing of Terrorism Act 2003.

Looking beyond the macroeconomic policy challenges to structural adjustments, Directors were encouraged by the steps being taken by the government to address the impending loss of trade preferences in the sugar and textile sectors, which risks a contraction of these sectors. They welcomed the planned review of the Sugar Sector Strategy, and urged the authorities to take further actions to strengthen the sector's competitiveness. Directors also welcomed the establishment of the Textile Emergency Support Team to assist in the rehabilitation and restructuring of those textile enterprises judged to be viable.

Directors called for a closer link between wage increases and productivity growth to facilitate the restructuring of the textile sector, stimulate job creation, and improve competitiveness. In particular, they urged the authorities to take steps to make the wage bargaining system more flexible and streamline labor regulations to stem the rise in unit labor costs. Directors welcomed the comprehensive measures that have been taken to improve access to the education system and strengthen the curriculum at all levels, which will help to alleviate the skills mismatch in the economy and raise employment over the medium term.

Directors commended the authorities for their efforts to diversify the economy and create new job opportunities by developing the financial services, tourism, and information and communications technology sectors. While the government must continue to play a leading role in providing infrastructure to support economic growth, Directors considered that greater opportunities could be provided for private sector participation in infrastructure development, in particular in the public utilities, transportation, and commercial areas. In this connection, they welcomed efforts to facilitate public-private sector partnerships in infrastructure investments, and also urged the authorities to take due note of the potential costs and risks of such arrangements.

Directors welcomed the authorities' commitment to trade liberalization and supported the reduction of custom duties in the 2004/05 budget. At the same time, they urged the authorities to announce a medium-term tariff reform program, including a lowering of the maximum and average tariff rates.

Mauritius Selected Economic Indicators, 1999/00 - 2003/04[1]	1999/00	2000/01	2001/02	2002/03 Prov.	2003/04 Proj.
Domestic Economy	*(Annual percentage change)*				
Real GDP	2.7	7.6	4.3	2.7	4.4
Consumer prices (period averages)	5.3	4.4	6.4	5.1	3.9
Unemployment	7.7	8.8	9.1	9.7	10.2
External Economy	*(In millions of US dollars, unless otherwise indicated)*				
Exports, f.o.b.	1,522.60	1,639.00	1,592.90	1,843.50	2,016.90
Imports, f.o.b.	-2,006.50	-1,891.90	-1,798.20	-2,129.40	-2,328.10
Current account balance	-68.7	154.3	247.8	136.1	155.6
(in per cent of GDP)	-1.6	3.4	5.4	2.6	2.6
Capital and financial account balance	-18.7	90.2	-12.2	-108.8	-44.7
Net international reserves of the banking system (end of period)	688.0	789.3	1,017.00	1,438.50	1,549.30
(in months of prospective imports, c.i.f.) [2]	4.1	5	5.4	6.9	7.5
Debt service (in percent of exports of goods and nonfactor services)	7.9	9.8	8.4	8.2	6
Change in real effective exchange rate (in per cent) [3]	5.7	2.7	-1.9	-1	
Financial variables	*(In per cent of GDP, unless otherwise indicated)*				
Total public debt	65.8	64.4	70.5	80.5	72.8
Total revenues and grants	20.9	18.2	18.4	20.3	20.9
Total expenditures and net lending	24.7	23.9	24.4	26.5	26.4
Central government fiscal balance [4]	-3.8	-5.7	-5.9	-6.2	-5.5
Primary fiscal balance [4, 5]	-0.4	-1.3	-2.6	-1.9	-1.5
Change in broad money (in percent)	10.9	9.9	13	11.7	9.6
Interest rate (in percent) [6]	11	11.1	10.6	9	7

Sources: Mauritian authorities; and IMF staff estimates and projections.
1 Fiscal year from July to June
2 Excluding the acquisition of aircraft and ships.
3 Trade-weighted period averages; data for 2002/03 are for July to February 2003. A negative sign signifies a depreciation.
4 Including grants.
5 Overall central government fiscal balance, excluding interest payments.
6 Average prime lending rate (end of fiscal year, in percent).

VI. REGIONAL COOPERATION

Southern African Development Community (SADC)

The SADC Summit, which was held in Dar-es-Salaam, Tanzania, in August 2003, reaffirmed SADC's commitment to moving beyond regional cooperation towards achieving deeper integration of the economies of its member states. The major achievements of SADC during the year are outlined below.

The SADC region experienced unparallelled peace, political stability and security in 2003. Resettlement of refugees and displaced persons was carried out in an orderly manner in Angola and it was also noted that political measures, such as the review of the constitution and electoral bill, were undertaken to consolidate peace and political stability. The peace process was also ongoing in the Democratic Republic of Congo (DRC) and all the signatories to the Global and Inclusive Peace Agreement were urged to ensure lasting peace and stability in DRC by honouring all the commitments made in the agreement. Work was pursued in Zimbabwe to address its political and economic situation and the Summit committed itself to continue opposing the Commonwealth, the European Union and the United States of America sanctions as these not only affect the Zimbabwean economy but also have profound implications for the region as a whole.

At the August 2003 Summit, for the first time since 1995, the heads of state and government did not sign any new protocol. However, the leaders did sign a Charter on Fundamental Social Rights and a Mutual Defence Pact. People's interests are an important aspect of development and regional integration. The Charter on Fundamental Social Rights promotes the formulation and harmonisation of legal, economic and social policies, and programmes that contribute to the creation of productive employment opportunities as well as generation of incomes in Member states. The Charter also provides a framework for regional co-operation in the collection and dissemination of labour market information. Further, it clearly highlights the provision for equal treatment for men and women and the protection of children and young people in labour relations. Although it was recognised that the low level of development and lack of resources may pause a challenge to the implementation of the Charter, there is general consensus among human rights advocates that a progressive achievement in granting economic and social rights is feasible. The Mutual Defence Pact provides the framework for further co-operation on politics, defence and security matters.

With regard to gender equality, the overall regional situation indicates that SADC Member states are making progress in the promotion of women's representation in political structures. The policy on gender equality, which is in its initial stages of development, is in line with the Declaration on Gender and Development that was signed by SADC heads of state and government in September 1997 in Blantyre, Malawi. The declaration as such commits Member states to achieving a target of at least 30 per cent of women in political and decision-making structures by 2005. It also promotes women's full access to, and control over productive resources to reduce the level of poverty among women. Data compiled by the SADC Secretariat in December 2002 indicated that South Africa had a 31.3 per cent women representation in parliament and 33.3 per cent in cabinet. Mozambique was also doing well with 31.2 per cent in parliament and 13 per cent in cabinet. Botswana doubled the proportion of women in parliament to 18 per cent during the 1999 elections and the cabinet reshuffle of 2002 increased representation in cabinet to 27 per cent. The Summit held in Tanzania in August 2003 urged those Member states that had not yet attained the target to use the opportunities of forthcoming elections as well as other measures so as to achieve the minimum 30 per cent of women's representation in political and decision-making structures by 2005.

HIV and AIDS as well as tuberculosis, malaria and other infectious diseases continued to have devastating effects on the population of the SADC region. More specifically, the HIV and AIDS pandemic in the southern African region continues to be a major threat to the developmental gains reaped so far. A Summit on HIV and AIDS was convened in Lesotho in July 2003 and one of the outcomes of that Summit was the approval for the establishment of a regional fund for the implementation of the SADC HIV and AIDS Strategic Framework and Programme of Action 2003-07. Although experts agree that the full impact of HIV and AIDS will only be felt in the next 10-15 years, the short-term impact is clearly one of the factors that contributes to sluggish growth in the region.

The year 2003, which started on a gloomy note with fears of starvation in some parts of the region ended on a much more promising note. Combined food relief efforts by SADC Member states and support from the international community that had started in 2002 averted starvation in six countries, namely, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe, which had been affected by food shortages since 2002. The number of people needing food assistance dropped from around 15 million at the beginning of 2003 to an estimated 6.5 million at the end of the year. The food shortages could mainly be accounted for by two consecutive years of droughts and floods aggravated by a general reduction in resource allocation to agriculture as well as to the HIV and AIDS pandemic that contributed to increased vulnerability of affected families.

With regard to the economic situation in the region, sound macro-economic reforms were implemented by SADC Member states and this led to a reduction of inflation rates and budget deficits in most of the Member states. In 2002, the SADC region achieved a GDP growth rate of 3.2 per cent, which, though far from the target of 7 per cent required to halve poverty by the year 2015, was an improvement from the rate of 2.7 per cent achieved in 2001. This made southern Africa the only region on the African continent to ¿ economies in the region included Angola, Mozambique and the United Republic of Tanzania. The investment climate in most SADC countries also improved significantly on the back of various initiatives aimed at creating an investor-friendly policy environment. Efforts by SADC countries to improve economic performance are in line with their commitment to macroeconomic stability shown when they signed a Memorandum of Understanding on Macroeconomic Convergence in 2002. Through this instrument, Member states agreed to implement policies that encourage movement towards regional macroeconomic stability and convergence.

With growing SADC membership over the years, a number of constraints arose. In response to those, an Extra Ordinary Summit was held in Namibia and which approved the restructuring of SADC. This important milestone in SADC's restructuring process, which began in 2001, was reached in 2003 with the successful establishment of four directorates, namely: Trade, Industry, Finance and Investment; Food, Agriculture and Natural Resources; Infrastructure and Services; and Social and Human Development and Special Programmes. The Trade Protocol is the most important legal instrument in the region's quest for economic integration and is in its third year of implementation since it was ratified in January 2000. So far, eleven countries have implemented the protocol and preparations are ongoing for a midterm review, which will take place in 2004. In 2003, the Trade, Industry, Finance and Investment directorate channelled most of its efforts towards harmonising policies that are aimed at putting the region on a much stronger footing in the global economy. SADC played an active role in multilateral trading talks, including the Cancun ministerial conference of the World Trade Organisation and the EU-funded Economic Partnership Agreements under the Cotonou Agreement.

World leaders at the general assembly of the United Nations in September 2000 underscored, through the Millennium Development Goals (MDGs), the multi-dimensional challenge of poverty and agreed on a set of time-bound development targets. At a continental level, the African Union incorporated the MDGs in the New Partnership for Africa's Development (NEPAD), which is an economic programme aimed at positioning Africa as a key global player. In line with these global and continental objectives, SADC embarked upon the Regional Indicative Strategic Development Plan (RISDP). The objective of the RISDP is to deepen the integration agenda of SADC with a view to accelerating poverty eradication and other development goals. The RISDP provides a strategic direction to SADC programmes and activities and comprises a consistent and comprehensive programme of long-term economic and social policies. The RISDP, which is a 15-year blueprint, was approved by SADC leaders at the Summit held in August 2003 in Tanzania. To implement the RISDP, three five-year plans would be prepared and reviewed continuously. These five-year plans would be studied to prepare annual business plans and it is envisaged that the first annual business plan will be finalised in February 2005. Member states were requested to start taking actions towards achieving the agreed macroeconomic targets and other finance and investment initiatives encompassed in the RISDP.

The Committee of Central Bank Governors (CCBG) in SADC

During the period 1 July 2003 to 30 June 2004, the CCBG met in August 2003 in South Africa and in April 2004 in Botswana. Both meetings were attended by thirteen of the fourteen SADC central banks.

In accordance with Governors' decision to hold discussions on policy, economic, monetary and financial issues at their August/September meetings, the August 2003 meeting focussed on an integrated paper entitled "Recent Economic Developments in SADC in 2002-03". The paper highlighted the main economic developments in SADC countries in 2002 and the first quarter of 2003 in relation to global economic and political developments. At the April 2004 meeting, the CCBG focussed on reports on the various projects that fall under its responsibility.

The CCBG had previously approved a project to improve the payment, clearing and settlement systems of SADC countries so as to facilitate financial transactions amongst SADC members. Significant progress has been made since the inception of this project. Presently, eight SADC Member states have implemented automated clearing systems and eight have or are in the process of implementing Real Time Gross Settlement (RTGS) systems. For the next eighteen months, priority areas identified include cross-border issues, capacity building in payment system oversight and a Financial Sector Assessment Programme peer-review mechanism. It has also been proposed to develop a unique cross-border model suitable for the SADC region. The Green Book, which contains information on the national payment systems in SADC countries as at 1997, is in the process of being updated to reflect information at the end of the fiscal year 2002.

In the area of exchange control, SADC countries have, during the period under consideration, made progress towards the liberalisation of exchange control policies. It was reported that in most instances, current account transactions were more largely liberalised as compared to capital/financial accounts.

During the period under review, the Steering Committee on Legal and Operational Frameworks of SADC central banks finalised the Model Central Bank Legislation. This Legislation is the result of a process of extensive consultations between all SADC Member states and provides key elements that could be contained in individual central bank legislation, bearing in mind best international practice and specific socio-economic, legal and other related factors. The Model Central Bank Legislation was approved by the CCBG as a guiding document in the process of reforming central bank legislation in the SADC region.

In the field of information and communication technology (ICT), the CCBG had agreed in 1997 to establish an Information Technology Forum to focus on improving ICT function in each of the SADC central banks. The Bank Supervision Application (BSA) Solution, which was developed in support of harmonised bank supervision processes in SADC central banks, is fully operational at the Banco de Moçambique. Installation was completed at the Bank of Zambia in April 2004 and implementation of the BSA solution started in May 2004 at the Reserve Bank of Malawi and Banco Nacional de Angola.

Given the growing importance of microfinance in the SADC region, the International Labour Organisation (ILO) had approached the CCBG with a project to establish a microfinance databank and observatory for the region. The CCBG had agreed to the proposal in April 2001. The first phase of the project has already been completed and the report indicated that information gaps with respect to size, scope, impact and character of microfinance in the SADC region exist. The second phase, which focuses on the provision of technical assistance to SADC central banks in the monitoring of microfinance activities, as well as the second round of data collection are already under way. It is envisaged that an analytical report will be finalised in the fourth quarter of 2004.

The CCBG maintained its close working relationship with the SADC Banking Association and the Committee of SADC Stock Exchanges. The SADC Banking Association is currently focussing on optimising delivery on the public-private partnership (PPP) capacity building project whose main aim is to identify blockages in key infrastructure projects and to enable interaction with stakeholders so as to assist in making such projects bankable as well as sustainable. A pilot phase was completed in Mozambique during the fourth quarter of 2003. The rollout for this project started in mid-2004 in Botswana and Tanzania and will commence in the third quarter of 2004 in Mauritius. The SADC Banking Association was also involved in a project on the development of uniform norms and standards of good banking practice for the region. However, after the publication of a document entitled "Norms for Good Banking Practice for the SADC region", the project has been put on hold due to the limited capacity of members of the Association to engage on substantial projects at the same time.

The Committee of SADC Stock Exchanges (COSSE) was set up in 1997 with a view to establishing a formal organisation of Securities Exchanges of SADC. The COSSE's vision is to establish an integrated real-time network of the national securities markets within SADC so as to facilitate the process of financial integration within the region by 2006. COSSE has so far developed a multilateral Memorandum of Understanding (MoU) on Co-operation among Member Stock Exchanges, which has been approved by the CCBG and which will be submitted to SADC Ministers for Finance and Investment for approval. COSSE has also drafted a charter that sets out the operational procedures of the Committee.

The MoUs between SADC central banks on Co-operation in the Area of Information and Communication Technology, Payment, Clearing and Settlement Systems in SADC as well as Co-operation and Co-ordination of Exchange Control Policies in SADC have been approved by SADC Ministers for Finance and Investment and are currently awaiting clearance by the SADC Legal Sector. The MoU on Harmonistaion of Legal and Operational Frameworks of SADC Central Banks was approved by the CCBG in April 2004 and will be submitted to the SADC Ministers for Finance and Investment for approval.

SADC Payment Systems Project

The SADC Payment Systems Project was launched in order to foster co-operation and co-ordination between SADC central banks on payment, clearing and settlement systems so as to:

(i) Develop and implement in each SADC member state, a safe and efficient domestic payment system based on nationally accepted principles;

(ii) Define and implement a regional cross-border payments strategy;

(iii) Identify, measure, maximise and manage payment system risks;

(iv) Achieve convergence of payment, clearing and settlement features, policies, practices, rules and procedures across SADC region;

(v) Conduct an ongoing payment system oversight that is aimed at reducing and eliminating cross-order settlement risk and systemic financial shocks.

The Annual Regional Conference of the SADC Payment Systems was held in Maputo, Mozambique, from 1 to 3 September 2003. This event was aimed at consolidating strategic and working level commitment to the agreed objectives and individual country action-plans.

A Country Leaders meeting was also held in September 2003, where cross-border issues, payment system oversight initiatives, the Green-Book Update project, Financial Sector Assessment Program (FSAP) peer-review initiative and country specific assistance were discussed.

A Cross-Border Model Workshop was held in Pretoria in July 2004. Different types of payment system models were discussed.

The SADC Payment Systems Project Team has, up to now, been concentrating on payment systems at national level in the SADC region. The Project Team is now considering an internationally acceptable, efficient and effective payment and settlement system for cross-border transactions for the region.

It is endeavoured to have a legally sound and efficient multi-currency payment system benefiting all SADC countries and supporting the region's competitiveness in global trade.

Common Market for Eastern and Southern Africa (COMESA)

The Common Market for Eastern and Southern Africa (COMESA) was set up in 1994, replacing the Preferential Trade Area for Eastern and Southern Africa States (PTA), which was established in 1981. The ultimate goal of the COMESA is to create, through the development of trade and investment, a fully integrated and internationally competitive and unified region in which goods, services, capital and persons move freely. The primary means for achieving trade development is trade liberalisation and the adoption of market-oriented policies, which impact favourably on the allocative efficiency of the economies of the member states, thereby resulting in trade creation, expansion, investment rationalisation and production integration.

The current members of the COMESA are: Angola, Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. Namibia had ceased to be a member of COMESA after the expiry of her notice of withdrawal on 15 May 2004.

COMESA Free Trade Area (FTA)

Nine member states, namely, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe formed part of the COMESA FTA on 31 October 2000, the date on which it was launched. Since then, Burundi and Rwanda were the only countries that joined the COMESA FTA in January 2004. With Namibia having ceased to be a member of COMESA after the expiry of her notice of withdrawal on 15 May 2004, the COMESA Secretariat has consequently advised all member states to withdraw their tariff concessions to Namibia with effect from that date. Intra-COMESA trade continued to grow in 2003, increasing by 15 per cent to reach US$5.3 billion in 2003 from US$4.5 billion in 2002. Intra-trade among FTA countries rose from US$2.1 billion in 2002 to US$2.6 billion in 2003, a growth of 20 per cent compared to a growth of 39 per cent in 2002. Total trade of the COMESA member states reached US$87.7 billion in 2003 from a level of US$64 billion in 2002.

Preparations towards the COMESA Customs Union

The key elements of a Customs Union are a common external tariff nomenclature, a common valuation system, a common categorisation of goods under the nomenclature and a Common External Tariff (CET). The Council of Ministers decided that the COMESA Fund, or other acceptable mechanism to assist weaker economies in COMESA to adjust to the adverse effects of a higher level of trade liberalisation, should be in place before a Customs Union is implemented. In addition, a study on the alternative sources of revenue for countries whose revenue from trade taxes would be adversely affected by the implementation of the Customs Union should be conducted.

While there was full commitment from member states to move to a Customs Union, the timing of the implementation has yet to be agreed. There was need to move with caution and COMESA should not launch a Customs Union if it were not ready, as a region, to do so. Should only a few countries launch the Customs Union, this would weaken the effect of the Customs Union. The desired outcome was a strong Customs Union drawing its membership from all the COMESA countries, with an equitable distribution of benefits. The non-participation of quite a few COMESA members in the FTA, almost four years after its launch, remained a major concern and a comprehensive programme involving the concerned member states and the Secretariat should be developed and implemented to get all COMESA member states to participate in the FTA. Increasing FTA participation, elimination of non-tariff barriers and building capacity on trade issues in member states would result in immediate benefits to member states whereas the Customs Union, through the long-term objective of regional integration, would only yield economic benefits in the long term.

The launch date for the Customs Union would be decided only after the completion of the studies being carried out by the member states and the Secretariat addressing, inter alia, issues related to the CET structure and rates, customs procedures and legislation and the administrative framework for the Customs Union. In this regard, the Council of Ministers has agreed that a proposal on a Customs Union timetable would be submitted to the next Authority meetings for consideration. It also recommended that countries could commence on a programme of rationalising tariffs on a regional or sub-regional level as such harmonised external tariffs would provide a useful base for a COMESA CET.

The Council of Ministers has decided that:

(i) All studies should be undertaken and completed by 30 September 2004;

(ii) member states should undertake national consultations and impact assessment studies, using the following Common External Tariff (CET) rates by category:

capital goods	-	0%, 5%
raw materials	-	0%, 5%
intermediate goods	-	0%, 10%, 15%
final goods	-	20%, 25%, 30%, 40%

(iii) recommendations on an initial CET structure and revised road map for implementation of a COMESA Customs Union be submitted to the Council of Ministers at its meeting in December 2004;

(iv) a study to determine alternative revenue sources to compensate for losses as a result of reductions in trade taxes should be carried out; and

(v) a date for launching the Customs Union will be decided upon at the next Summit in 2005.

COMESA Exchange Rate Union

Despite the 1999 decision by the Council of Ministers that member states should enter into limited currency convertibility arrangement with other member states with which they have significant cross-border trade, investment and tourism, there was little trading of national currencies among the member states, with the exception of the member states of the East African Community. The Governors and Ministers of Finance had agreed that possibilities of limited currency convertibility be explored among the following groups of countries with significant cross-border trade:

(a) Egypt, Sudan, Djibouti, Ethiopia and Eritrea (Northern sub-region)

(b) Kenya, Burundi, the Democratic Republic of Congo, Rwanda and Uganda (Central sub-region)

(c) Zimbabwe, Angola, Malawi, Swaziland and Zambia (Southern sub-region)

(d) Mauritius, Madagascar, Comoros and Seychelles (Indian Ocean islands sub-group)

According to the Monetary and Fiscal Policies Harmonisation Programme adopted by the Authority of Heads of State and Government in 1992, COMESA should implement a Formal Exchange Rate Union from 2000 to 2024, in preparation for the final stage of a full monetary union in 2025. With the Free Trade Area in place and the Customs Union about to be established, there was urgent need for greater exchange rate cooperation among the member states through the speedy implementation of an exchange rate union, which is the third stage of the COMESA Monetary Harmonisation Programme. The Governors, at their meeting held in Swaziland in April 2002, had set up a Task Force, comprising Comoros, Egypt, Mauritius, Rwanda, Swaziland, Uganda and Zambia, to undertake a study on a COMESA Exchange Rate Union and noted that the Task Force has not met to undertake the study and hence the Governors could not take a decision. The Task Force should undertake the study on COMESA Exchange Rate Union and carry out a review of all issues relating to currency convertibility and the cost of participation in the study should be borne by the respective Central Banks of the members of the Task Force. The Task Force should be chaired by Egypt and Kenya and Sudan should be included as members.

The First Meeting of the Task Force was held on 26 April 2004 in Lusaka, Zambia. Members from Egypt, Kenya, Mauritius, Rwanda, Swaziland, Sudan, Uganda and Zambia as well as the COMESA Clearing House attended the meeting. Regarding the COMESA Macro-economic Convergence Criteria and their revision, it was agreed that internal and external macro-economic imbalances emanate mainly from fiscal disequilibrium and thus fiscal discipline should be the overriding principle for achieving macro-economic convergence in the COMESA region. In addition, grants being exogenous, it is more appropriate to use the ratio of fiscal deficit excluding grants to GDP as a primary criterion. Government borrowing from the entire banking system (rather than borrowing from the central bank) should be considered as a secondary criterion. While government borrowing from the central bank was highly inflationary, government borrowing from the entire banking system crowded out borrowing of the private sector although governments might be forced to borrow from the entire banking system when there were delays in the disbursement of donor funds.

In addition to the above, there should be other secondary criteria, which are necessary for achieving higher savings, investment and sustainable economic growth. Such secondary criteria include spending on policies that enhance competitiveness by eliminating distortions, encourage investment and increase factor productivity. More specifically, this includes more expenditure on research and development, technology updating, and improving the quality of human resources. Due attention should be paid to the specificity of the challenges facing the region's economies such as low GDP growth, low GDP per capita, civil conflicts, political instability and the unfavourable international environment. More flexibility is, therefore, required in determining the macro-economic convergence criteria, which takes into account the actual performance of the member countries and other challenges that the countries are facing. In order to introduce such flexibility, it was proposed that the convergence criteria could be:

(i) set within a band rather than as fixed targets.

(ii) set to allow countries which currently diverge significantly from the criteria to make progress towards convergence by achieving a fixed percentage reduction every year to achieve the criteria.

To come up with a revised convergence criteria, it would be necessary to obtain data for the last five years and medium-term projections from member countries on all relevant primary and secondary macro-economic convergence indicators. The COMESA Secretariat would prepare a questionnaire, which will be sent to member countries for data collection on relevant macro-economic variables that would be used as a basis for working out the convergence criteria.

Regarding the COMESA Exchange Rate Mechanism, the Task Force discussed the major problems encountered in the implementation of limited currency convertibility. These include high cost of currency repatriation; lack of sufficient correspondent relationships; quantitative and non-quantitative restrictions on trade, invisibles and capital account transactions in the region and absence of currency repatriation agreements within COMESA member countries, except in the three East African countries of Kenya, Uganda and Tanzania. The necessity of promoting trade and investment for achieving currency convertibility and an exchange rate mechanism was emphasised. It was also pointed out that clustering countries in sub-groups with sufficient trade could enhance the speedy implementation, hence the importance of having a cross-border payment and settlement system in place (the proposed Regional Payment and Settlement System-REPSS) to facilitate trade. The implementation of an exchange rate mechanism involves a fixed peg with either the euro or the US dollar, implying loss of autonomy in monetary and fiscal policy by member countries and this is a heavy price for a country to pay in a process of monetary integration.

The Task Force arrived at the following conclusions:

(i) It would be difficult to have currency convertibility and reduce misalignments in the exchange rate without gradually removing exchange restrictions across all member countries in COMESA;

(ii) Proper sequencing of these actions would be required before attempting to achieve currency convertibility and exchange rate mechanism. Increased trade in the region would be a sine qua non condition for the successful implementation of currency convertibility and an exchange rate mechanism;

(iii) Lessons should be drawn from the experience of currency convertibility in the three East African Countries (Kenya, Uganda and Tanzania).

(iv) There is need to come up with a roadmap for achieving currency convertibility and exchange rate mechanism; and

(v) The studies in the programme of work should be undertaken within the stipulated time frame to assist in the design of the roadmap.

PTA BANK

The PTA Bank's main objective remains to be the Development Finance Institution that assists the integration of trade and development activities in the COMESA region. The total membership of the Bank has grown to 18 shareholders, which include: China, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Sudan, Kenya, Uganda, Somalia, Tanzania, Malawi, Zambia, Zimbabwe, Rwanda, Burundi, Mauritius, and the institutional investor, African Development Bank. The Bank continued to finance projects and trade in accelerating and facilitating the integration of regional trade and industrialisation of the economies of member states through its two financing windows, namely, project and trade finance. For the period 2003 to June 2004, the Bank has approved facilities worth US$145.5 million, comprising US$84.6 million in project finance and US$60.9 million in trade finance, mainly from operators in the private sector. Cumulative disbursements to both project and trade finance amounted to US$1 billion. The main sectors of intervention have been in manufacturing, infrastructure, agribusiness and tourism for project finance; and agricultural inputs, petroleum imports, tobacco and cotton exports for trade finance. The Bank continues to seek to attract COMESA countries not yet members, and non-COMESA countries to increase the capital base and capacity to mobilise resources. The Bank has been able to establish relationships with international banks and export credit agencies to bolster its financial resources for on-lending. These resources have been to the advantage of the Bank's clients.

PTA Re-insurance Company (ZEP-RE)

The PTA Reinsurance Company (ZEP-RE) is a specialised institution of the Common Market for Eastern and Southern (COMESA) established to service and to develop the needs of the insurance and reinsurance industry within the sub-region. The latest progress report by ZEP-RE highlighted the following:

(i) premiums written in 2003 grew by 65 per cent to US$25.6 million compared to US$15.5 million in 2002, and the profit grew to US$1.8 million;

(ii) the Company also increased its business spheres to 49 countries covering 267 companies, as compared to 35 countries, covering 180 companies, in 2002;

(iii) US$6.8 million was paid out in claims in the year 2003, enabling the insurance companies in the region stay in business; and

(iv) the overall growth of the company was over 50 per cent, with share capital growing from US$9 million in the previous year to US$10 million at the end of 2003.

At its meeting in Nairobi, Kenya, in November 2003, the Council of Ministers of COMESA recommended that member states that are neither members nor participating in the activities of the company are invited to do so and member states should take more shares to strengthen the company.

Disbanding of the COMESA Bankers Association

The COMESA Bankers Association Association had experienced a decline in membership and an increase in failures of members to pay their contribution over the years. In an effort to sustain current membership, revive old membership and get new members, the annual subscriptions was reduced from US$1,500 to US$1,000 in response to the demand by National Associations. In that respect, the Council of Ministers decided that the COMESA Bankers Association be disbanded.

Africa Trade Insurance (ATI) Agency

The aim of the ATI is to address the problem of high-risk perception in Africa. Apart from providing political risk insurance of financial and trade transactions, the range of products that ATI now offers include: non-payment insurance cover for public buyers (targeting, mainly business transactions involving state-owned enterprises), trade credit insurance (offered on a whole turnover basis), investment insurance, as well as physical damage, liability and business interruption losses due to events of war and terrorism. ATI had expanded its products base by launching additional products that are more responsive to market demand and which address, in a more effective manner, the developmental objectives of its member countries. To enhance its underwriting capacity, ATI has recently conducted significant partnership agreements with MIGA, OPIC and Zurich Emerging Markets. ATI underwrote its first policy in 2003 and since then, ATI has increased the number of insurance policies and has so far underwritten 7 policies totalling US$80 million spread across all risks that it covers. ATI has increased its membership to ten with the joining of Djibouti. The membership of ATI now includes: Burundi, Djibouti, Eritrea, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda and Zambia. DR Congo is in the process of joining ATI soon. At the last meeting held in Nairobi, Kenya, in November 2003, the Council of Ministers of COMESA has decided that COMESA countries that had not joined ATI were urged to consider doing so. In addition, COMESA countries were urged to promote ATI in their respective countries and to support ATI's marketing efforts in their countries, and to create an awareness among the private sector organisations of the existence of ATI and its role in securing trade and investment in the region.

COMESA Clearing House

The COMESA Clearing House is currently involved with two main projects, namely, the African Commerce Exchange and the Regional Payment and Settlement System.

(i) African Commerce Exchange (ACE)

ACE is expected to provide COMESA members with the following benefits:

(i) a reduction in costs, improved automation and management of risk;

(ii) a secure and reliable telecommunications system;

(iii) an increase in electronic cross-border and cross-sectoral trade;

(iv) a positive environment for foreign investors and trade; and

(v) a highway for the region's payment system, which will in turn enable reduced settlement periods.

Operated by Global Technology's subsidiary Fin-X, on behalf of the African Commerce Exchange, the S.W.I.F.T. Africa Bureau is giving financial institutions on the continent access to the worldwide S.W.I.F.T. communications network. The rollout of this state of the art world banking co-operative network across member states will not only boost the flow of financial transactions cross-border and internationally but will also meet COMESA's stated desire to be proactive in harnessing high-tech and automated security solutions to protect the region's banks and financial institutions from alarming world trends in fraud and money laundering. ACE's SWIFT Bureau services are now present in Kenya, Uganda, Tanzania, Rwanda, Zimbabwe, Zambia, and Malawi besides Mozambique, Botswana and South Africa. ACE Bureau Services have been extended to Europe and USA. This new infrastructure greatly enlarges ACE connectivity infrastructure. The Bureau of Governors of COMESA has approved the continuation of the Clearing House assistance to ACE in its efforts to introduce its services in other member states.

(ii) Regional Payment and Settlement System (REPSS)

The COMESA Clearing House is presently developing a payment system to improve the flow and settlement of cross border payment transactions among financial institutions for the benefit, *inter alia*, of importers and exporters in the various member countries. This system is called Regional Payment and Settlement System (REPSS) and its objectives are to:

(i) increase competition among the banks in the region,

(ii) improve financing services,

(iii) lower costs to complete payment commitments,

(iv) promote the expansion of trade among member countries, and

(v) improve final funds availability to the exporter.

At the eighth meeting of the Committee of Central Bank Governors held in Nairobi, Kenya, November 2003, it was noted that although adherence to the REPSS facility would be optional, it would nonetheless be highly desirable, because of inter-linkages among member states, that all Central Banks participate in the facility. The Committee took note that efforts were underway to seek COMESA co-operating partners to assist in the setting up of REPSS and providing for its start-up costs. The Committee also took note that the draft Request for Proposal (RFP) document had been prepared and would be issued to a short-list of vendors/software developers after incorporation of comments received from members of the Committee of International Payment Experts from Central Banks and other interested parties. Thereafter the "Request for Tender" document would be prepared and submitted to pre-selected vendors/software developers. Visits to member countries would simultaneously be made for the holding of National Workshops on REPSS. The Bank of Mauritius is represented on the Committee of International Payment Experts by the Director-Accounting, Budgeting and Payment System.

In December 2003, a draft Request for Proposal (RFP) document was prepared and circulated among members of the Committee of International Payments Experts from Central Banks for their comments. The same document was also sent to the IMF and the World Bank for their review early this year. The IMF praised and commended COMESA and the Committee of International Payments Experts from Central Banks for the preparation of a very innovative, comprehensive proposal based upon sound payments principles compliant with BIS Core Principles. The IMF further pointed out that most importantly the REPSS offers significant potential benefits for participants and the public in general.

Whilst most of the comments from the IMF have been incorporated into the document, there are still some issues, which will be addressed by the Committee of International Payments Experts from Central Banks at their forthcoming meeting in September 2004.

At the seventeenth meeting of the Council of Ministers held in June 2004, the Council took note that the detailed business processes, system operations and procedures to implement REPSS, designed for the use of national currencies in intra-regional trade and payments as well as other commercial transactions, had been completed and that according to the Action Plan, REPSS was expected to be operational by early 2005.

VII. INTERNATIONAL ECONOMIC DEVELOPMENTS

Output Growth

Led by an upsurge in economic activity in the United States and Asia, world output, according to the International Monetary Fund's semi-annual World Economic Outlook released in April 2004, is expected to grow by 4.6 per cent in 2004, higher than the 3.9 per cent expansion registered in 2003. Global recovery, which had strengthened and broadened since mid-2003, matured further in the first half of 2004. Even the Madrid terrorist attacks and escalation of violence in the Middle East had only temporary unsettling effects on economic agents such that disruption in global economic recovery appeared unlikely. Global growth is expected to gain further momentum as 2004 progresses, underpinned by an improving situation in the corporate sector together with a strong rebound in corporate profits, favourable financing conditions, wealth effects from the rise in equity markets and a further pick up in inventories. However, the fact that high crude oil prices can put a strain on global growth, the sustainability of the expansion ahead remains subject to certain significant challenges, including achieving an orderly resolution of global imbalances, addressing difficult medium term fiscal positions and managing the eventual transition to higher interest rates. Global growth is projected to slow slightly to 4.4 per cent in 2005.

Output in the advanced economies, on average, improved from 1.7 per cent in 2002 to 2.1 per cent in 2003 and is expected to post a higher growth rate of 3.5 per cent in 2004. After registering a growth rate of 3.1 per cent in 2003, the United States, the world's largest economy, is expected to lead the recovery in 2004 with a projected growth rate of 4.6 per cent, its strongest rate of expansion in two decades. The US economy showed exceptional strength in the second half of 2003 as geopolitical uncertainties eased while monetary and fiscal policies remained highly stimulative. Real GDP grew by an exceptionally strong annual rate of 8.2 per cent in the third quarter of 2003 and by a further 4.0 per cent in the fourth quarter of 2003. Reflecting strong demand conditions, the US economy posted an annualised growth rate of 3.9 per cent in the first quarter of 2004. Looking ahead to the second half of 2004, despite a background of tightening of macroeconomic policy and uncertain job recovery, growth in private business investment spending is expected to remain robust, underpinned by favourable financing conditions, robust corporate profitability and the need to replace and upgrade fixed capital. Private consumption is expected to continue to expand, albeit at a slower pace than in recent quarters. However, lingering downside risks to this positive economic outlook still remain. Higher commodity prices, especially for oil, could depress real incomes. In 2005, with both monetary and fiscal policies forecast to be less accommodative in the United States, growth is expected to moderate to 3.9 per cent.

Euro zone recovery remained relatively subdued in 2003. After stagnating in the first half of 2003, the euro zone economy revived in the second half of the year as, in spite of the euro's appreciation, exports and business sentiment somewhat improved particularly in France, Germany and notably Spain, where domestic demand was more robust. From an overall expansion rate of 0.4 per cent in 2003, growth in the euro area is projected to increase to 1.7 per cent in 2004. The gradual pick up in the euro area's growth is likely to be underpinned to a large extent by strong external demand resulting from the rapid 4.6 per cent acceleration of the world economy in 2004 combined with firms' rising profitability, high equity prices and relatively cheap borrowing costs. Yet, with subdued consumer sentiment and high level of unemployment, the robustness of recovery in the euro zone looked uncertain. In 2005, GDP in the euro area is projected to grow further by 2.3 per cent, as domestic demand and exports contribute more evenly to growth. Within the overall picture, growth prospects in Germany, France and Italy, the three largest economies of the euro zone, are expected to remain good for 2004. Against a backdrop of moderate inflation, rising sentiment indicators, as well as growing domestic and foreign orders, the German economy is expected to rebound to 1.6 per cent in 2004, from a negative growth of 0.1 per cent registered in 2003. France is projected to grow by 1.8 per cent in 2004, from 0.2 per cent in 2003. In Italy, economic activity is expected to expand by 1.2 per cent in 2004.

In the United Kingdom, the economy is expected to grow at a rate of 3.5 per cent in 2004, up from 2.3 per cent in 2003. Strong economic performance in the United Kingdom is due not only to an appropriately counter cyclical monetary policy and expansionary fiscal stance, but also to structural flexibility, reflecting the deep reforms of labour, product and financial markets over the years. Domestic demand is seen as remaining robust in 2004 and next year, even if further interest rate hikes are expected later in the year and in 2005. Business confidence is also expected to rise in the United Kingdom as the world economy accelerates and stock markets remain fairly robust. However, a lingering downside risk to this positive outlook exists with the possibility of an abrupt correction in the domestic housing market. Growth in the United Kingdom is projected to moderate to 2.5 per cent in 2005.

The Japanese economic growth turned out to be much stronger than anticipated in 2003, with real GDP posting an annual increase of 2.7 per cent. Growth in the last quarter of 2003 in Japan was a remarkable 7.0 per cent on an annualised basis, the highest rate registered since the second quarter of 1990. The sharp recovery was mostly driven by a solid export performance particularly to Asia and a significant pick up in business investment aided by a rebound in equity markets. Real GDP in Japan in 2004 is seen rising further by 3.4 per cent, especially if growth and demand in the United States and Asia turn out to be above expectations, the rebound in corporate profitability continues and rising bonuses feed through into consumption or the upturn in labour market conditions is sustained. In 2005, growth in Japan is, however, expected to moderate to 1.9 per cent, with vulnerabilities created by weaknesses in the corporate and banking sectors.

Growth in "Other Emerging Market and Developing Countries", as a group, is expected to ease slightly from 6.1 per cent in 2003 to 6.0 per cent in 2004. Different regions and countries, however, would be characterised by different growth patterns. In the Latin American region, recovery is expected to consolidate further in 2004, with real GDP expanding by 3.9 per cent, supported by strengthening domestic demand, higher commodity prices and better world prospects. Brazil, the region's largest economy, which experienced a contraction of 0.2 per cent in economic activity in 2003, is expected to rebound and post a growth rate of 3.5 per cent in 2004 as domestic demand responds to lower interest rates. In Argentina, there has been a marked revival in confidence and output, with real GDP rising by 8.7 per cent in 2003. The economy is expected to strengthen by a further 5.5 per cent in 2004, although the sustainability of the expansion will depend on progress on the policy front. Venezuela, which witnessed a contraction in GDP of 9.2 per cent in 2003, is projected to rebound to 8.8 per cent in 2004, depending significantly on an orderly resolution of the political crisis and a corresponding recovery in consumer and business confidence. In Mexico, growth is expected to accelerate this year by 3.3 per cent as exports benefit from stronger industrial growth in the United States and lower domestic interest rates support consumption and investment spending. The Chilean economy will continue to perform well with a projected growth rate of 4.6 per cent in 2004, boosted by improved terms of trade and increased investment in infrastructure and in the natural resources industry.

Prospects for emerging Asia, which includes developing Asia, the newly industrialised Asian economies and Mongolia, remain favourable in 2004, with aggregate growth projected to be high at 7.2 per cent, based on continued momentum of consumer demand, intraregional trade and the strong outlook for the global economy. The IMF noted that emerging Asia as a whole is generating an increasingly large share of global GDP and is taking on a major role on the world's economic stage. Growth in China, which has been the major engine for intraregional trade and has supported regional growth, is expected to slow to 8.5 per cent in 2004 from 9.1 per cent in 2003. Additional tightening of policies is expected in China in 2004 to mitigate the risk of overheating. According to the International Monetary Fund, it remains in China's interest to move gradually to greater exchange rate flexibility, given the desirability of improving the effectiveness of monetary policy and the need to facilitate adjustment to structural changes over the medium term. Although less spectacular than China, India has also enjoyed a substantial pick up in economic growth, with real GDP expected to reach 6.8 per cent in 2004, reflective of both cyclical and structural factors.

Growth in Africa is expected to pick up slightly from 4.1 per cent in 2003 to 4.2 per cent in 2004. Despite the global economic slowdown, economic activity in Sub-Saharan Africa (excluding South Africa) has remained quite resilient in 2003 with a real GDP growth of 4.4 per cent, aided by surging oil production in Nigeria. GDP growth in the Sub-Saharan African region is expected to strengthen further to 5.1 per cent in 2004, reflecting a combination of improving macroeconomic fundamentals, higher commodity prices, better weather conditions and rising oil and gas production in several countries. To achieve the Millennium Development Goal (MDG) of halving extreme poverty by 2015, the IMF noted that growth in sub-Saharan Africa would need to accelerate markedly, perhaps to about 7.0 per cent a year. Growth in South Africa is expected to pick up modestly in 2004 to 2.6 per cent from 1.9 per cent attained in 2003. Exporters in South Africa should benefit from the stronger global economy and higher commodity prices, while domestic demand would be buoyed by lower interest rates – the central bank has cut interest rates by a cumulative 550 basis points between June 2003 and June 2004 – and a mildly expansionary fiscal policy.

Across the Middle East region, real GDP growth is projected to fall back from the relatively high level of 5.4 per cent in 2003 to 4.1 per cent in 2004. Among the oil-exporting countries, economic growth in Iran is expected to remain strong and broad-based in 2004, driven by robust oil exports, fiscal stimulus, rapid credit expansion and business optimism.

Enlargement of the European Union

On 1 May 2004, ten new members namely, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia were accepted into the European Union (EU), bringing the number of EU member States up to 25. The new members represent a very heterogeneous group. Whereas Cyprus and Malta can already look back at a long market-based tradition, the other eight states completed a fundamental transformation from socialist planned economies to open market economies during the 1990s. Although the EU's pre-accession strategy had already provided the new member states with a privileged position in relation to the EU helping them catch up with the existing 15 member states, economic integration will be additionally stimulated by further institutional and economic involvement. The EU enlargement is, however, not likely to affect real economic developments in the short term where the political significance is much greater than the economic significance. The ten new member countries comprise 20 per cent of the EU's population but account for only 5.0 per cent of its GDP.

Inflation

Notwithstanding rising commodity prices, consumer price inflation in advanced economies, according to the International Monetary Fund, is projected to remain moderate in 2004, averaging 1.7 per cent from an average of 1.8 per cent in 2003. Inflation in the United States is projected to remain at 2.3 per cent in 2004 and eventually fall to 2.2 per cent in 2005 against the background of a gradual upward adjustment in US interest rates. Inflationary pressures in the United States are expected to build up due to high projected oil and commodity prices as well as sustained economic growth in the United States, which will not only create jobs but also bring the economy closer to capacity.

The International Monetary Fund expects inflation, in the euro zone, as measured using the harmonised index of consumer prices (HICP), to decline to 1.7 per cent in 2004 and 1.6 per cent in 2005, from 2.1 in 2003. The euro area HICP inflation increased noticeably in recent months, from 1.6 per cent in February 2004 to a larger-than-expected 2.5 per cent in May 2004, its highest level in more than two years. This reflected the recent surge in oil prices combined with increases in non-oil commodity prices. According to the Eurostat flash estimate, euro zone inflation eased slightly to an annual 2.4 per cent in June 2004, mainly due to a dip in the high price of oil. Looking ahead, developments in energy prices may continue to exert upward pressure on prices in the short term, with inflation rates in the euro zone most likely to remain above the 2.0 per cent ceiling for longer than expected this year. However, within the euro zone, inflation rates continued to vary widely across individual countries.

In the United Kingdom, inflation, as measured by the harmonised index of consumer prices (HICP), is expected to rise to 1.6 per cent in 2004 and further to 1.8 per cent in 2005, despite running below the government-set target of 2.0 per cent. On 10 December 2003, the British Chancellor of Exchequer announced a change in the Bank of England Monetary Policy Committee's target for twelve-month inflation rate from 2.5 per cent for the RPIX, retail price index excluding mortgage interest, to 2.0 per cent for the consumer price index (CPI), also known as the harmonised index of consumer prices (HICP). Unlike the RPIX, the HICP leaves out the costs of owner occupation, including house prices, building insurance, council tax and estate agents. Against the background that house price inflation is likely to subside over the next two years or so, the Bank of England Monetary Policy Committee is of the view that the current gap between the RPIX and HICP is likely to narrow to around half a percentage point over that period. For fiscal year ended June 2004, the UK annual inflation rate, as measured by the HICP, stood at 1.6 per cent while the Retail Price Index (RPI), which contains the housing component, rose to an annual rate of 3.0 per cent, its highest since July 2003. Despite the gradual pickup, inflation in the United Kingdom is considered to be under control but higher interest rates are likely to be required to ensure that it remains so.

In Japan, where both consumer prices and land values have fallen continuously in recent years, a feeling has progressively emerged that a turning point in the battle against deflation might be approaching. The rebound in the price of manufactured goods in 2003 and the spike in commodity prices have contributed to allaying deflationary fears. From a negative inflation rate of 0.9 per cent in 2002, deflationary pressures eased as Japan registered a negative 0.2 per cent inflation rate in 2003. The International Monetary Fund reckons that consumer price inflation in Japan will be negative 0.4 per cent in 2004.

Interest Rate

With subdued inflationary pressures, monetary policy in the major economies had remained to a large extent accommodative in 2003 to support the recovery. Since its last interest rate cut in June 2003, the US Federal Reserve kept its federal funds rate unchanged at its 46-year low of 1.0 per cent throughout the second half of the year and signalled to markets its intention to maintain its accommodative stance for a "considerable period". However, as the US recovery appeared to gain strength, the US Federal Reserve, in its accompanying statement following the FOMC meeting in January 2004, dropped its 5-month old pledge to keep interest rates low "for a considerable period" and instead stated that "it can be patient in removing the accommodative stance". In May 2004, the US Federal Reserve, following its FOMC meeting, signalled that "rates could eventually rise at a measured pace". Finally, on 30 June 2004, the Federal Reserve, as widely expected, lifted its interest rates by a quarter point to 1.25 per cent, its first increase in four years. In its accompanying statement, the US Federal Reserve stressed that it expects to tighten monetary policy at "a pace that is likely to be measured" but also vowed to "respond to changes in economic prospects as needed to fulfil its obligation to maintain price stability." That meant that the central bank flexibility would react if inflation threatened to get out of control, while safeguarding the recovery in the face of shocks like higher energy costs.

Monetary policy in the euro area also remained accommodative during 2003-04. After reducing its key refinancing rate by 50 basis points in June 2003 to 2.0 per cent, the ECB has held its monetary policy stance unchanged. The main factor behind this accommodative stance was the fragile state of the recovery as growth continued to be well below average in the largest euro area economies. Moreover, the ECB has to balance its interest rate policy against a background of inflationary concerns. The ECB came under pressure to lower interest rates as a result of the prospective loss of competitiveness due to the sizeable appreciation of the euro. However, the central bank viewed the strengthening of the common currency as part of an adjustment process to its normal historical range rather than as a risk to the growth outlook that could warrant further easing. With the tightening cycle under way in the major economies, the ECB seems more hesitant to raise rates.

After months of staying on the sidelines since its last interest rate cut in February 2003, the Bank of England, in July 2003 at its first Monetary Policy Committee meeting led by new Governor Mervyn King, surprised financial markets by reducing its key repo rate by a quarter point to a new 48-year low of 3.50 per cent. This move came on the back of worries about the effects of continued weakness in the global economy and of the rise in the Pound. However, the markets got hints about possible interest rate hike by the Bank of England when minutes of the Bank of England's October 2003 rate-setting meeting revealed that four out of the nine members were inclined to raise rates. Subsequently, in November 2003, in a widely expected move, the Bank of England increased UK interest rates by a quarter percentage point to 3.75 per cent, the first increase by any of the world's four major central banks in more than 3 years. The Monetary Policy Committee stated that inflationary pressures were "likely to build gradually' and the "modest" quarter-point rise should keep inflation in line with the Bank's target. The Bank of England maintained its tightening spree when in February 2004, citing recovery in the global economy and continued strength in consumer debt and house prices, when all nine members voted unanimously to further raise UK repo rate by another 25 basis points to 4.0 per cent. In May 2004, against the backdrop that British economic output was growing strongly and expected to accelerate and that this would lead to inflation picking up as the small amount of spare capacity in the economy was getting used up, the Bank of England not only voted unanimously to raise the repo rate by another quarter percentage point to 4.25 per cent but also contemplated a landmark 50 basis point hike. The Bank of England ended fiscal year 2003-04 by raising its interest rates by another 25 basis points to 4.5 per cent at its Monetary Policy Committee meeting in June 2004. The Bank, in a statement, said that the hike in the repo rate, as expected, was necessary in the light of rising cost pressures as the global economic recovery continued, also citing recent strong UK survey and official data, which suggested that UK output growth was around the long-term average trend. Hence, although domestic inflation was currently low, a hike was deemed necessary to keep it in check.

Throughout the fiscal year 2003-04, Japan maintained its accommodative monetary policy, except in October 2003 and January 2004, when it eased its monetary stance further. At its October 2003 policy board meeting, the Bank of Japan eased its monetary policy by raising the ceiling for liquidity it provides to the banking sector in order to encourage banks to lend and invest to get the economy moving faster. In January 2004, the Bank of Japan surprised markets by further easing its monetary policy. This was widely seen by analysts as a sign of concern about the potentially harmful impact of the strength of the yen on the Japanese economy. The Bank of Japan raised its target for excess liquidity in the banking system, as measured by banks' current account deposits held at the central bank, to 30-35 trillion yen from 27-32 trillion yen. In its official statement, the Bank said that the further easing was meant to reaffirm its policy stance on overcoming deflation and ensuring a continued recovery. At the close of 2003-04, with deflation still remaining a concern in Japan, the Bank of Japan would certainly preserve its accommodative policy stance.

Exchange Rate

The broad depreciation of the US dollar against major currencies was the most notable development in the foreign exchange markets in the second half of 2003 and early 2004. Investors' concerns about the widening current account deficit coupled with the US ultra-low interest rates, which had been depressing foreign demand for dollar-denominated assets, as well as, market scepticism about the sustainability of the US economic recovery contributed to the US currency's broad-based decline. However, by mid-February 2004, the downward trend in the US dollar was partially reversed due to a turnaround in market sentiment in favour of the US currency. This was supported in particular by positive data, which indicated that the US economic recovery was indeed increasingly spilling over to various sectors including the labour market. In this context, the US Federal Reserve also intensified its statement regarding future interest rate moves.

Against the backdrop of a relatively long period of US dollar weakness, the euro breached several key resistance levels and, on 18 February 2004, the single currency had managed to hit an all time high of US$1.2927, since its inception in January 1999. However as the market grew more confident of the US economic recovery compared to the uninspiring euro zone economy, the euro, by the end of June 2004, traded at around US$1.2084. Favoured by positive UK data coupled with its highest yielding asset advantage, the Pound sterling also maintained its edge vis-à-vis the US dollar. On 18 February 2004, in London trade, the Pound for the first time in more than 11 years traded above the US$1.91 level. However, with the turnaround in market sentiment in favour of the US dollar, the Pound had shrugged off most of its gains vis-à-vis the US dollar to close June 2004 trading around US$1.8074. The US dollar's depreciation vis-à-vis the Japanese yen was less pronounced due to massive intervention by the Bank of Japan on the foreign exchange markets to alleviate upward pressure on the yen. But because of the sizeable amounts, intervention policies came under criticism.

Balance of Payments

Large current account imbalances continued to characterise the global economy in 2003. Current account surpluses were found mainly in Asia but also in parts of Europe notably, Germany, Switzerland and Norway. The US current account deficit increased to almost US$542 billion in 2003, equivalent to 4.9 per cent of GDP, and is projected to improve to 4.2 per cent of GDP in 2004 given the decline in the external value of the US dollar. The moderate improvement in the US current account deficit in 2004 is set against the view that domestic demand in the United States is likely to increase more rapidly than in its major trading partners, suggesting that further US dollar depreciation may be needed. In the United Kingdom, the current account deficit rose from 1.7 per cent of GDP in 2002 to 2.4 per cent of GDP in 2003 and is expected to ease slightly to 2.2 per cent of GDP in 2004. In contrast, Japan has experienced a relatively large and stable current account surplus over the past years. In 2004, Japan is expected to post a current account surplus of 3.1 per cent of GDP compared to a surplus of 3.2 per cent of GDP last year. In the euro area, the current account is expected to post a surplus of 0.7 per cent of GDP in 2004 compared to a surplus of 0.6 per cent of GDP in 2003.

Budget Deficit

The use of fiscal policy to support global growth in recent years has raised concerns about the sustainability of public debt. Many industrial countries, for instance, have entered the new millennium with relatively high public debt and facing alarming fiscal pressures from ageing populations. The fiscal position in the United States deteriorated from an already high deficit of 3.3 per cent of GDP in 2002 to a relatively sizeable 4.9 per cent of GDP in 2003. Fiscal balances have also worsened in Europe, albeit to a much lesser extent. The fiscal deficit of the euro area widened from 2.3 per cent of GDP in 2002 to 2.8 per cent of GDP in 2003. General government deficits in France and Germany exceeded the 3.0 per cent of GDP ceiling under the EU Stability and Growth Pact for the second year running in 2003. In the United Kingdom, the budget deficit is expected to stagnate at 3.0 per cent of GDP in 2003. In Japan, the general government fiscal deficit has remained very substantial at 8.2 per cent of GDP in 2003. Fiscal imbalances are, however, expected to improve in 2004 in most major industrial economies, with their governments having already expressed the intention to reduce public deficits in the years to come. Fiscal deficit in the United States is expected to ease slightly to 4.8 per cent of GDP in 2004, while in both the United Kingdom and euro area the fiscal deficit is projected to remain at the same ratio to GDP as in 2003. Looking ahead, fiscal deficits in Germany and France are projected to remain above the Stability and Growth Pact limit through 2005. In Japan, the fiscal deficit is expected to narrow down to 7.1 per cent of GDP in 2004, from 8.2 per cent of GDP in 2003.

Foreign Direct Investment Flows

According to the United Nations Conference on Trade and Development (UNCTAD) estimates, global foreign direct investment (FDI) flows in 2003 remained flat, at US$653 billion. The continuing low value and number of cross-border mergers and acquisitions (M&As) - the key driver of global FDI flows since the late 1980s - contributed heavily to the downturn. The FDI flows in 2002, which stood at US$651 billion, followed two previous consecutive declines - from US$824 billion in 2001 and US$1.4 trillion in 2000. But UNCTAD predicts that FDI flows will rebound in 2004, boosted by the improving global economy, higher corporate profitability, recovering M&As transactions and growing investor confidence.

The FDI inflows to developed countries increased marginally, from US$460 billion in 2002 to US$467 billion in 2003. The FDI flows to the United States rose threefold to US$86.6 billion. The European Union (EU), whose FDI flows were US$341.8 billion, saw the largest decline, notably in France and Germany. The flows to Japan were down as well, at US$7.5 billion. The FDI flows to the Asia-Pacific region increased from US$95 billion in 2002 to US$99 billion in 2003. China, the Republic of Korea, Thailand, Vietnam and oil-rich Azerbaijan all received higher FDI flows. China's US$57 billion flows marked another record for the country. The FDI flows to Africa last year rose by 30 per cent to US$14 billion. The rebound was due to a number of large investment projects in natural resources and an improving policy environment with the unfolding of the New Partnership for Africa's Development. The Latin American-Caribbean region was again the most negatively affected in the developing world, with FDI flows falling for the fourth consecutive year, from US$56 billion in 2002 to US$42 billion in 2003. The FDI flows to Central and Eastern Europe last year were US$30.3 billion, a slight rise from US$28.7 billion in 2002.

Oil

Oil prices experienced a sustained upward pressure during 2003-04. Since January 2004, oil prices have remained, on average, above US$30 a barrel. The significant rise in oil prices was explained by both demand and supply factors. Demand for oil rose due to increasingly strong international growth and the industrial expansion in China. Factors that affected supply were the continuing unrest in the Middle East and the OPEC's decision to review supply quota of its member states. In fact, following OPEC's February 2004 meeting and its decision to reduce its quota by 1 million barrels a day as from 1 April 2004, oil prices climbed markedly, breaching several record highs. As 2004 progresses, potential for considerable volatility remains with much depending on the outlook for demand, geopolitical developments, the inventories situation, and the extent and pace at which speculative positions are unwound. Brent crude oil prices are projected to stay relatively high at around US$30 a barrel in 2004 before somewhat easing to US$27 in 2005 as demand and supply conditions are projected to better match. The trends in international oil prices in 2003-04 are further elaborated in Box 5.

Gold

COMEX gold futures made impressive gains during 2003-04, breaking several record highs above the key resistance level of US$400/Oz. During 2003-04, instability in the Middle East and US dollar weakness supported gold prices. COMEX gold futures average, which was US$351.4/Oz in July 2003 continuously increased, crossing the US$400/Oz in December 2003 and remaining above US$400/Oz between January and April 2004. It retreated to US$384.0/Oz in May 2004, but finished firmer at US$392.8/Oz in June 2004.

World Trade

Growth in world trade consistently strengthened throughout 2003, and is expected to remain strong in 2004. According to the International Monetary Fund estimates, world trade, as measured by world export and import volume of goods and services, expanded by 4.5 per cent in 2003, from 3.1 per cent in 2002. The trade performance resulted from a confluence of factors. Trade between the rest of the world and Asia, as well as, within Asia boomed in 2003, led by China and other East Asian and Southeast Asian economies. Exports from Japan, particularly to China and the rest of developing Asia, surged in the second half of 2003, and exports from the US also picked up by the end of2003. The EU, with the exception of the United Kingdom, is the only region where exports have been lacklustre. With robust growth projected for the world economy in 2004 and the strong performance of world trade, which has already started in the first quarter of 2004, world trade volume growth is projected to rise significantly to 6.8 per cent in 2004 before slowing down to 6.6 per cent in 2005.

Conclusion

Looking ahead, with the widely expected economic recovery taking hold across regions, the world economy should remain relatively robust in 2004, notwithstanding imbalances in the major industrialised economies. The recent surge in world oil prices poses probably the most important near-term risk to world growth but the challenge remains to restore more robust policy actions for achieving an orderly resolution of global imbalances and promoting monetary and financial stability. The gradual increase in policy interest rates by major central banks and elsewhere in the smaller economies has contributed in containing inflation within tolerable ranges while keeping global growth prospects intact. Among the policy challenges, there is much needed fiscal consolidation in most economies, in particular the United States. To date, although the US fiscal expansion has provided significant support for the world recovery, fiscal consolidation in the United States is considered important to contain the risk that higher long-term real interest rates would lead to a consequential dampening of investment and growth. Likewise, the large US current account deficit, exacerbated by the effect of the fiscal stimulus on US domestic demand, will have to be rebalanced.

Economic indicators emanating from Mauritius' traditional export markets suggest that economic recovery is well under way, holding out better prospects for our exports. However, there are challenges stemming from the proposed reforms of the European Union sugar regime, the phasing-out of the Multi Fibre Agreement as from the beginning of next year and the increasing trend towards the globalisation of world trade. Furthermore, the high oil prices on the international market represent potential risk to the inflation rate and may also adversely impact on the balance of payments.

Box 5 International Oil Prices: 2003-04

With the end of the Iraq war, it was believed that oil prices would stabilise as the war premium would dissipate. However, oil prices rose sharply in fiscal year 2003-04, particularly in the closing months. NYMEX and IPE Brent averaged US$33.7 a barrel and US$31.0 a barrel, respectively, in 2003-04, compared to US$29.7 a barrel and US$27.4 a barrel, respectively, in 2002-03. The surge in oil prices during 2003-04 is attributed to a combination of demand and supply conditions in the oil market: (i) Growing world oil demand, particularly in China; (ii) the sustained and heightened speculative interest of global hedge funds into the crude oil market; (iii) the inventory positions in the United States, in relation to the demand for the summer driving season or the winter season; (iv) geopolitical instability in the Middle East; (v) OPEC's periodic decision to review the supply quota of its member countries; and (vi) the temporary supply disruptions from oil exporting countries due to strikes or limited capacity among others.

The table below summarises the trends in the (monthly average) international crude oil prices for fiscal years 2001-02, 2002-03 and 2003-04.

At the beginning of 2003-04, oil prices rose amid high demand due to the US driving season. Furthermore, strike threats in Nigeria and supply disruptions in Mexico due to a severe storm exerted some upward pressure on international oil prices. NYMEX and IPE Brent averaged US$30.7 a barrel and US$28.4 a barrel, respectively, in July 2003,

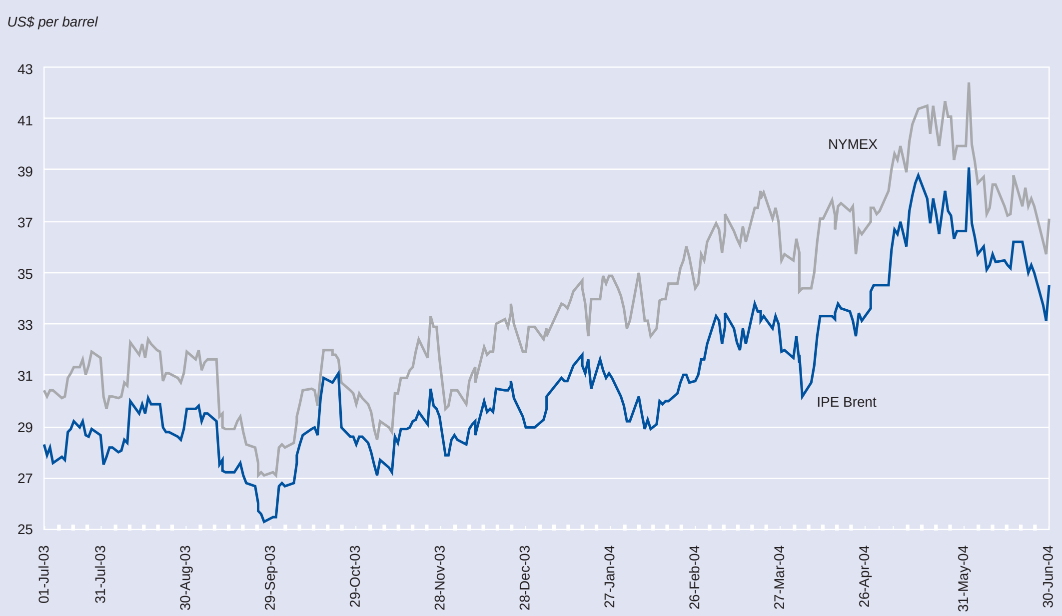
Movements in World Oil Prices (Monthly Average)

(US$ per barrel)

	IPE Brent			NYMEX		
	2001-02	2002-03	2003-04	2001-02	2002-03	2003-04
July	24.7	25.7	28.4	26.5	26.9	30.7
August	25.7	26.4	29.4	27.3	28.2	31.6
September	25.9	28.3	26.9	26.0	29.7	28.3
October	20.5	27.6	29.0	22.3	28.7	30.4
November	18.7	24.2	28.9	19.7	26.2	31.1
December	18.6	28.2	29.6	19.4	29.4	32.2
January	19.5	31.4	30.8	19.8	32.7	34.0
February	20.2	32.4	30.4	20.8	35.8	34.5
March	23.6	29.7	32.7	24.4	33.2	36.7
April	25.7	22.4	33.0	26.3	26.7	36.6
May	25.5	25.4	37.2	26.9	28.0	40.3
June	24.6	27.3	35.6	25.6	30.5	38.1
July to June	**22.8**	**27.4**	**31.0**	**23.7**	**29.7**	**33.7**

Notes: (i) IPE is the International Petroleum Exchange in London, trading benchmark North Sea Brent Crude.
(ii) NYMEX is the New York Mercantile Exchange, trading WTI (West Texas Intermediate) US crude.

Daily Movements in International Oil Prices: 2003-04



compared to US$30.5 a barrel and US$27.3 a barrel, respectively, in June 2003. At its July 2003 meeting, OPEC left its 25.4 million barrels per day (bpd) quota unchanged. Oil prices continued to rise in August 2003 due to continuing instability in Iraq, with frequent sabotage of its oil export infrastructure, and ethnic violence in Nigeria.

The chart above shows the daily movements in international oil prices during 2003-04.

In September 2003, supply concerns subsided and oil prices fell to some extent. NYMEX and IPE Brent averaged US$28.3 a barrel and US$26.9 a barrel, respectively, in September 2003. At its September 2003 meeting, in a bid to prevent oil prices from falling too low, OPEC decided to cut its oil production quota by 900,000 bpd to 24.5 million bpd with effect from 1 November 2003. Rising demand for heating oil for the winter season in the United States exerted further upward pressure on oil prices, which rose sharply in October 2003.

In November and December 2003, renewed instability in the Middle East weighed heavily on world oil prices. Recurrent sabotage of Iraq's oil export infrastructure and threats of Al-Qaeda bombings instilled fears of supply disruption in the market and oil prices maintained their upward trend. At its December 2003 meeting, OPEC left its export quota unchanged. NYMEX and IPE Brent averaged US$32.2 a barrel and US$29.6 a barrel, respectively, in December 2003.

In January 2004, amid geopolitical instability in the Middle East, oil prices rose further as oil exporters sought to compensate for US dollar weakness. Furthermore, reports that China's oil demand was growing beyond expectations also supported soaring oil prices. NYMEX and IPE Brent averaged US$34.0 a barrel and US$30.8 a barrel, respectively, in the same month. At its February 2004 meeting, OPEC ministers, in a surprise move, agreed to cut OPEC's output quota by 1 million bpd to 23.5 million bpd, effective 1 April 2004 to support oil prices amid ongoing US dollar weakness. The OPEC decision caused an immediate surge in oil prices, which remained high following two US refinery fires in February 2004. Oil prices maintained the upward momentum and ahead of OPEC's output cut, NYMEX and IPE Brent averaged US$36.7 a barrel and US$32.7 a barrel, respectively, in March 2004. Oil prices remained on the high side in April 2004 and reached record highs in May 2004, with NYMEX and IPE Brent averaging US$40.3 a barrel and US$37.2 a barrel, respectively.

NYMEX reached US$42.85 a barrel, its highest level ever, on 1 June 2004. However, at its meeting on 3 June 2004, OPEC decided to raise its quota by 2 million bpd to 25.5 million bpd with effect from 1 July 2004 and oil prices appeased to some extent. A further 500,000 bpd increase in the quota was to become effective 1 August 2004. NYMEX and IPE Brent averaged US$38.1 a barrel and US$35.6 a barrel, respectively, in June 2004. It is worth noting that apart from falling below US$28 a barrel on two separate occasions, the OPEC reference basket[1] of seven crudes has remained above OPEC's stated target range of US$22-28 a barrel since November 2003.

In Mauritius, the State Trading Corporation (STC), which is the sole importer of petroleum products and also a number of other consumer items, has accumulated losses over the years due to the non-adjustment of its domestic wholesale prices, more importantly those of petroleum products, to reflect price increases on the international market. These losses represented a drain on public finances. To address the matter, an Automatic Price Mechanism (APM) for the adjustment of prices of petroleum products was set up in March 2004 for implementation as from 2 April 2004. The APM accommodates price fluctuations in the range of 2.5 per cent to 15 per cent for diesel and motor gasoline (mogas), on a quarterly basis, to reflect international oil prices and exchange rate fluctuations. All adjustments outside this range would be automatically transferred to the following quarter. The table below gives details on the domestic price of mogas and diesel in the wake of the application of the APM, which took place on 2 April and 2 July 2004.

	Price of Mogas (Rs per litre)	Percentage Change	Price of Diesel (Rs per litre)	Percentage Change
1-Apr-04	20.40		11.90	
2-Apr-04	21.35	4.7	13.05	9.7
2-Jul-04	24.55	15.0	15.00	14.9

International oil prices at the close of fiscal year 2003-04 were still on the high side although they retreated from the record highs attained in May 2004. Looking ahead, the APM would continue, through its transparent mechanism, to support the economy in rationalising domestic oil prices in line with international trends. The recent surge in oil prices, however, remains a source of concern on account of its potential impact on the rate of inflation.

[1] *The OPEC reference basket of crudes comprises Algeria's Saharan Blend, Indonesia's Minas, Nigeria's Bonny Light, Arab Light from Saudi Arabia, Dubai of the UAE, Venezuela's Tia Juana and non-OPEC Mexico's Isthmus.*

2 Regulation and Supervision

The regulation and supervision of banks and deposit-taking activity of non-bank financial institutions are carried out by the Bank of Mauritius under the provisions of the Banking Act 1988 and the Bank of Mauritius Act. The Bank of Mauritius is also empowered to regulate and supervise the operations of money-changers and foreign exchange dealers in accordance with the provisions of the Foreign Exchange Dealers Act 1995.

The regulatory and supervisory functions are entrusted to the Supervision Department of the Bank and include:

- The processing of applications for banking licences as well as authorisations for non-bank deposit-taking activity, money-changers and foreign exchange dealers;
- Issuing prudential regulations to be observed by authorised institutions; and
- Carrying out on-site inspection and off-site surveillance of such institutions.

One of the objectives of the Bank is to ensure the safety and soundness of financial institutions falling within its supervisory oversight and the protection of depositors' interests. In this respect, the Bank has maintained its efforts towards the establishment of effective working relationships with banks and their external auditors.

In line with international trends and international standards set out in the 25 Core Principles for Effective Banking Supervision of the Basel Committee on Banking Supervision (BCBS) to which the Bank has committed itself, the Bank has evolved significantly towards risk-based regulation of financial institutions. The Core Principles provide the essential framework for the conduct of the relevant risk-based regulation and supervision.

In its continued effort to enhance the regulatory environment, the Bank issued the following guidance notes and guidelines to banks and non-bank deposit-taking financial institutions during the year under review:

(i) Guidance Notes on Fit and Proper Person Criteria; and
(ii) Guidelines on Credit Risk Management.

As at end-June 2004, eleven banks holding Category 1 Banking Licences (Category 1 banks), twelve banks holding Category 2 Banking Licences (Category 2 banks) and fourteen non-bank deposit-taking institutions were authorised to operate in Mauritius. In addition, four money-changers and five foreign exchange dealers were in operation as at that date.

Banque des Mascareignes Ltée was granted a Category 1 Banking Licence on 8 January 2004 and started operations on 14 June 2004. To avoid any confusion in the mind of the public, Banque Internationale des Mascareignes Ltée, a Category 2 bank and a sister company of Banque des Mascareignes Ltée, changed its name to Mascareignes International Bank Ltd as from 15 January 2004.

A list of authorised banks, non-bank deposit-taking institutions, money-changers and foreign exchange dealers as at 30 June 2004 is shown in Appendix VI.

Report on Irregularities at The Mauritius Commercial Bank Ltd (MCB)

The irregularities that occurred over the past years at the MCB caused the loss of hundreds of million of rupees to the bank. It was feared that they might impact adversely on the banking industry. To investigate into the irregularities and to make recommendations, the Bank of Mauritius decided to enlist the services of an independent body. In this respect, the Bank appointed, in March 2003, a reputed forensic accounting firm, the nTan Corporate Advisory Pte Ltd. A team of bank examiners from the Supervision Department of the Bank assisted the nTan Corporate Advisory Pte Ltd. in its task.

nTan Corporate Advisory Pte Ltd. submitted its Report to the Bank in February 2004.

The Report describes in detail certain practices that date back to the early 1990s when the MCB was still operating the former wholly-owned subsidiary, The Mauritius Commercial Bank Finance Corporation. The structure of the irregularities discloses techniques that have been employed to tamper with fixed deposit accounts in siphoning off funds. The Report concludes that the system of controls in place at the bank has been overridden.

The Report recommends, *inter alia*, that the MCB strengthens its internal control system by reviewing the concentration of powers vested in its staff members. It also recommends that all staff members, particularly those dealing with assets and liabilities and customers, take compliance leave during which period their supervisors and/or the Internal Audit Department and/or the Compliance Department should carry out appropriate reviews of their work.

In the course of a meeting held on 26 March 2004 with the Board of Directors of the MCB, the Governor strongly urged the Board to speed up the implementation of the recommendations made in the Report. The Bank of Mauritius has been monitoring the situation to ensure that the recommendations are fully implemented by the MCB.

Infringement of hours of business by a Category 1 bank

On Friday 4 June 2004 at about 15.30 hours, a Category 1 bank informed the Bank that its Employees Association closed the bank's counters to the public.

Section 42 of the Banking Act 1988 provides that every bank shall during the hours fixed by the central bank, remain open for the transaction of business with the public.

The closure of the bank's counters before the approved business hours was in breach of the provision of the Banking Act 1988. The bank was sanctioned for this breach.

Legislative Changes and Regulatory Measures

Relevant legislative changes effected during the year under review and regulatory measures taken to enhance the operational efficiency of financial institutions are set out below:

Legislative Changes

A. The Finance Act 2003

The Finance Act 2003, which was enacted on 21 July 2003, brought the following amendments to the Banking Act 1988, the Bank of Mauritius Act and the Stock Exchange Act.

The Banking Act 1988

A new section (section 33A) has been included in Part VII and inserted immediately before section 34. By virtue of this new section

(i) articles 1659, 1660, 1661 and 1673 of the Code Civil Mauricien will not apply to commercial contracts involving purchases made with a provision for repurchase of Treasury Bills, Bank of Mauritius Bills or such other instruments as the central bank may specify, among banks and such other financial institutions as the central bank may specify; and

(ii) articles 2087 and 2088 of the Code Civil Mauricien will not apply to securities given for the repurchase of instruments referred to in paragraph (i).

The repurchase transactions entered into will be subject to the terms and conditions specified, by direction, by the Central Bank.

The Bank of Mauritius Act

A new subsection (subsection (na)) has been added in section 12 to include among the activities of the Bank of Mauritius the issue of Bank of Mauritius Bills.

A new section (section 12A) has been inserted immediately after section 12 to permit the Bank to raise, for monetary policy purposes, loans by the issue of Bank of Mauritius Bills.

Every Bank of Mauritius Bill will be issued by the Bank in such form, multiples and currencies as may be determined by the Bank and subject to such conditions as may be determined by the Bank.

The Bill will be payable at par at the Bank and will specify its maturity date.

Provisions have also been made in this new section for the proceeds of the issue of the Bills to be paid to the Bank and for the Bill to be redeemed, before its maturity date, on such terms and conditions as may be agreed. Further, every Bill will, on redemption, be cancelled by the Bank.

The Stock Exchange Act

The Stock Exchange Act has been amended in section 2, in the definition of "securities" to insert immediately after paragraph (b), the following new paragraph "(ba) Bank of Mauritius Bills issued by the Bank of Mauritius."

B. The Anti-Money Laundering (Miscellaneous Provisions) Act 2003

The Anti-Money Laundering (Miscellaneous Provisions) Act 2003, enacted on 16 September 2003, brought the following amendments to sections 39 and 39A of the Banking Act 1988.

Section 39

A new paragraph (paragraph h) has been added to subsection (2) to provide for a bank to

(i) report a suspicious transaction to the FIU under; or

(ii) supply information to the FIU pursuant to a request made under section 13(2) of,

the Financial Intelligence and Anti-Money Laundering Act 2002.

Subsection (11) has been deleted and replaced by a new subsection. This new subsection states that nothing in this section shall preclude the disclosure of information by the central bank

(i) under conditions of confidentiality to a central bank in a foreign country for the purpose of assisting it in exercising functions corresponding to those of the central bank under this Act; or

(ii) pursuant to section 22 of the Financial Intelligence and Anti-Money Laundering Act 2002 to the FIU.

The definition of 'FIU' has been inserted in subsection (12) and ascribed to mean the Financial Intelligence Unit established under the Financial Intelligence and Anti-Money Laundering Act 2002.

Section 39A

The words "proof beyond reasonable doubt" in subsection (3) have been deleted and replaced by the words "being satisfied".

A new paragraph (paragraph (c)) has been added to subsection (4) to provide for this section to be without prejudice to the duty of the central bank to pass on information to the FIU established under the Financial Intelligence and Anti-Money Laundering Act 2002, pursuant to section 22 of that Act.

Regulatory Measures

Fourteen prudential guidelines regulating the banking sector were effective as at 30 June 2004, as follows:

(i) Guidelines on Credit Concentration Limits;
(ii) Guidelines on Risk Weighted Capital Adequacy Ratio;

(iii) Guidelines on Credit Classification for Provisioning Purposes and Income Recognition;
(iv) Guidelines on General Principles for Maintenance of Accounting and other Records and Internal Control Systems;
(v) Guidelines for the Calculation and Reporting of Foreign Exchange Exposures of Banks;
(vi) Guidelines on Liquidity;
(vii) Guidelines on Internet Banking;
(viii) Guidelines on Corporate Governance;
(ix) Guidelines on Related Party Transactions;
(x) Guidelines on Transactions or Conditions respecting Well-Being of a Financial Institution Reportable by the External Auditor to the Bank of Mauritius;
(xi) Guidelines on Public Disclosure of Information;
(xii) Guidance Notes on Fit and Proper Person Criteria;
(xiii) Guidelines on Credit Risk Management; and
(xiv) Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism.

The objective of the Guidance Notes on Fit and Proper Person Criteria issued in October 2003 is to set out a framework for assessing a person's capacity to act as a fit and proper person and to provide a basis for decision in the matter. A 'fit and proper person' means a person who presents the likelihood of his being in a position to discharge his responsibilities in a competent, honest and correct manner in the best interests of the financial institution.

The Guideline on Credit Risk Management, which came into effect on 5 January 2004, has two purposes. The first one is to set out the responsibilities and accountabilities of the board of directors and management (Chief Executive Officer) in credit risk management and the second one is to outline the processes to be used in managing credit activity at a financial institution. This guideline supplements existing regulations and guidelines.

In April 2003, the Bank of Mauritius forwarded for consultation to all institutions falling under its jurisdiction and other stakeholders new Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism, with a view to replacing those issued by the Bank in January 2001. The new Guidance Notes incorporate the 40 + 8 recommendations of the Financial Action Task Force (FATF) as well as the essence of Customer Due Diligence Paper issued by the Basel Committee on Banking Supervision.

The Guidance Notes were further reviewed in the light of regulations made on 19 June 2003 under the Financial Intelligence and Anti-Money Laundering Act 2002 and also by taking into account the responses received during the consultation process. The Bank of Mauritius issued a revised version of the Guidance Notes to all banks and cash dealers in November 2003 and this new version became binding on banks and cash dealers as from 5 January 2004.

The revised Guidance Notes are also applicable to deposit-taking institutions authorised under the Banking Act 1988 and foreign exchange dealers and money-changers authorised under the Foreign Exchange Dealers Act 1995.

The revised Guidance Notes describe the minimum standard expected of all banks and cash dealers. They are in accord with the 40 + 8 recommendations of the FATF and the Customer Due Diligence Paper of the Basel Committee on Banking Supervision. The Bank of Mauritius, in the exercise of its supervisory activity, is responsible for ensuring compliance by financial institutions of the Guidance Notes.

Domestic Banking Sector

Banking Activity

During 2003-04, the on-balance sheet assets of Category 1 banks increased by Rs20,081 million, or 13.0 per cent, from Rs154,560 million as at end-June 2003 to Rs174,641 million as at end-June 2004, compared to a growth rate of 14.0 per cent in the preceding fiscal year. Off-balance sheet items, consisting of acceptances, documentary credits and guarantees, increased by 4.2 per cent, from Rs17,052 million as at end-June 2003 to Rs17,766 million as at end-June 2004.

Banks' foreign currency assets went up by Rs334 million to Rs21,845 million as at end-June 2004 and represented 12.5 per cent of their total assets compared to 13.9 per cent as at end-June 2003.

Shareholders'/Head Office Funds went up by 13.5 per cent to Rs16,116 million as at end-June 2004 compared to a growth rate of 4.1 per cent in 2002-03. Shareholders' Funds accounted for 9.2 per cent of total resources of Category 1 banks as at end-June 2004.

Banks' total advances, including financing by way of subscription to debentures, increased by Rs5,382 million, or 6.3 per cent, from Rs85,885 million as at end-June 2003 to Rs91,267 million as at end-June 2004, compared to a rise of 5.7 per cent in the preceding year. The ratio of total advances to total assets stood at 52.3 per cent as at end-June 2004 compared to 55.6 per cent as at end-June 2003.

Total deposits of Category 1 banks went up by Rs16,299 million, or 14.1 per cent, from Rs115,823 million as at end-June 2003 to Rs132,122 million as at end-June 2004, compared to a growth of 11.6 per cent in the previous fiscal year. Deposits accounted for 75.6 per cent of banks' total funds as at end-June 2004 compared to 74.9 per cent as at end-June 2003.

Banks' investment in Treasury/Bank of Mauritius Bills and other Government securities grew significantly by Rs11,278 million, or 34.0 per cent, from Rs33,171 million as at end-June 2003 to Rs44,449 million as at end-June 2004, showing a preference for low risk assets by Category 1 banks. The share of such investment in banks' total assets went up from 21.5 per cent as at end-June 2003 to 25.5 per cent as at end-June 2004.

Banks' investment in equity and quasi-equity of other companies rose significantly by Rs2,081 million, or 76.1 per cent, to Rs4,817 million as at end-June 2004 as against a decline of 8.6 per cent in 2002-03. As at end-June 2004, it represented 2.8 per cent of total assets.

Institutional Developments

During 2003-04, banks continued to improve their information technology infrastructure. Plastic money, in the form of credit and debit cards, is currently provided by six banks while phone banking facilities are offered by four banks. With the approval of the Bank of Mauritius, Internet banking services are also being provided by two Category 1 banks through their web sites.

Customers have been making increasing use of service units, more specifically Automated Teller Machines (ATMs) and electronic delivery multi-channels that include Internet banking services. The number of customers having recourse to the use of Internet banking increased significantly from 9,803 at the end of June 2003 to 16,884 at the end of June 2004. Over the same period, there was a 42 per cent decline in the number of customers making use of phone banking. This was mainly due to customers at one particular bank switching from phone banking services to Internet banking services.

Between end-June 2003 and end-June 2004, the number of ATMs in operation in Mauritius rose by 16, from 257 to 273, while the number of cards in circulation dropped by 21,681, from 853,067 to 831,386. Outstanding advances on credit cards increased from Rs807 million as at end-June 2003 to Rs822 million as at end-June 2004. The monthly average number of transactions involving the use of credit cards, debit cards, ATMs and Merchant Points of Sale amounted to 2.4 million for a total value of Rs3,939 million for the period July 2003 to June 2004, compared to a monthly average of 2.0 million for a total value of Rs3,290 million in 2002-03.

Bank Performance

The assessment of a bank's performance is based on the following five main criteria:

- Risk Weighted Capital Adequacy Ratio;
- Foreign Exchange Exposure;
- Concentration of Risk and Large Exposures;
- Non-Performing Advances/Provisioning; and
- Profitability.

Risk Weighted Capital Adequacy Ratio

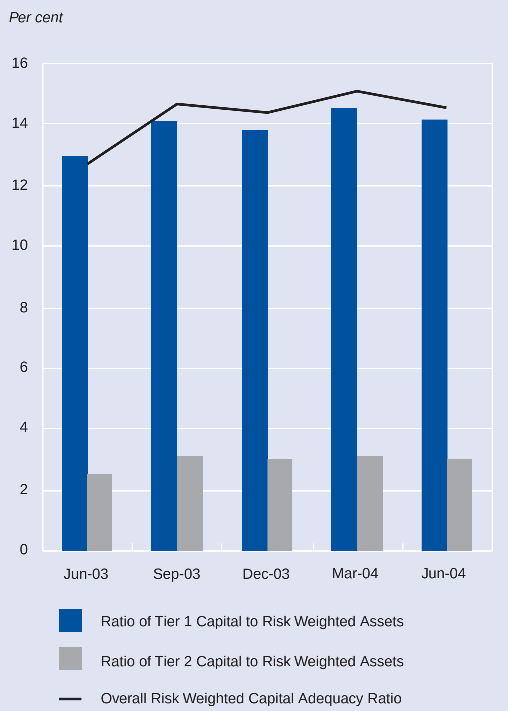
Capital is the ultimate determinant of a bank's lending capacity and also the first element used to assess the solvency of a bank. A strong capital reduces the risk of failure because it provides the first cushion against risk exposures and thus maintains depositors' confidence.

As at end-June 2004, all Category 1 banks reported risk weighted capital adequacy ratios above the prescribed minimum of 10 per cent.

Chart 2.1 shows the overall risk weighted capital adequacy ratio and ratios of Tier 1 and Tier 2 Capital to risk weighted assets.

The overall risk weighted capital adequacy ratio maintained by Category 1 banks went up from 12.6 per cent as at end-June 2003 to 14.6 per cent as at end-June 2004. This rise was the result of a higher growth rate of 21.4 per cent registered in the aggregate capital base as compared to a lower increase of 5.0 per cent in risk weighted assets. In 2003-04, the overall ratio varied within a range of 12.6 per cent in June 2003 to 15.0 per cent in March 2004 compared to a range of 12.3 per cent to 13.5 per cent in 2002-03.

Chart 2.1: Overall Risk Weighted Capital Adequacy Ratio and Ratios of Tier 1 and Tier 2 Capital to Risk Weighted Assets



All figures are as at end of period.

The aggregate capital base of Category 1 banks is made up of Tier 1 capital (Core Capital) and Tier 2 capital (Supplementary Capital) net of capital deductions. The aggregate capital base increased by Rs2,686 million, or 21.4 per cent, from Rs12,562 million as at end-June 2003 to Rs15,248 million as at end-June 2004. The share of Tier 1 capital in gross capital (Tier 1 and Tier 2) fell from 83.4 per cent as at end-June 2003 to 81.8 per cent as at end-June 2004.

Total risk weighted assets comprise risk weighted on-balance sheet assets, risk weighted off-balance sheet exposures, foreign exchange rate and interest rate related contracts, and foreign currency exposure. During 2003-04, total risk weighted assets increased by Rs4,937 million, from Rs99,607 million as at end-June 2003 to Rs104,544 million as at end-June 2004. This was mainly due to risk weighted on-balance sheet assets and foreign currency exposure increasing by Rs4,292 million and Rs641 million, respectively.

During the year 2003-04, banks' investment in high-risk assets registered a drop while investment in low-risk assets increased. Assets in the 100 per cent risk weight as a proportion of total risk weighted assets fell from 56.5 per cent as at end-June 2003 to 52.2 per cent as at end-June 2004 while the share of zero-risk assets rose from 31.5 per cent to 36.0 per cent over the same period.

Table 2.1 shows the range of risk weighted capital adequacy ratios maintained by Category 1 banks on a quarterly basis from end-June 2003 through end-June 2004.

Foreign Exchange Exposure

Section 7(2) of the Foreign Exchange Dealers Act 1995 requires Category 1 banks to observe limits on their foreign exchange exposure in relation to their Tier 1 Capital. The objective of this requirement is to ensure that Category 1

Table 2.1: Category 1 Banks: Maintenance of Risk Weighted Capital Adequacy Ratio

(Rs million)

As at end of Period	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Tier 1 Capital	12,926	13,949	13,958	14,488	14,657
Tier 2 Capital	2,564	3,135	3,169	3,144	3,272
Total Gross Capital	**15,490**	**17,084**	**17,127**	**17,632**	**17,929**
Capital Deductions	2,928	2,543	2,660	2,661	2,681
Total Net Capital (A)	**12,562**	**14,541**	**14,467**	**14,971**	**15,248**
Total Risk Weighted Assets (B)	**99,607**	**99,521**	**101,097**	**99,694**	**104,544**
of which:					
Risk weighted on-balance sheet assets	88,546	88,475	89,238	89,307	92,838
Risk weighted off-balance sheet exposures	9,190	8,643	8,820	8,188	9,179
Foreign exchange rate and interest rate related contracts	63	54	41	53	78
Foreign currency exposure	1,808	2,349	2,998	2,146	2,449
Risk Weighted Capital Adequacy Ratio (A/B) (Per Cent)	**12.6**	**14.6**	**14.3**	**15.0**	**14.6**

banks manage their foreign exchange positions in a prudent manner. In July 1996, guidelines for the calculation and reporting of foreign exchange exposures on a daily basis were issued to banks.

The overall foreign exchange limit is defined as the ratio of the higher of the sum of all spot and forward short or long positions in different currencies to Tier 1 Capital. Effective April 1997, Category 1 banks are required to observe a daily foreign exchange exposure limit not exceeding 15 per cent of their Tier 1 Capital and to report to the Bank of Mauritius, on a daily basis, their foreign exchange exposure in major currencies as well as their overall foreign exchange exposure.

As from March 1998, the Bank monitors on a monthly basis the maturity pattern of Category 1 banks' foreign currency assets and liabilities.

Table 2.2 shows the maturity pattern of foreign currency assets and liabilities of Category 1 banks as at end-June 2003, end-December 2003 and end-June 2004.

As at end-June 2004, Category 1 banks carried an overall excess of foreign currency liabilities over assets amounting to Rs2,526 million for all maturities of assets and liabilities taken together. Banks had a short position of Rs4,483 million in the shorter maturity period of less than one month with the net exposure

Table 2.2: Category 1 Banks: Maturity Pattern of Foreign Currency Assets and Liabilities

(Rs million)

	End Jun-03			End Dec-03			End Jun-04		
Maturity Period	**Foreign Currency**			**Foreign Currency**			**Foreign Currency**		
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
	(1)	(2)	(1) - (2)	(1)	(2)	(1) - (2)	(1)	(2)	(1) - (2)
Less than 1 Month	11,842	16,036	(4,194)	13,511	15,067	(1,556)	13,195	17,678	(4,483)
Over 1 Month and Up to 3 Months	2,173	2,371	(198)	1,506	2,322	(816)	1,860	2,466	(606)
Over 3 Months and Up to 12 Months	865	2,467	(1,602)	605	1,565	(960)	947	2,778	(1,831)
Over 12 Months	6,631	1,806	4,825	6,044	1,454	4,590	5,843	1,449	4,394
Total	**21,511**	**22,680**	**(1,169)**	**21,666**	**20,408**	**1,258**	**21,845**	**24,371**	**(2,526)**

shifting to a net long position of Rs4,394 million in the longer maturity period of over 12 months.

Concentration of Risks and Large Exposures

As per section 21 of the Banking Act 1988, the Bank is empowered to regulate the level of banks' credit exposures to any one customer, or group of closely related customers. In March 2000, the Bank issued a revised guideline, which superseded all previous instructions pertaining to this issue, to Category 1 banks. The main objective of the guideline was to encourage more effective risk management among banks.

All banks are subject to an aggregate large credit exposure limit. All credits of a bank that individually exceed 15 per cent of the bank's capital base, should not, in the aggregate, exceed the regulatory concentration limit of 600 per cent of its capital base.

In cases where a bank decides to grant credit facilities exceeding the applicable regulatory limits, it must obtain the prior written authorization of the Bank and must provide such information to the Bank as may be prescribed. Such authorisation is granted in very exceptional circumstances and the Bank may impose such terms and conditions, as it deems necessary, including an increase in the capital adequacy ratio to be maintained.

The aggregate credit exposure of a locally incorporated bank, together with its subsidiaries, associates and related companies as defined in section 3 of the Companies Act 2001, to any entity and its related parties, should not exceed 25 per cent of the total capital base of the bank. As for a subsidiary or branch of a foreign bank, the credit exposure to an entity and its related parties, should not exceed 50 per cent of the capital base of the subsidiary or branch.

As at end-June 2004, the total fund and non-fund based facilities, exceeding the threshold of 15 per cent of a bank's capital base, amounted to Rs38,637 million and represented 35 per cent of the overall on and off-balance sheet commitments of Category 1 banks. The corresponding figure and ratio as at end-June 2003 were Rs40,447 million and 39 per cent, respectively.

Non-Performing Advances

A loan is considered as non-performing when the instalments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalized, refinanced or rolled over.

The Bank of Mauritius issued a guideline on Credit Classification for Provisioning Purposes and Income Recognition in which it is stipulated that banks should:

- Maintain adequate processes for determining the allowance for credit losses and for income recognition;
- Maintain an adequate balance in the allowance account; and
- Recognize identified credit losses on a timely basis.

Credit constitutes the largest part of banks' business in Mauritius and its mismanagement can cause a serious threat to an institution's continued safety and soundness, impacting on the interest of depositors and other stakeholders. The determination of non-performing loans and provision for bad and doubtful debts are an essential tool for prudential credit risk management. Banks should set aside adequate specific provisions on loans, which represent more than a normal risk of loss.

For provisioning purposes, advances are classified in relation to the degree of risk associated with individual items. A credit, which does not carry more than a normal risk of loss, is categorised as standard.

An impaired credit may be classified as sub-standard, doubtful or loss. A loan is classified as sub-standard when it is currently performing but has weaknesses that throw doubt on the customer's ability to comply with the terms and conditions of the credit. However, when it is non-performing and past due between 90 and 180 days, it must also, as a minimum, be classified as sub-standard. A credit, which has a high risk of default or has weaknesses that make collection in full highly improbable, may be classified as doubtful. When it is non-performing and past due for a period exceeding 180 days but less than one year, it must, as a minimum, be classified as doubtful. A non-performing credit that is past due in excess of a year must be classified as loss. A loan, which is classified as loss, is considered uncollectible although there may be some salvage or recovery value of the security available.

Provisioning

The Guideline on Credit Classification for Provisioning Purposes and Income Recognition requires banks to maintain a minimum general provision of one per cent of their standard performing advances. In addition, banks are required to set aside specific provisions for loans and advances representing more than a normal risk of loss. Credits classified as sub-standard, doubtful and loss are subject to a minimum provision of 20 per cent, 50 per cent, and 100 per cent, respectively, on the outstanding balance less any net realisable value of security.

Non-performing advances, based on combined audited financial statements of Category 1 banks, rose from Rs6,860 million in 2002/03 to Rs7,464 million in 2003/04, or 8.8 per cent. The ratio of non-performing advances of Category 1 banks to their total advances increased from 8.0 per cent in 2002/03 to 8.4 per cent in 2003/04.

Total provisions (inclusive of general provisions) for bad and doubtful debts increased from Rs2,898 million in 2002/03 to Rs3,341 million in 2003/04. As a proportion of total non-performing advances, total provisions for bad and doubtful debts went up from 42.2 per cent in 2002/03 to 44.8 per cent in 2003/04.

The total charge for bad and doubtful debts dropped by 9.0 per cent, from Rs936 million in 2002/03 to Rs814 million in 2003/04.

Table 2.3 shows the charge for bad and doubtful debts, total advances, and charge for bad and doubtful debts as a percentage of total advances of Category 1 banks for the period 2000/01 through 2003/04.

Profitability

Five Category 1 banks close their accounts on 31 December, four on 30 June and one on 31 March. The consolidated position of the profit and loss accounts of the ten Category 1 banks is thus based on the combined audited data available at these different financial year-ends and is referred to as 2003/04.

The consolidated profitability of Category 1 banks for 2003/04 includes that of Mauritius Post and Co-operative Bank Ltd (MPCB), to which a Category 1 Banking Licence was issued in June 2003, following the merger between New Co-operative Bank Ltd and Mauritius Post Office Savings Bank. All Category 1 banks realised profits during 2003/04.

The aggregate pre-tax profits of Category 1 banks went up by Rs502 million, or 19.2 per cent, from Rs2,611 million in 2002/03 to Rs3,113 million in 2003/04, mainly due to additional non-interest income generated.

Net interest margin, that is interest received on advances, placements and investments net of interest paid on deposits and borrowings, increased by Rs721 million, or 17.2 per cent, from Rs4,201 million in 2002/03 to Rs4,922 million in 2003/04. This rise was due to a higher increase in total interest income compared to a lower increase in total interest expense.

Table 2.3: Category 1 Banks: Charge for Bad and Doubtful Debts and Total Advances [1]

(Rs million)

	2000/01	2001/02	2002/03	2003/04
Charge for Bad and Doubtful Debts (for the period)	407	685	936	814
Total Advances of Banks (as at end of period)	71,507	74,715	85,389	89,037
Ratio of Charge for Bad and Doubtful Debts to Total Advances (Per cent, for the period)	0.6	0.9	1.1	0.9

[1] *Based on combined audited data for financial years ended 30 June, 31 December and 31 March.*

Table 2.4: Category 1 Banks: Consolidated Profit Performance [1]

		(Rs million)
	2002/03	**2003/04**
Interest Income from Advances, Placements and Investments	10,572	12,154
Less Interest Expense on Deposits and Borrowings	*6,371*	*7,232*
Net Interest Income	**4,201**	**4,922**
Add Non-interest Income	*2,093*	*3,006*
	6,294	7,928
Less Staff and Other Operating Expenses	*2,941*	*3,653*
Operating Profit before Bad and Doubtful Debts and Taxation	**3,353**	**4,275**
Less Charge for Bad and Doubtful Debts	*906*	*805*
Exceptional Items	*37*	*520*
Operating Profit before Taxation	**2,410**	**2,950**
Share of Profits in subsidiaries and associates	201	163
Profit before Tax	**2,611**	**3,113**

[1] *Based on combined audited data for financial years ended 30 June, 31 December and 31 March.*

Total interest income, which represented 80.2 per cent of total income, remained the principal source of earnings for Category 1 banks in 2003/04. Total interest income went up by Rs1,582 million, or 15.0 per cent, to Rs12,154 million in 2003/04. Income derived from investment in Treasury/Bank of Mauritius Bills and other Government securities accounted for Rs1,144 million of the increase while interest income from lending activities accounted for Rs418 million only.

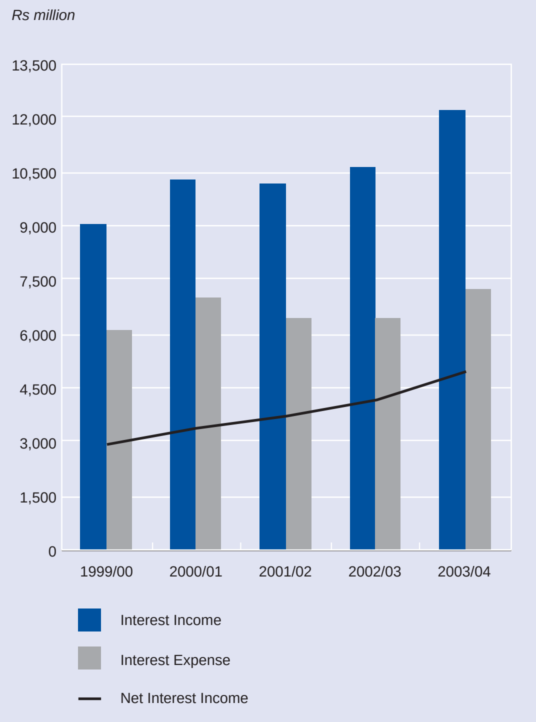
Total interest expense rose by Rs861 million, or 13.5 per cent, to Rs7,232 million in 2003/04 as a result of an increase of Rs691 million in interest paid on deposits. During the same period, interest paid on borrowings went up by Rs97 million.

The spread in interest rate between advances and deposits declined from 3.79 per cent in 2002/03 to 3.72 per cent in 2003/04.

Charts 2.2 and 2.3 depict the trends in the components of net interest income and income of Category 1 banks, respectively, for the period 1999/00 through 2003/04. Table 2.4 gives the consolidated profit performance of Category 1 banks in 2002/03 and 2003/04.

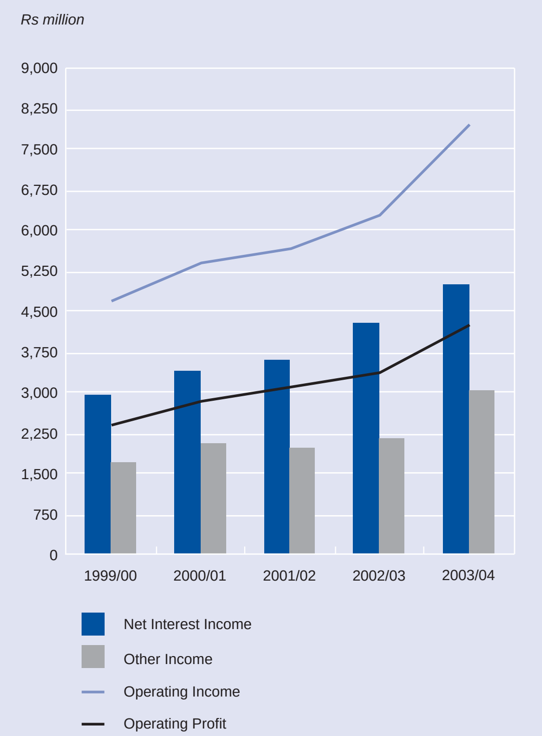
Non-interest income, comprising mainly fee-based income, profits from foreign exchange transactions, dividend income and net profit on sale of securities, improved noticeably by Rs913 million, or 43.6 per cent, to Rs3,006 million in

Chart 2.2: Category 1 Banks: Components of Net Interest Income



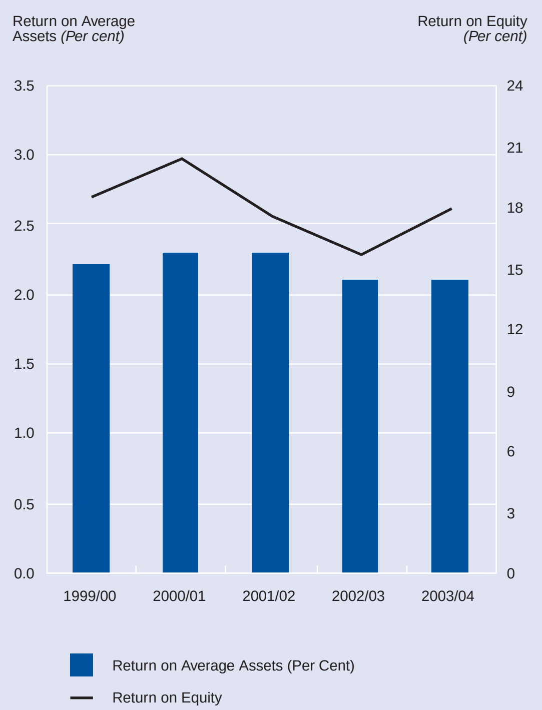
All figures are for the period.

Chart 2.3: Category 1 Banks: Components of Income



All figures are for the period.

Chart 2.4: Category 1 Banks: Returns on Equity and on Average Assets



All figures are as at end of period.

2003/04. This improvement was mainly due to higher income realised from dealings in foreign currencies, earnings on investment, and fees and commissions.

The charge for bad and doubtful debts went down by Rs101 million, or 11.1 per cent, from Rs906 million in 2002/03 to Rs805 million in 2003/04.

The profitability of Category 1 banks, as measured by the pre-tax return on average total assets, rose from 2.05 per cent in 2002/03 to 2.08 per cent in 2003/04, reflecting higher returns on assets. The pre-tax return on average assets of individual banks ranged between 0.05 per cent and 3.34 per cent in 2003/04. Four Category 1 banks achieved a pre-tax return on average assets of over 2.0 per cent during 2003/04.

The post-tax return on equity of Category 1 banks rose from 15.64 per cent in 2002/03 to 18.00 per cent in 2003/04 due to a higher increase of 30.5 per cent in post-tax profit compared to an increase of only 13.3 per cent in shareholders' funds. For individual banks, the post-tax return on equity ranged from 0.36 per cent to 25.76 per cent in 2003/04. Two Category 1 banks achieved returns on equity of over 20 per cent during 2003/04.

Chart 2.4 shows the returns on equity and on average assets for Category 1 banks for the period 1999/00 through 2003/04. Chart 2.5 depicts the evolution of the consolidated operating profit and the profit after tax of Category 1 banks for the period 1999/00 through 2003/04. Table 2.5 provides a summary of Category 1 banks' financial performance in 2002/03 and 2003/04.

Non-Bank Financial Institutions

As at 30 June 2004, fourteen non-bank deposit-taking institutions were authorised, under section 13A of the Banking Act 1988, to transact deposit-taking business in Mauritius. On 22 September 2003, Island Leasing Co Ltd surrendered its authorisation granted on 4 November 1999. On 26 April 2004, GML Leasing Ltd was authorised to transact deposit-taking business but it was yet to start operations as at 30 June 2004.

Table 2.5: Category 1 Banks: Financial Performance [1]

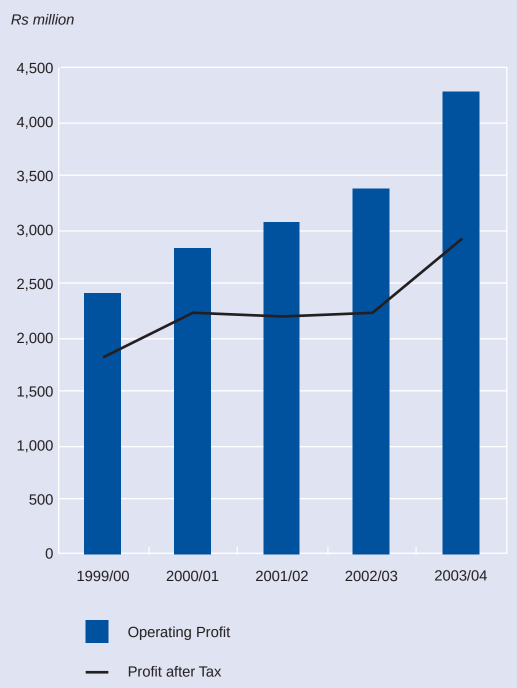
(Rs million)

	2002/03	2003/04
Profit after Charge for Bad and Doubtful Debts but before Taxation	2,611	3,113
Profit after Tax	2,226	2,904
Pre-tax Return on Average Assets (Per cent)	2.05	2.08
Pre-tax Return on Equity (Per cent)	18.34	19.30
Post-tax Return on Equity (Per cent)	15.64	18.00

[1] *Based on combined audited data for financial years ended 30 June, 31 December and 31 March.*

Total funds for the thirteen non-bank deposit-taking institutions in operation as at end-June 2004 amounted to Rs22,138 million, of which net owned funds accounted for 13.1 per cent, or Rs2,904 million. Total deposits raised from the public stood at Rs12,694 million, representing 57.3 per cent of their resources. Debenture holdings as at end-June 2004 stood at Rs568 million and long-term loans availed of by these institutions amounted to Rs2,847 million. Advances extended to customers aggregated to Rs10,004 million, while an amount of Rs5,669 million was invested in leased assets, representing 45.2 per cent and 25.6 per cent of the total assets, respectively. Total investment in Treasury/Bank of Mauritius Bills and other Government securities amounted to Rs2,892 million as at end-June 2004 and represented 13.1 per cent of the total assets.

Chart 2.5: Category 1 Banks: Consolidated Operating Profit and Profit after Tax



All figures are for the period.

At end-June 2004, five foreign exchange dealers and four money-changers were in operation in Mauritius. On 8 January 2004, Shibani Finance Co. Ltd, which was already operating as a money-changer, was authorised, under the Foreign Exchange Dealers Act 1995, to carry on the business of foreign exchange dealer. It surrendered its authorisation as money-changer with effect from 13 January 2004.

Global Business Banking Sector

At end-June 2004, twelve banks holding a Category 2 Banking Licence were operating in the global business banking sector. One Category 2 bank, African Asian Bank Limited, which had ceased its operations on 16 June 2003, was still in the process of completing the necessary procedures for surrendering its Category 2 Banking Licence. Following a change in its ownership structure, one Category 2 bank, Banque Internationale des Mascareignes Ltée, altered its appellation and has been incorporated as Mascareignes International Bank Ltd as from 15 January 2004.

The asset base of Category 2 banks recorded significant improvements during 2003-04, increasing by 41.1 per cent compared to a much lower growth rate of 8.4 per cent in 2002-03. Total assets increased significantly by US$1,928 million, from US$4,689 million as at end-June 2003 to US$ 6,617 million as at end-June 2004.

Chart 2.6: Category 2 Banks: Main Assets and Liabilities Components

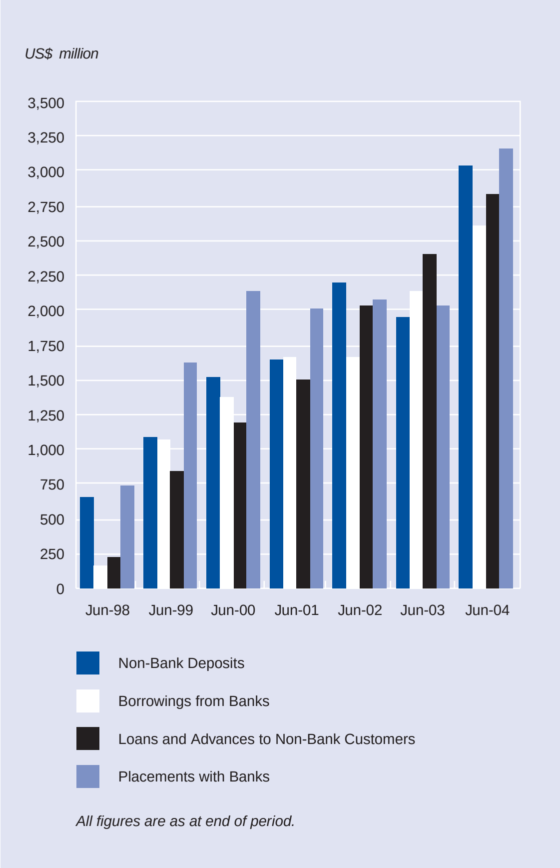


Chart 2.6 shows the main assets and liabilities components of Category 2 banks' consolidated balance sheets from end-June 1998 through end-June 2004.

Loans and advances to non-bank customers recorded an increase of 17.5 per cent, from US$2,398 million as at end-June 2003 to US$2,817 million as at end-June 2004, representing 42.6 per cent of total assets.

Funds were channelled mainly towards placements with banks, which went up by US$1,132 million, or 56.1 per cent, from US$2,019 million as at end-June 2003 to US$3,151 million as at end-June 2004. Category 2 banks' investment portfolio also increased by US$143 million, or 60.6 per cent, from US$236 million as at end-June 2003 to US$379 million as at end-June 2004.

As at end-June 2004, Category 2 banks drew most of their resources from two main sources, namely, deposits of non-bank customers (45.7 per cent) and borrowings from banks (39.3 per cent). Deposits of non-bank customers reached US$3,025 million, rising by US$1,088 million, or 56.2 per cent, from US$1,937 million as at end-June 2003 and borrowings from banks grew further by US$473 million, or 22.2 per cent, from US$2,127 million as at end-June 2003 to US$2,600 million as at end-June 2004.

Profitability

Of the twelve Category 2 banks, eight close their accounts on 31 December, three on 31 March and the remaining one on 30 June. The consolidated position of the profit and loss accounts of the twelve Category 2 banks, based on the combined data available at these financial year-ends, is referred to as 2003/04. For 2003/04, all Category 2 banks reported net profit figures for the period.

Table 2.6 gives the consolidated profit performance of Category 2 banks from 2001/02 to 2003/04.

Chart 2.7 shows the evolution of pre-tax profit of Category 2 banks in relation to their total funds from 1998/99 to 2003/04.

Aggregate net pre-tax profit of the Category 2 banks improved from US$54.9 million in 2002/03 to US$65.3 million in 2003/04. This increase was mainly due to higher interest income earned in 2003/04 as compared to the previous period.

Total interest earnings picked up after having experienced a downward trend over previous periods. Total interest earned went up by US$15.8 million, or 9.3 per cent, from US$170.5 million in 2002/03 to US$186.3 million in 2003/04, compared to a decline of US$46.1 million, or 21.3 per cent, in 2002/03.

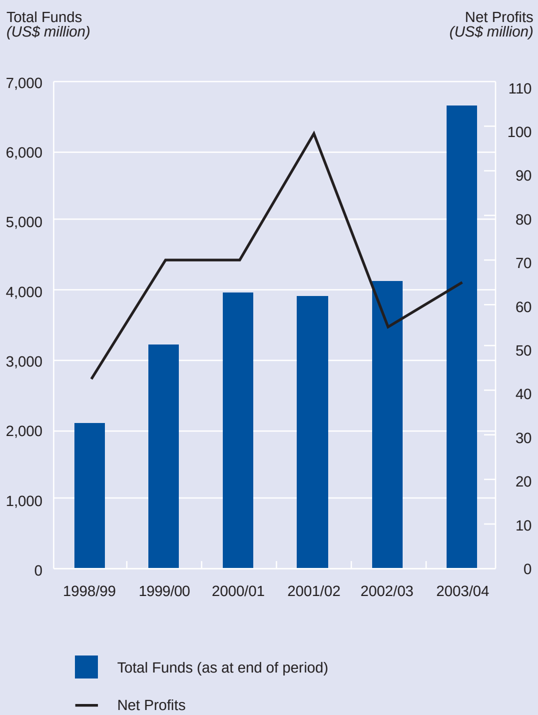
Interest earned on placements with banks fell further, from US$56.2 million in 2002/03 to US$54.3 million in 2003/04, and accounted for only 28.4 per cent of total income in 2003/04, down from 30.3 per cent in 2002/03. Interest from loans and advances to non-bank customers rose from US$100.3 million in 2002/03 to US$119.6 million in 2003/04, representing

Table 2.6: Category 2 Banks: Profit Performance [1]

(US$ million)	2001/02	2002/03	2003/04
Interest Income	216.6	170.5	186.3
Less *Interest Expense on Deposits and Borrowings*	*151.8*	*108.1*	*104.4*
Net Interest Income	**64.8**	**62.4**	**81.9**
Add *Non-interest Income*	*46.0*	*15.3*	*4.8*
Operating Income	**110.8**	**77.7**	**86.7**
Less Total Operating Costs	10.0	10.5	15.0
Staff Expenses	*3.7*	*4.0*	*5.2*
Provision for Depreciation	-	-	-
Other Expenses	*6.3*	*6.5*	*9.8*
Operating Profit	**100.8**	**67.2**	**71.7**
Less *Charge for Bad and Doubtful Debts*	*2.8*	*12.3*	*6.4*
Net Profit	**98.0**	**54.9**	**65.3**
Interest Income as a Percentage of Total Income (Per cent)	82.5	91.8	97.5
Cost to Income Ratio (Per cent)	9.3	16.1	18.7
Return on Average Assets (Per cent)	2.6	1.5	1.4

1 Based on combined audited data for financial years ended 30 June, 31 December and 31 March.

Chart 2.7: Category 2 Banks: Total Funds and Net Profits [1]



1 Based on combined audited data for financial years ended 30 June, 31 December and 31 March.

62.6 per cent of total income, up from 54.0 per cent in 2002/03. Interest from investments and other interest-earning assets fell from US$14.0 million in 2002/03 to US$12.4 million in 2003/04.

Non-interest income, including profit on translation of foreign currencies, and fees and commissions, recorded a substantial decrease, from US$15.3 million in 2002/03 to US$4.8 million in 2003/04. Non-interest income accounted for 2.5 per cent of total income in 2003/04, compared to 8.2 per cent in 2002/03.

Total interest expenses fell marginally by US$3.7 million, or 3.4 per cent, from US$108.1 million in 2002/03 to US$104.4 million in 2003/04. Interest paid on borrowings from banks rose by US$0.3 million, or 0.4 per cent, from US$71.9 million in 2002/03 to US$72.2 million in 2003/04. Interest paid on deposits of non-bank customers fell by US$5.8 million, or 16.5 per cent, from US$35.1 million in 2002/03 to US$29.3 million in 2003/04.

Staff and other operating expenses went up by US$4.5 million, from US$10.5 million in 2002/03 to US$15.0 million in 2003/04, compared to an increase of only US$0.5 million in 2002/03.

The overall pre-tax return on average assets decreased slightly from 1.5 per cent in 2002/03 to 1.4 per cent in 2003/04. For individual banks, the overall pre-tax return ranged from 0.67 per cent to 2.11 per cent in 2003/04.

Other Supervisory Developments

Guidance Notes on Fit and Proper Person Criteria

As a prerequisite for financial institutions to function along sound principles, the Bank of Mauritius issued Guidance Notes on Fit and Proper Person Criteria which became effective on 4 November 2003. The Guidance Notes are applicable to banks, non-bank deposit-taking institutions, foreign exchange dealers and money-changers, collectively referred to as "financial institutions".

The objective of the Guidance Notes is to provide a framework for the board of directors of these institutions to assess the probity and competence of senior officers, directors as well as shareholders, who exercise significant influence within the institution with a view to ascertaining that the persons forming part of the senior management of the institutions concerned would undertake their responsibilities in a competent, honest and correct manner. In addition, these persons should be financially sound and be able to inspire confidence in market participants and the public at large.

In order to assess the fitness and propriety of senior officers, directors and shareholders exercising significant influence, the Guidance Notes set out the responsibilities within the financial institution as follows:

- The board of directors shall establish and apply a fit and proper person policy, while ensuring the creation of all relevant documentation in this regard. Furthermore, the board should ensure, as a prerequisite, that persons nominated for election on the board of directors and candidates for appointment to the senior officer level meet the test of fit and proper person.

- External auditors conducting their statutory audit of the financial institution should provide the board of directors with all information that point to non-compliance by persons subject to the fit and proper person test.

- Senior officers, directors and shareholders with significant influence should fill the Fit and Proper Person Questionnaire for an assessment by the board of directors which would, therefrom, keep under constant review the fit and proper person status of these persons as covered under the Guidance Notes.

- The Bank of Mauritius will assess the fitness and propriety criteria with respect to any person, group of persons or entity applying for a licence or an authorisation under the Banking Act 1988 or other appropriate statutes.

The criteria laid down for an assessment of probity and competence of a person are outlined briefly below:

- Honesty, integrity, fairness and reputation are attributes that demand an ongoing commitment to high standards of behaviour. They take into account several factors that include legal proceedings, conviction of any criminal offence, involvement in insolvent business or removal of business licence.

- Competence and capability will be demonstrated via qualification and experience, a sound knowledge of the responsibilities involved and an understanding of technical requirements of the business.

- With a view to ensuring the safety and soundness of the financial institution, the person subject to the fit and proper person test should have a proven track record of having managed his own financial affairs properly and prudently. Amongst other factors, consideration should be given to whether the person - either in his own name or as having been a senior officer of a company or shareholder - has been subject to any judgement or award in Mauritius or elsewhere, or has made arrangements with creditors or filed for bankruptcy.

Guideline on Credit Risk Management

To encourage prudential risk management practices, the Bank issued, in December 2003, a Guideline on Credit Risk Management requiring deposit-taking institutions regulated by the Bank to establish a comprehensive and sophisticated framework for credit risk management.

The Guideline underlines the essential elements that need to be taken into account for credit risk management. Its focus is on the responsibilities and accountabilities of the board of directors and the Chief Executive Officer. The Guideline further elaborates on the risk management processes which cover the entire credit cycle starting from the origination of the credit to the point the credit is extinguished from the books.

The Guideline outlines the responsibilities of the board of directors as listed below:

- To approve the credit policy and review the procedures in place for its implementation;
- To ensure that management is competent to administer the credit risk management function;
- To ensure the proper functioning of the Conduct Review and Risk Policy Committee of the board as called for in the Guideline on Public Disclosure of Information;
- To review all significant credit exposures and delinquent credits and to determine actions to be taken; and
- To direct the Chief Executive Officer to submit a 'comprehensive written report' to the board of directors on the management of credit risk exposures.

The main responsibilities of the Chief Executive Officer in credit risk management are outlined as follows:

- To develop a soundly based credit risk management policy for approval by the board of directors and to ensure that prudential credit appraisal criteria are used for the implementation of the credit risk management policy;
- To ensure the proper functioning of the risk management committee as called for in the Guideline on Public Disclosure of Information;
- To ensure that adequate internal controls are in place to cover all credit transactions including the follow-up of impaired credits and the establishment of an appropriate internal rating system for individual credits; and
- To ascertain that there is an effective internal inspection/audit function in order to ensure that credit activities are in compliance with the credit risk management policy and with laws and guidelines.

As per the Guideline, the board of directors may, rather than relying on the Conduct Review and Risk Policy Committee, decide to establish a separate Credit Risk Management Committee, which would assist the board of directors in discharging its responsibilities in the area of credit risk management.

Moreover, the Guideline lays emphasis on the quality and timeliness of information in respect of a financial institution's credit portfolio as these factors are critical to credit risk management. Thus, an adequate management information system, which provides up-to-date information, is of utmost importance as it will enable the board of directors and management to take remedial action in a timely manner.

Information Requirements for the Appointment of External Auditors

With a view to obtaining further information that would facilitate the approval for the appointment of external auditors under section 25(1) of the Banking Act 1988, the Bank of Mauritius has revised the information requirements on external auditors who are nominated on an annual basis by financial institutions falling under the purview of the Bank.

All relevant information relating to qualifications, experience, independence and antecedents on the reputation of the auditors has to be provided by the applicant institution. This includes any disciplinary action by a professional body or prosecution for criminal offence as well as general facts that are available on the audit firm.

3 Financial Market Developments

The Financial Markets Department of the Bank focuses on building its knowledge of the financial markets to improve the implementation of the Bank's policies. It functions according to a mix of operational and analytical duties, which are assumed by three Units, namely, the Dealing Room, the Public Debt Office and the Data Control Unit. The Department's responsibilities encompass the execution of monetary policy operations and intervention on the domestic foreign exchange market to promote an orderly market for the rupee, the management of the public debt and foreign exchange reserves as well as the general monitoring of financial markets to further understand their behaviour and promote their development.

An important development in 2003-04 was the decision announced in the 2003-04 Budget to separate public debt management from monetary management. As such, effective 22 August 2003, the Bank started the issue of Bank of Mauritius Bills for liquidity management purposes while Treasury Bills were issued solely to meet the Government borrowing requirements. During fiscal year 2003-04, Bank of Mauritius Bills for a total nominal amount of Rs15,270 million were issued.

During 2003-04, financial markets in Mauritius were considerably affected by the excess liquidity situation prevailing in the money market, which partly reflected relatively subdued private sector demand for bank credit. Given the comparatively attractive yields offered on Bills issued at primary auctions and the relative dearth of alternative investment instruments, the excess liquidity in the money market was essentially channelled towards the weekly issues of Bills at primary auctions. This eventually led to a decrease in the overall weighted average yields, which came down from 9.13 per cent in July 2003 to a trough of 3.69 per cent in May 2004, with the decline being more pronounced as from January 2004.

The Bank has initiated a number of measures, in addition to the weekly auctions of Bills, to check the declining tendency of yields. Effective 12 April 2004, reverse repurchase transactions to drain excess liquidity from the money market were conducted on a regular basis at a fixed rate of 1.15 per cent. On average, during the second part of the fiscal year, the Bank was able to withdraw about Rs3,000 million from the money market every month. Furthermore, as from 19 April 2004, the Bank started to conduct swap transactions with banks with a view to balancing liquidity in the money and foreign exchange markets. The swap transactions, with maturity of one to two months, were exchange rate neutral. Total swaps of US$44.5 million against the rupee were conducted with Category 1 banks during 2003-04.

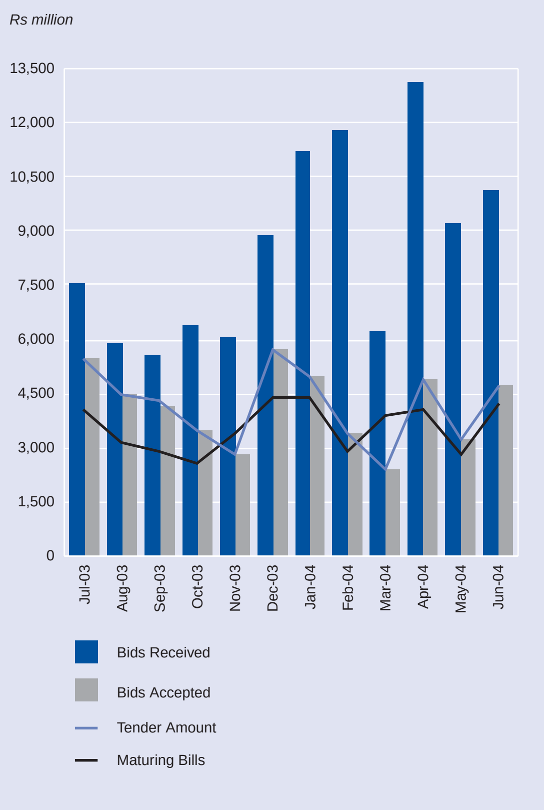
In a continued effort to develop the secondary market for Bills and other Government securities and to provide wider access to potential investors, the Bank introduced the trading of Treasury/Bank of Mauritius Bills on The Stock Exchange of Mauritius Ltd as from 15 December 2003. In the initial stage, trading of Bills on the stock exchange is restricted to Mauritian citizens dealing a maximum amount of Rs2 million per order. For the period 15 December 2003 to 30 June 2004, Bills totalling Rs246 million were traded on The Stock Exchange of Mauritius Ltd.

The interbank money market also witnessed an important development which was brought about in an attempt to put all Category 1 banks on a level playing field in respect of interbank borrowings where it had been noted that some banks had easier access to funds as compared to others to tide over temporary liquidity shortages. A Master Repurchase Agreement for repurchase transactions among banks, using Treasury/Bank of Mauritius Bills as collateral, was worked out, in collaboration with the Primary Dealers Working Group, the

Financial Markets Committee and the Mauritius Bankers' Association, to enable collateralised lending and borrowing of funds on the interbank money market. This Agreement becomes effective as soon as it is signed by any two Category 1 banks wishing to conduct repurchase transactions with each other.

The domestic foreign exchange market, which was in a relatively liquid position at the start of the fiscal year, experienced a turnaround during the second half of the year as the international economic outlook brightened on account of a perceived pick up in the US economy. Following the two hikes in UK interest rates in November 2003 and February 2004, and rising prices worldwide, the market started expecting increasing interest rates globally in March 2004. The rupee, which had been on an appreciating trend since July 2003, consequently started to depreciate against the US dollar as from March 2004.

Chart 3.1: Auctioning of Treasury/ Bank of Mauritius Bills



Money Market Activity

On the money market, conditions remained highly liquid with an estimated monthly average excess liquidity of around Rs951 million during 2003-04. The Bank conducted open market operations to reduce the amount of liquidity in the money market using its Reserve Money Programme and daily liquidity forecasting framework.

Primary Auctions of Treasury/Bank of Mauritius Bills

Effective 22 August 2003, the Bank started the issue of Bank of Mauritius Bills in addition to Government of Mauritius Treasury Bills at the weekly primary auctions. Following the decision announced in the 2003-04 Budget, Treasury Bills were issued to meet the borrowing requirements of the Government solely while Bank of Mauritius Bills were issued for monetary policy purposes. Bank of Mauritius Bills have the same characteristics as Treasury Bills and are thus eligible for trading on the market under the same prevailing conditions. Both types of Bills are issued simultaneously, depending on the liquidity conditions of the market and Government requirements.

During 2003-04, the Bank auctioned Treasury/Bank of Mauritius Bills with 91-day, 182-day, 364-day and 728-day maturities on a weekly basis. As such, 48 primary auctions were carried out and Treasury/Bank of Mauritius Bills totalling Rs49,850 million were put on tender. Bids to the tune of Rs101,897 million were received, of which a total amount of Rs49,695 million was accepted, including Bank of Mauritius Bills worth Rs15,270 million. The total amount of bids accepted represented 99.7 per cent of the total tender amount compared to 91.6 per cent in 2002-03, and 48.8 per cent of the total amount of bids received compared to 85.5 per cent in the preceding year.

The share of Category 1 banks in total bids received increased substantially, from 60.0 per cent in 2002-03 to 75.0 per cent in 2003-04, mainly as a result of the gradual phasing out of all non-primary dealers from the primary auction process. Conversely, the share of the non-bank sector decreased from 40.0 per cent to 25.0 per cent over the same period. During the period under review, a nominal amount of Rs2,000 million of Bills was purchased by the Secondary Market Cell of the Bank of Mauritius at the primary auctions.

Bidding patterns at the primary auctions showed investors' preference for 364-day and 728-day Bills, which together accounted for 72.6 per cent of total bids received in 2003-04 compared to 75.9 per cent in 2002-03. This reflected the relatively more attractive returns on longer-term Bills during most of the fiscal year as well as market expectations of interest rate declines. A shift in investors' preference for shorter-term Bills was, however, noted from end-March 2004 to mid-May 2004 as yields on Bills continued to fall and the weighted average yields on 364-day Bills fell below those of 91-day and 182-day Bills.

The weighted average yields on Bills for all four maturities came down generally in 2003-04 in line with the successive reductions in the Lombard Rate and the excess liquidity condition in the money market. The weighted average yield on 91-day Treasury/Bank of Mauritius Bills declined by 358 basis points, from 7.23 per cent in July 2003 to a trough of 3.65 per cent in May 2004 before going up to 4.43 per cent in June 2004. The weighted average yield on 182-day Bills also fell from 7.86 per cent in July 2003 to 3.70 per cent in May 2004, representing a total decline of 416 basis points, before moving up to 4.67 per cent in June 2004. The weighted average yield on 364-day Bills declined by 513 basis points, from 8.75 per cent in July 2003 to 3.62 per cent in May 2004, and increased to 5.07 per cent in June 2004. The weighted average yield on 728-day Bills weakened by 554 basis points, from 9.53 per cent in July 2003 to 3.99 per cent in May 2004, before going up to 5.68 per cent in June 2004.

The monthly overall weighted average yield on Bills fell from 9.13 per cent in July 2003 to 8.01 per cent in December 2003 and further decreased to 3.69 per cent in May 2004 before rising to 4.72 per cent in June 2004. During fiscal year 2003-04, the overall weighted average yield went down by 249 basis points to 7.24 per cent from 9.73 per cent in 2002-03.

Table 3.1 and Charts 3.1 and 3.2 give detailed information on the auctioning of Bills in 2003-04.

Repurchase Transactions

Repurchase (repos) and reverse repurchase (reverse repos) transactions are conducted by the Bank through an auctioning process as and when

Chart 3.2: Weighted Average Yields on Treasury/ Bank of Mauritius Bills at Primary Auctions

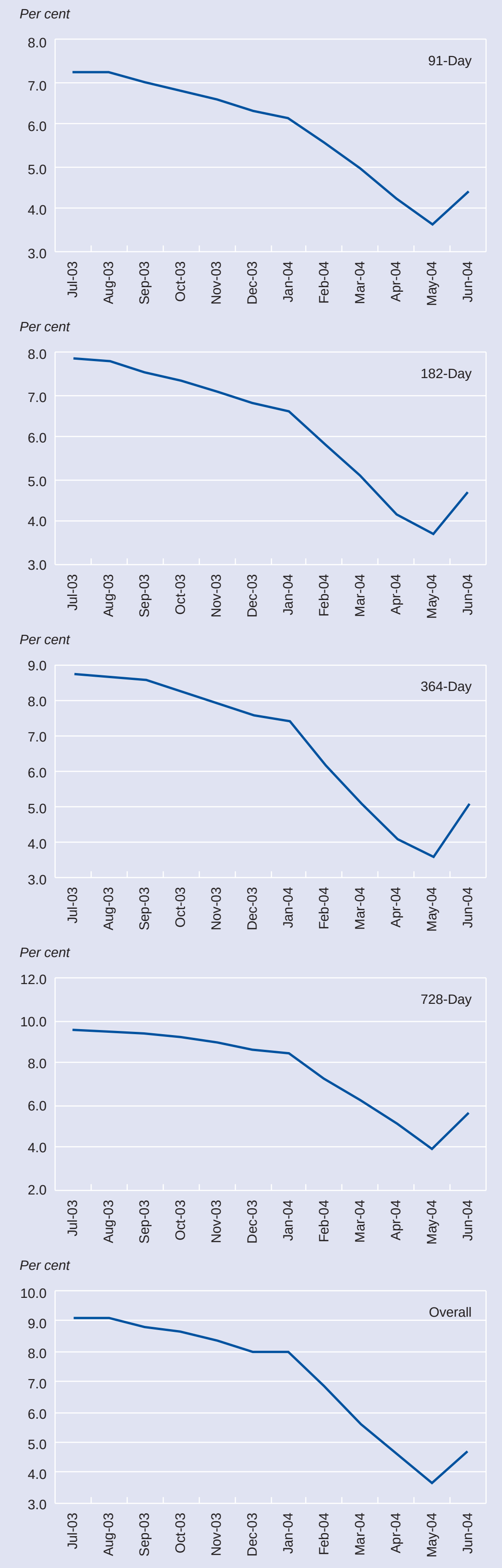


Table 3.1: Auctioning of Treasury/Bank of Mauritius Bills

	Number of Auctions Held	Tender Amount	Amount Received	Amount Accepted [1]	Weighted Average Yield 91-Day	182-Day	364-Day	728-Day	Overall
		(Rs million)			*(Per cent per annum)*				
2003									
Jul	4	5,500.0	7,573.0	5,500.0	7.23	7.86	8.75	9.53	**9.13**
Aug	5	4,450.0	5,912.0	4,450.0	7.21	7.82	8.69	9.50	**9.08**
Sep	4	4,300.0	5,578.0	4,145.0	6.99	7.53	8.56	9.40	**8.80**
Oct	5	3,450.0	6,382.0	3,450.0	6.80	7.36	8.24	9.17	**8.67**
Nov	3	2,800.0	6,027.0	2,800.0	6.58	7.07	7.90	8.97	**8.37**
Dec	4	5,700.0	8,845.0	5,700.0	6.30	6.80	7.62	8.66	**8.01**
2004									
Jan	4	5,000.0	11,152.0	5,000.0	6.16	6.63	7.40	8.49	**7.98**
Feb	4	3,400.0	11,799.0	3,400.0	5.57	5.80	6.17	7.28	**6.83**
Mar	2	2,400.0	6,253.0	2,400.0	4.95	5.07	5.06	6.24	**5.61**
Apr	5	4,900.0	13,066.0	4,900.0	4.27	4.15	4.07	5.17	**4.65**
May	4	3,250.0	9,201.0	3,250.0	3.65	3.70	3.62	3.99	**3.69**
Jun	4	4,700.0	10,109.0	4,700.0	4.43	4.67	5.07	5.68	**4.72**
2003-04	**48**	**49,850.0**	**101,897.0**	**49,695.0**	**4.72**	**5.60**	**7.12**	**8.31**	**7.24**
2002-03	**51**	**73,000.0**	**78,252.0**	**66,902.0**	**8.40**	**8.88**	**9.73**	**10.29**	**9.73**

[1] *Excludes underwriting by the Secondary Market Cell (SMC) of the Bank of Mauritius.*

required in the light of the liquidity situation in the money market. Following the decision to issue Bank of Mauritius Bills, the Master Repurchase Agreement between the Bank of Mauritius and Category 1 banks was amended to allow repurchase transactions to be conducted using both Government of Mauritius Treasury Bills and Bank of Mauritius Bills as underlying securities for repo and reverse repo transactions.

Table 3.2: Repurchase Transactions

	Repurchase Transactions: Number of Transactions	Amount Received	Amount Accepted	Period	Range of Yields on Bids Received	Lowest Yield Accepted	Weighted Yield on Bids Accepted	Reverse Repurchase Transactions: Number of Transactions	Amount Received	Amount Accepted	Period	Range of Yields on Bids Received	Highest Yield Accepted	Weighted Yield on Bids Accepted
		(Rs million)		*(Day/s)*	*(Per cent per annum)*				*(Rs million)*		*(Day/s)*	*(Per cent per annum)*		
2003														
Jul	1	550.0	325.0	1	4.75-5.00	5.00	5.00	2	2,845.0	1,300.0	1 - 2	0.75-2.00	1.25	0.95
2004														
Jan	-	-	-	-	-	-	-	1	2,620.0	800.0	3	0.25-1.50	0.35	0.30
Feb	-	-	-	-	-	-	-	2	5,350.0	1,900.0	1 - 2	0.10-1.00	0.50	0.21
Mar	-	-	-	-	-	-	-	3	9,450.0	2,900.0	2 - 3	0.01-1.05	0.90	0.51
Apr	-	-	-	-	-	-	-	4	11,550.0	3,600.0	2 - 7	0.20-1.15	1.15	0.89
May	-	-	-	-	-	-	-	5	17,005.0	5,600.0	7	1.15	1.15	1.15
Jun	-	-	-	-	-	-	-	4	7,790.0	3,050.0	7	1.15	1.15	1.15
2003-04	**1**	**550.0**	**325.0**	**1**	**4.75-5.00**	**5.00**	**5.00**	**21**	**56,610.0**	**19,150.0**	**1-7**	**0.01-2.00**	**1.25**	**0.86**
2002-03	**10**	**7,845.0**	**7,100.0**	**1-7**	**5.25-8.00**	**5.50**	**7.18**	**16**	**26,113.0**	**10,680.0**	**1-3**	**0.75-7.00**	**4.75**	**2.77**

Note: Effective 12 April 2004, the Bank started to conduct 7-day repurchase transactions at a fixed rate.

In the light of liquidity conditions prevailing in the market during 2003-04, the Bank conducted mostly reverse repos transactions with Category 1 banks in order to mop up the excess liquidity in the money market. As from 12 April 2004, in an effort to promote more efficient short-term liquidity management, the Bank started to conduct seven-day reverse repo transactions at a fixed rate of 1.15 per cent.

A total of 21 reverse repos was carried out by the Bank in 2003-04. Bids totalling Rs56,610 million were received, of which a total amount of Rs19,150 million was accepted. The reverse repurchase periods varied from 1 to 7 days. The excess liquidity situation in the money market pushed down yields on bids received significantly during the second half of the fiscal year, before the Bank decided to set a threshold rate of 1.15 per cent. Thus, the weighted average yield on reverse repos fell from 0.95 per cent in July 2003 to a trough of 0.21 per cent in February 2004 before being lifted to 1.15 per cent, the rate fixed by the Bank. The overall weighted average yield on reverse repos fell from 2.77 per cent in 2002-03 to 0.86 per cent in 2003-04.

During 2003-04, only one repo transaction for a one-day period was conducted by the Bank in July 2003. Bids totalling Rs550 million were received, out of which a total amount of Rs325 million was accepted. The weighted average yield on the repo transaction was 5.00 per cent compared to the overall weighted average yield of 7.18 per cent in 2002-03.

Table 3.2 provides details on the repurchase transactions carried out in 2003-04.

Interbank Transactions

Funds on the interbank money market are available either at call (overnight) or at short notice (up to seven days) or at term (more than seven days) for banks to make up for temporary liquidity shortages arising out of their economic and financial transactions.

In 2003-04, total interbank transactions decreased by 24.8 per cent compared to the previous fiscal year and amounted to Rs59,570 million. The daily average amount of interbank transactions decreased from Rs259 million in

Table 3.3: Interbank Transactions

(Rs million)

	Money at Call			Money at Short Notice			Money at Term			Total Transactions		
	Peak	Trough	Daily Average	Peak	Trough	Daily Average	Peak	Trough	Daily Average	Peak	Trough	Daily Average
2003												
Jul	775	20	304	300	150	191	25	25	25	975	20	413
Aug	595	25	271	110	110	110	-	-	-	595	110	269
Sep	130	20	67	-	-	-	-	-	-	130	20	67
Oct	552	10	186	-	-	-	-	-	-	552	10	186
Nov	431	10	130	-	-	-	-	-	-	431	10	130
Dec	695	10	140	150	150	150	-	-	-	695	50	174
2004												
Jan	695	1	247	-	-	-	-	-	-	695	1	247
Feb	775	15	326	100	100	100	-	-	-	875	15	365
Mar	190	25	93	-	-	-	-	-	-	190	25	93
Apr	695	10	164	-	-	-	-	-	-	695	10	164
May	350	10	101	-	-	-	-	-	-	350	10	101
Jun	485	40	190	615	150	383	-	-	-	1,100	40	241
2003-04	**775**	**1**	**186**	**615**	**100**	**173**	**25**	**25**	**25**	**1,100**	**1**	**210**
2002-03	**735**	**5**	**191**	**175**	**8**	**62**	**200**	**200**	**200**	**812**	**5**	**259**

Table 3.4: Interbank Interest Rates

(Per cent per annum)

	Money at Call		Money at Short Notice		Term Money		Total Transactions	
	Weighted Average Rate of Interest	Range of Interest Rates	Weighted Average Rate of Interest	Range of Interest Rates	Weighted Average Rate of Interest	Range of Interest Rates	Weighted Average Rate of Interest	Range of Interest Rates
2003								
Jul	3.75	2.00-7.00	4.94	4.50-5.50	5.50	5.50	**4.08**	**2.00-7.00**
Aug	3.72	2.00-5.25	5.00	5.00	-	-	**3.89**	**2.00-5.25**
Sep	2.78	2.00-4.00	-	-	-	-	**2.78**	**2.00-4.00**
Oct	1.96	1.00-2.50	-	-	-	-	**1.96**	**1.00-2.50**
Nov	1.26	1.15-2.00	-	-	-	-	**1.26**	**1.15-2.00**
Dec	1.38	1.00-2.00	1.50	1.50	-	-	**1.40**	**1.00-2.00**
2004								
Jan	1.27	1.00-2.00	-	-	-	-	**1.27**	**1.00-2.00**
Feb	1.34	0.75-2.00	2.38	2.25-2.50	-	-	**1.45**	**0.75-2.50**
Mar	1.00	0.90-1.00	-	-	-	-	**1.00**	**0.90-1.00**
Apr	1.00	0.90-1.25	-	-	-	-	**1.00**	**0.90-1.25**
May	1.00	1.00	-	-	-	-	**1.00**	**1.00**
Jun	1.00	0.95-1.00	1.10	1.00-1.25	-	-	**1.02**	**0.95-1.25**
2003-04	**1.94**	**0.75-7.00**	**3.36**	**1.00-5.50**	**5.50**	**5.50**	**2.13**	**0.75-7.00**
2002-03	**5.21**	**2.00-8.00**	**7.16**	**4.25-9.00**	**9.125**	**9.125**	**6.14**	**2.00-9.125**

2002-03 to Rs210 million in 2003-04, reflecting the excess liquidity conditions prevailing in the money market.

Transactions in 2003-04 were mainly carried out in the call money market where they totalled Rs52,145 million, a decrease of 10.7 per cent compared to the previous year. This represented a daily average amount of transactions of Rs186 million in 2003-04 compared to Rs191 million in 2002-03. Call money transactions peaked at Rs775 million in July 2003 and February 2004 and were at a low of Rs1 million in January 2004.

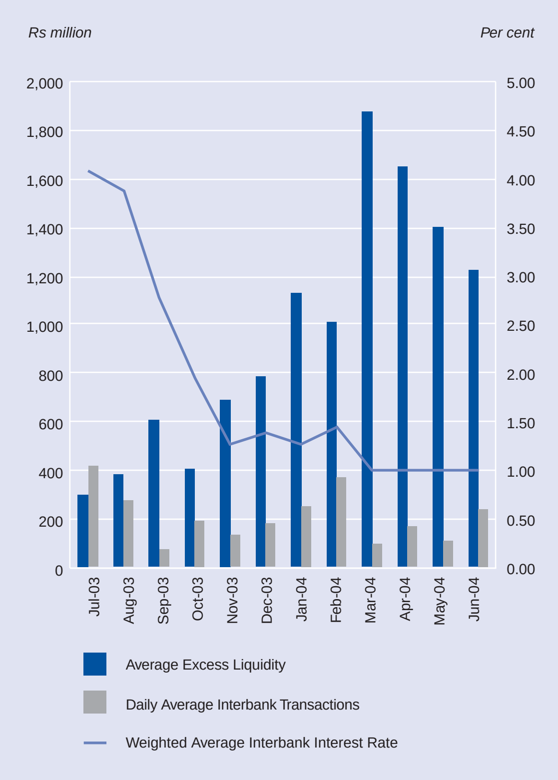
Transactions at short notice increased from a total of Rs6,565 million in 2002-03 to Rs7,100 million in 2003-04 and represented a daily average amount of Rs173 million compared to Rs62 million in 2002-03. Transactions at short notice were at a peak of Rs615 million in June 2004 and at a trough of Rs100 million in February 2004.

Transactions at term, for a total amount of Rs325 million, took place only in July 2003, and represented a daily average amount of Rs25 million in 2003-04 compared to Rs200 million in 2002-03.

Interest rates on interbank transactions fluctuated within a lower range of 0.75-7.00 per cent in 2003-04 compared to a range of 2.00-9.125 per cent in 2002-03, reflecting successive cuts in the Lombard Rate and the excess liquidity conditions in the money market. Interest rates on the call money market fluctuated between 0.75 per cent and 7.00 per cent in 2003-04 compared to a range of 2.00 per cent to 8.00 per cent in 2002-03. The range of interest rates on money at short notice varied in the range of 1.00-5.50 per cent compared to a range of 4.25-9.00 per cent in 2002-03 while the interest rate on transactions at term was 5.50 per cent compared to 9.125 per cent in 2002-03.

The weighted average call money interest rate decreased by 327 basis points, from 5.21 per cent in 2002-03 to 1.94 per cent in 2003-04. The weighted average interest rate on transactions at short notice also decreased from 7.16 per cent in 2002-03 to 3.36 per cent in

Chart 3.3: Excess Liquidity, Interbank Transactions and Weighted Average Interbank Interest Rate



2003-04. Overall, the monthly weighted average interbank interest rate fell from 6.14 per cent in 2002-03 to 2.13 per cent in 2003-04.

Tables 3.3 and 3.4 as well as Chart 3.3 give details on interbank transactions and interbank interest rates in 2003-04.

Lombard Facility

The Lombard Facility was introduced by the Bank with effect from 15 December 1999 to provide overnight collateralised advances to Category 1 banks which encounter unexpected funding shortfalls. For this purpose, Category 1 banks have to assign a specified amount of eligible securities, which may be either Treasury/Bank of Mauritius Bills or other Government securities, as collateral.

During 2003-04, Category 1 banks had recourse to the Lombard Facility on one occasion, in June 2004, for a total amount of Rs18.0 million.

The Lombard Rate, which is used by the Bank as a signalling mechanism of its monetary policy stance, stood at 10.25 per cent on 1 July 2003. It was reduced on three successive occasions by 25 basis points to 10.00 per cent on 12 September 2003, to 9.75 per cent on 27 November 2003, and to 9.50 per cent on 29 January 2004. The cuts in the Lombard Rate were meant to further reduce the cost of funds, which would impact positively on growth prospects of the economy.

Secondary Market Trading

Primary Dealer System

In an effort to boost the development of a secondary market for securities and to enhance the liquidity of these securities on the domestic market, the Bank of Mauritius has established, effective 1 February 2002, a Primary Dealer System for Mauritius. Four Category 1 banks, namely, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited, The Mauritius Commercial Bank Ltd and State Bank of Mauritius Ltd were appointed primary dealers. Initially, the primary dealers provided their services to corporate clients only but, effective 1 March 2002, those services were extended to non-corporate customers and to the public in general.

The operational framework of the Primary Dealer System is set out in a Memorandum of Understanding (MoU) agreed between the Bank of Mauritius and the primary dealers. The MoU specifies, among others, a set of obligations, such as quoting continuous two-way prices under all market conditions and participating at primary auctions, in return for which primary dealers enjoy a set of privileges, such as the right to bid on behalf of third parties at primary auctions and access to the Bank's refinancing facilities.

The dealing activities of the primary dealers were initially limited to Government of Mauritius Treasury Bills, but following amendment to the MoU, included Bank of Mauritius Bills. Bills are classified in eleven bands representing days to maturity ranging from 2 to 728 days. Prospective investors are able to trade across the range of eligible securities through the primary dealers of their choice at all times during normal banking hours. As the system becomes more established, it is expected that longer-dated securities would be traded by the primary dealers.

In 2003-04, the Bank continued with the process of gradually phasing out all non-primary dealer bidders such that, eventually, only primary dealers would be entitled to bid at primary auctions. Following the strict procedures established with respect to the frequency of bidding and minimum bidding amounts, the number of bidders at primary auctions came down.

During the period under review, 1,939 deals were effected by the primary dealers for a total amount of Rs14,559 million compared to 1,833 deals for a total value of Rs11,595 million during 2002-03. Transactions peaked at Rs1,835 million in January 2004 and were at a low of Rs422 million in May 2004. Yields varied between 2.70 per cent and 9.65 per cent during 2003-04 compared to a range of 5.75 per cent to 11.00 per cent in 2002-03.

Band 8, within which Bills with maturities ranging from 301 to 364 days are traded, and band 11, within which Bills with maturities ranging from 607 to 728 days are traded, recorded the greatest number of transactions, that is, 370 and 991, respectively. Other bands registered an average of 64 transactions, the least being 31 transactions within band 1. The value of transactions in bands 4, 5, 8 and 11 was for substantial amounts, generally above Rs1,000 million, with the highest value of transactions being effected within band 11 for a total amount of Rs5,148 million. The lowest level of transactions was carried out within band 10 for a total amount of Rs324 million.

During 2003-04, the number of sale transactions effected by the primary dealers, including sales to other primary dealers, summed up to 1,726 for a total amount of Rs11,411 million while there were 294 purchase transactions amounting to Rs4,989 million, including purchases from other primary dealers.

At the start of the fiscal year, yields on Treasury/Bank of Mauritius Bills ranged from 5.90 per cent to 9.50 per cent, depending upon the trading band within which transactions were effected. They came down subsequently over the year, in line with the successive reductions in the Lombard Rate and fall in yields at the primary auctions to end within a range of 4.00 per cent to 5.85 per cent in June 2004. In May 2004, yields stood in a range of 2.70 per cent to 4.51 per cent before increasing to a range of 4.00 – 5.85 per cent in June 2004. Overall, during 2003-04, yields varied between 2.70 per cent and 9.65 per cent compared to a range of 5.75 per cent to 11.00 per cent in 2002-03.

Table 3.5 gives details of transactions conducted by primary dealers within the eleven bands from July 2003 to June 2004 while Table 3.6 shows purchase and sale transactions effected over the same period.

Table 3.5: Primary Dealer Activities

Band	Days to Maturity	Number of Transactions	Value *(Rs million)*	Yield *(Per cent per annum)*
1	2 to 30	31	558.1	4.00-6.80
2	31 to 60	42	678.9	3.20-7.05
3	61 to 90	58	665.2	3.75-7.35
4	91 to 135	129	1,768.5	2.70-7.70
5	136 to 180	85	1,284.7	3.85-7.95
6	181 to 240	60	590.7	3.20-8.30
7	241 to 300	51	717.0	2.80-8.55
8	301 to 364	370	2,084.2	2.70-8.80
9	365 to 485	84	739.3	3.05-9.00
10	486 to 606	38	324.1	4.80-9.10
11	607 to 728	991	5,148.2	3.75-9.65
2003-04		**1,939**	**14,558.9**	**2.70-9.65**
2002-03		**1,833**	**11,594.8**	**5.75-11.00**

Notes:(i) As from November 2002, primary dealer transactions include trading in Treasury Bills with maturities exceeding 364 days.
(ii) As from 22 August 2003, transactions include trading in Bank of Mauritius Bills.

Table 3.6: Purchases and Sales of Treasury/Bank of Mauritius Bills by Primary Dealers [1]

	Purchases		Sales		Total Transactions		Range of Yields
	Volume	Value (Rs million)	Volume	Value (Rs million)	Volume	Value (Rs million)	(%)
2003							
Jul	15	337.9	195	993.4	**202**	**1,136.3**	**5.90-9.50**
Aug	16	242.3	184	806.7	**196**	**921.4**	**5.80-9.65**
Sep	17	225.7	177	1,032.2	**184**	**1,119.1**	**6.45-9.48**
Oct	15	437.4	237	1,307.3	**246**	**1,514.7**	**6.25-9.15**
Nov	20	294.7	175	703.5	**183**	**833.9**	**4.60-9.06**
Dec	34	616.8	212	1,219.6	**240**	**1,636.4**	**5.00-8.80**
2004							
Jan	39	673.5	205	1,445.6	**226**	**1,834.9**	**5.15-8.70**
Feb	20	326.1	127	1,071.0	**140**	**1,196.1**	**4.80-7.90**
Mar	35	550.4	79	716.5	**113**	**1,247.7**	**4.30-7.00**
Apr	36	588.9	49	636.7	**82**	**1,185.6**	**3.50-5.95**
May	17	244.7	17	192.3	**32**	**421.9**	**2.70-4.51**
Jun	30	450.8	69	1,286.0	**95**	**1,510.9**	**4.00-5.85**
2003-2004	**294**	**4,989.2**	**1,726**	**11,410.8**	**1,939**	**14,558.9**	**2.70-9.65**
2002-2003	**152**	**5,088.5**	**1,740**	**9,132.1**	**1,833**	**11,594.8**	**5.75-11.00**

[1] Figures do not add up to total purchases and sales as inter-primary dealer transactions, that is, purchases and sales of Treasury/Bank of Mauritius Bills among primary dealers, are accounted for only once.

Secondary Market Cell

The Bank of Mauritius carries out trading of Government securities and Bank of Mauritius Bills on the secondary market through its Secondary Market Cell (SMC).

With a view to providing wider access to Treasury/Bank of Mauritius Bills and following the discontinuation of sales of Bills over the counter in October 2002, the Bank of Mauritius, in collaboration with The Stock Exchange of Mauritius Ltd and the Central Depository and Settlement Co. Ltd, introduced the sales of 182-day, 364-day and 728-day Bills on the stock exchange as from 15 December 2003. Trading of Bills on the stock exchange is carried out through licensed stockbroking companies to Mauritian citizens only for a maximum amount of Rs2 million per order.

Between 15 December 2003 and end-June 2004, the total amount of Treasury/Bank of Mauritius Bills traded on The Stock Exchange of Mauritius Ltd stood at Rs246 million. Yields offered to customers for the three maturities ranged from 5.13 per cent to 8.47 per cent per annum.

In order to offer investors in Rodrigues additional investment facilities, the Bank of Mauritius continued with its sale of Treasury Bills over the counter at its Rodrigues office. During the period July 2003 to June 2004, total sales at the Rodrigues office amounted to Rs3.4 million.

Overall, in 2003-04, Bills purchased and sold by the SMC amounted to Rs1,663 million and Rs1,790 million, respectively, and were significantly higher than in 2002-03 when purchases and sales totalled Rs105 million and Rs774 million, respectively.

The total amount of Bills transacted outside the SMC, comprising mostly transactions by primary dealers, went up to Rs14,561 million in 2003-04 from Rs11,595 million in 2002-03.

Taking into account the total amount of Bills accepted at primary auctions, the net amount of Bills sold by the Bank of Mauritius went down from Rs66,902 million in 2002-03 to Rs49,695 million in 2003-04.

In line with the general downward trend in yields in the market caused by the excess liquidity situation, the weighted average yield to

Table 3.7: Dealings in Government Securities/Bank of Mauritius Bills

	Amount of Bills Transacted Outside SMC [1]	Amount of Bills Purchased by SMC	Amount of Bills Sold by SMC [2]	Amount of Bills Accepted at Primary Auctions	Net Amount of Bills Sold by Bank of Mauritius (3)+(4)-(2)	Amount of Other Government Securities Transacted	Weighted Yield to Buyers on Bills Sold by SMC [3]
	(Rs million)						(Per cent per annum)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2003							
Jul	1,136.3	0.2	1.0	5,500.0	5,500.8	0.0	8.89
Aug	921.4	1.3	0.1	4,450.0	4,448.8	0.0	9.23
Sep	1,119.1	39.0	149.4	4,145.1	4,255.5	0.0	9.02
Oct	1,514.7	144.8	54.0	3,450.0	3,359.2	0.0	8.48
Nov	833.9	25.2	0.7	2,800.0	2,775.5	0.0	8.07
Dec	1,636.4	164.4	279.6	5,700.0	5,815.2	0.0	8.03
2004							
Jan	1,834.9	262.3	364.5	5,000.0	5,102.2	0.0	8.23
Feb	1,196.2	139.2	105.0	3,400.0	3,365.8	0.0	7.98
Mar	1,247.7	257.5	487.4	2,400.0	2,629.9	0.0	7.42
Apr	1,186.2	310.8	117.6	4,900.0	4,706.8	0.0	4.89
May	421.9	110.8	118.3	3,250.0	3,257.5	0.0	3.68
Jun	1,512.6	207.6	112.2	4,700.0	4,604.6	0.0	-
2003-04	**14,561.3**	**1,663.1**	**1,789.8**	**49,695.1**	**49,821.8**	**0.0**	**6.85**
2002-03	**11,594.8**	**105.3**	**774.4**	**66,902.0**	**67,571.1**	**0.0**	**10.26**

[1] Include transactions by primary dealers.
SMC: Secondary Market Cell of the Bank of Mauritius.
[2] Include Treasury Bills sold over the counter (OTC) and on The Stock Exchange of Mauritius Ltd.
[3] Only on Outright Transactions.
Notes: (i) Effective 15 December 2003, the Bank of Mauritius started trading Treasury Bills/Bank of Mauritius Bills on The Stock Exchange of Mauritius Ltd.
(ii) Effective 2 June 2003, the Bank of Mauritius resumed the sale of Treasury Bills over the counter to individuals and non-financial corporations at its Rodrigues office.

buyers on Bills sold by the SMC went down by 341 basis points, from 10.26 per cent in 2002-03 to 6.85 per cent in 2003-04.

Table 3.7 shows secondary market dealings in Treasury/Bank of Mauritius Bills while Table 3.8 shows trading of Treasury/Bank of Mauritius Bills on The Stock Exchange of Mauritius Ltd.

Special Line of Credit to the Sugar Industry

On 16 November 2001, the Bank of Mauritius introduced a Special Line of Credit for an amount of Rs1.5 billion, which was subsequently increased to Rs2.0 billion as from 5 April 2002, to Category 1 banks to enable them support the restructuring of the sugar industry in the context of the Sugar Sector Strategic Plan 2001-2005.

Funds were made available to Category 1 banks at an interest rate of 5.5 per cent per annum for on-lending to the sugar industry at a rate not exceeding 7.5 per cent per annum. The amounts disbursed by the Bank of Mauritius are repayable within 6 years after disbursement with a moratorium period of 2½ years on the capital from the date of its disbursement. Interest starts accruing on the loan facilities as from the date of its disbursement and is payable on a quarterly basis. During 2003-04, a total amount of Rs12 million was disbursed under this facility, thereby bringing the total amount disbursed under this Special Line of Credit to Rs1,576 million.

National Equity Fund

The 2002-03 Budget made provision for the setting up of a National Equity Fund through the Development Bank of Mauritius Ltd (DBM) to subscribe to the equity capital of new ventures and to participate in the equity of existing enterprises that have credible business plans for expansion or restructuring.

To support the financing of the National Equity Fund, which was set up in July 2003, the Bank of Mauritius made available to the DBM a Special Line of Credit of Rs700 million, out of which an amount of Rs450 million is to be utilised by the DBM towards its own participation in the Fund and the balance of Rs250 million is for on-lending by the DBM to the State Investment Corporation (SIC) for its participation in the Fund. There will be a moratorium period of three years on interest and capital repayments.

The interest rate payable under this line of credit advanced by the Bank was set at 5.0 percentage points below the prevailing Lombard Rate. Interest starts accruing on the loan facilities as from the date of its disbursement and is payable quarterly on a calendar year basis. Interest due during the moratorium period of three years will be capitalised.

The amounts disbursed by the Bank together with interest capitalised during the moratorium period are repayable in four equal annual instalments, not later than seven years after disbursement.

During fiscal year 2003-04, a total amount of Rs72.5 million was disbursed under this facility.

Sub-Fund

Following the setting up of the Corporate Debt Restructuring Committee to consider the rehabilitation of Textile and Apparel Enterprises that have been assessed by the Textile Emergency Support Team (TEST), a Sub-Fund for an amount of Rs200 million was created within the National Equity Fund for the purpose of extending concessionary financing to these enterprises. The level of participation in the Sub-Fund by the DBM and the SIC is in the same proportion as in the original Line of Credit.

Disbursements under the Sub-Fund carry a fixed rate of interest of 3.0 per cent per annum for on-lending by the National Equity Fund at a rate not exceeding 3.25 per cent per annum.

Drawdowns from the Sub-Fund of Rs200 million benefit from a moratorium period of four years on capital and interest. Interest starts accruing as from the date of disbursement and is payable quarterly on a calendar year basis. Interest due during the moratorium period will be capitalised.

The amounts disbursed by the Bank together with interest capitalised during the moratorium period are repayable in four equal annual instalments, not later than eight years after disbursement.

Foreign Exchange Market

In 2003-04, the foreign exchange liquidity position of Category 1 banks in the domestic foreign exchange market remained comfortable throughout most of the year. Category 1 banks registered surpluses estimated at an equivalent of US$27.7 million on a monthly average basis in their net foreign exchange positions. The total forward turnover outstanding as at end-June 2004 stood at an equivalent of US$137 million.

Chart 3.4: Average Liquidity in the Foreign Exchange Market

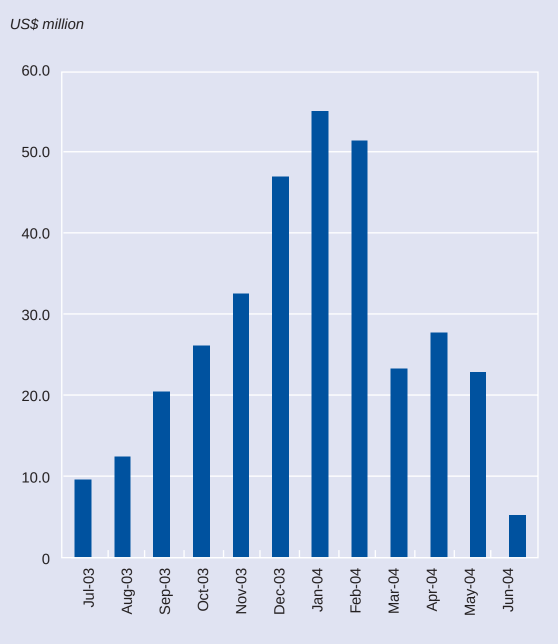


Table 3.8: Trading of Treasury/Bank of Mauritius Bills on The Stock Exchange of Mauritius Ltd

	Amount Transacted				Yield
	182-Day	364-Day	728-Day	Total	*(Per cent per annum)*
	(Rs million)				
2003					
Dec	1.9	17.4	56.3	75.6	6.03-8.47
2004					
Jan	-	4.9	36.5	41.4	7.16-8.38
Feb	-	3.1	22.7	25.8	6.88-8.19
Mar	-	8.9	50.7	59.6	5.81-7.81
Apr	-	3.5	31.3	34.8	5.13-6.81
May	-	-	7.4	7.4	5.25-5.50
Jun	-	0.3	1.4	1.7	5.28-6.00
2003-04	**1.9**	**38.1**	**206.3**	**246.3**	**5.13-8.47**

From July 2003 to January 2004, banks' foreign exchange liquidity position was on an upward trend due to an appreciating euro on the international market, low interest rates prevailing in the US and the euro zone economy and the relatively higher interest rates on rupee-denominated assets. As from February 2004, there was a turnaround in foreign exchange liquidity, which assumed a declining trend up to June 2004. This was principally the result of the pick up in the US economy as from March 2004 and expectations that the euro zone would follow suit, which considerably brightened the interest rate outlook in those economies. In addition, interest rates in the UK and Australia actually rose while yields on rupee-denominated assets were on a falling trend.

Chart 3.4 shows the monthly average liquidity positions of Category 1 banks in the foreign exchange market during 2003-04.

Interbank Foreign Exchange Market

During 2003-04, turnover on the interbank foreign exchange market increased to an equivalent of US$77.08 million compared to an equivalent amount of US$67.43 million in 2002-03. Purchases of US dollar against the rupee amounted to US$65.95 million in 2003-04 compared to a lower amount of US$62.83 million in 2002-03.

The monthly average level of transactions amounted to US$6.42 million in 2003-04, higher than the monthly average of US$5.62 million registered in 2002-03. Total interbank transactions peaked at US$29.70 million in February 2004 and reached a trough of US$1.83 million in September 2003. The opening interbank Rs/US$ ask rate for the period under review moved within the range of Rs25.525 to Rs29.500.

Intervention by the Bank of Mauritius during 2003-04 reflected the foreign exchange liquidity condition of the market. During the first half of fiscal year 2003-04, the liquidity position of Category 1 banks was relatively comfortable and followed an upward trend. The Bank thus purchased a total amount of US$68.6 million from Category 1 banks through intervention on the interbank foreign exchange market compared to US$189.0 million purchased in 2002-03. However, as from March 2004, the foreign exchange liquidity position of Category 1 banks started to follow a downward trend and the Bank intervened to sell US dollars for a total amount of US$8.5 million to Category 1 banks in May 2004 for the first time since November 2001. During 2003-04, the range of intervention rates for the purchase of US dollar from the market moved between Rs28.80 and Rs29.20, whereas the sale of US dollar to the market took place at Rs28.25.

Table 3.9 gives details of monthly transactions on the interbank foreign exchange market and Table 3.10 provides the amount and range of intervention by the Bank of Mauritius on the interbank foreign exchange market.

Table 3.9: Interbank Foreign Exchange Market

	Purchase of US dollar against Rupee (US$ million)	Purchase of US dollar against other Foreign Currencies (US$ million)	Purchase of other Foreign Currencies (US$ million)	Total Purchases		Opening Interbank Min - Max Ask Rate[1] (Rs/US$)
				US dollar Equivalent (US$ million)	Rupee Equivalent (Rs million)	
2003						
Jul	4.98	0.00	0.79	5.77	167.84	29.2750-29.5000
Aug	3.55	0.00	0.23	3.78	109.30	28.9750-29.4000
Sep	1.80	0.00	0.03	1.83	52.60	28.6250-29.1250
Oct	1.75	1.99	0.03	3.77	106.74	28.6125-28.8125
Nov	1.85	0.00	0.05	1.90	53.20	28.2000-28.7000
Dec	5.24	0.06	0.36	5.66	149.48	26.3125-28.1125
2004						
Jan	4.85	0.01	0.78	5.64	144.35	25.7500-26.2125
Feb	29.48	0.01	0.21	29.70	751.41	25.5250-25.7500
Mar	8.25	1.17	0.32	9.74	255.25	25.6550-26.5375
Apr	1.80	0.75	1.42	3.97	108.06	26.5375-27.5625
May	1.20	1.40	0.86	3.46	97.06	27.5625-28.3625
Jun	1.20	0.55	0.11	1.86	52.21	28.2850-28.3625
2003-04	**65.95**	**5.94**	**5.19**	**77.08**	**2,047.50**	**25.5250-29.5000**
2002-03	**62.83**	**0.60**	**4.00**	**67.43**	**1,897.71**	**27.0000-30.1550**

[1] *With effect from 23 October 2000, the Rs/US$ ask rate is based on the average of daily wholesale Rs/US$ ask rate of four major Category 1 banks.*

Foreign Exchange Transactions of Category 1 Banks

Category 1 banks report on a daily basis to the Bank of Mauritius deals of US$30,000 and above or their equivalent in other foreign currencies. During fiscal year 2003-04, total such transactions amounted to an equivalent of US$2,624.7 million compared to US$1,894.0 million in 2002-03. A currency-wise analysis shows that the share of transactions carried out in US dollar, euro, Pound sterling, South African rand and Japanese yen represented 51.8 per cent, 27.9 per cent, 12.7 per cent, 3.1 per cent and 1.4 per cent, respectively, of total transactions while the share of transactions carried out in other foreign currencies stood at 3.1 per cent. Total monthly transactions peaked at an equivalent of US$294.7 million in March 2004 and reached a trough equivalent to US$147.2 million in August 2003.

The Rs/US$ weighted average dealt ask rates at which transactions of US$30,000 and above were effected reflected both developments

Chart 3.5: Category 1 Banks' Transactions above US$30,000: Total Purchases and Sales

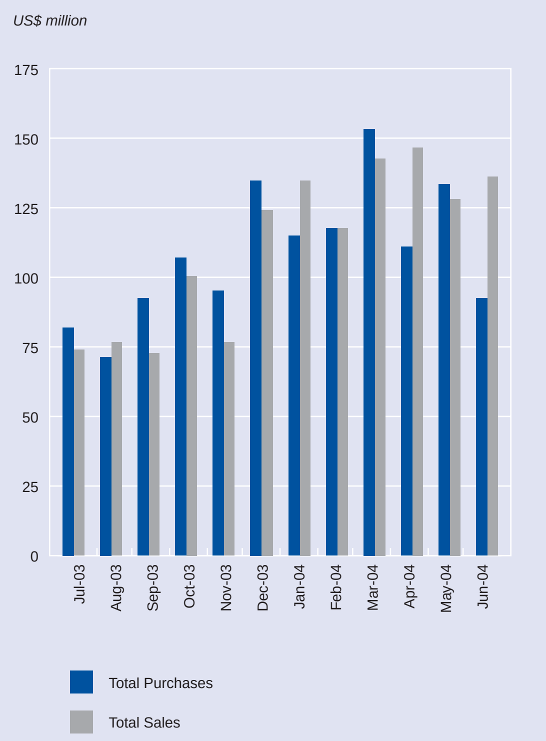
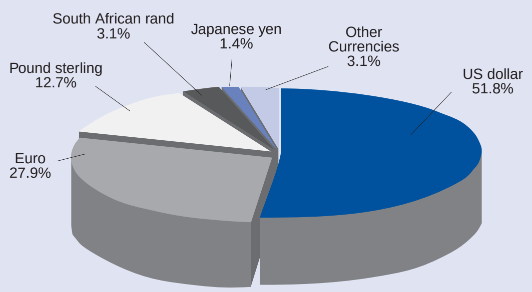
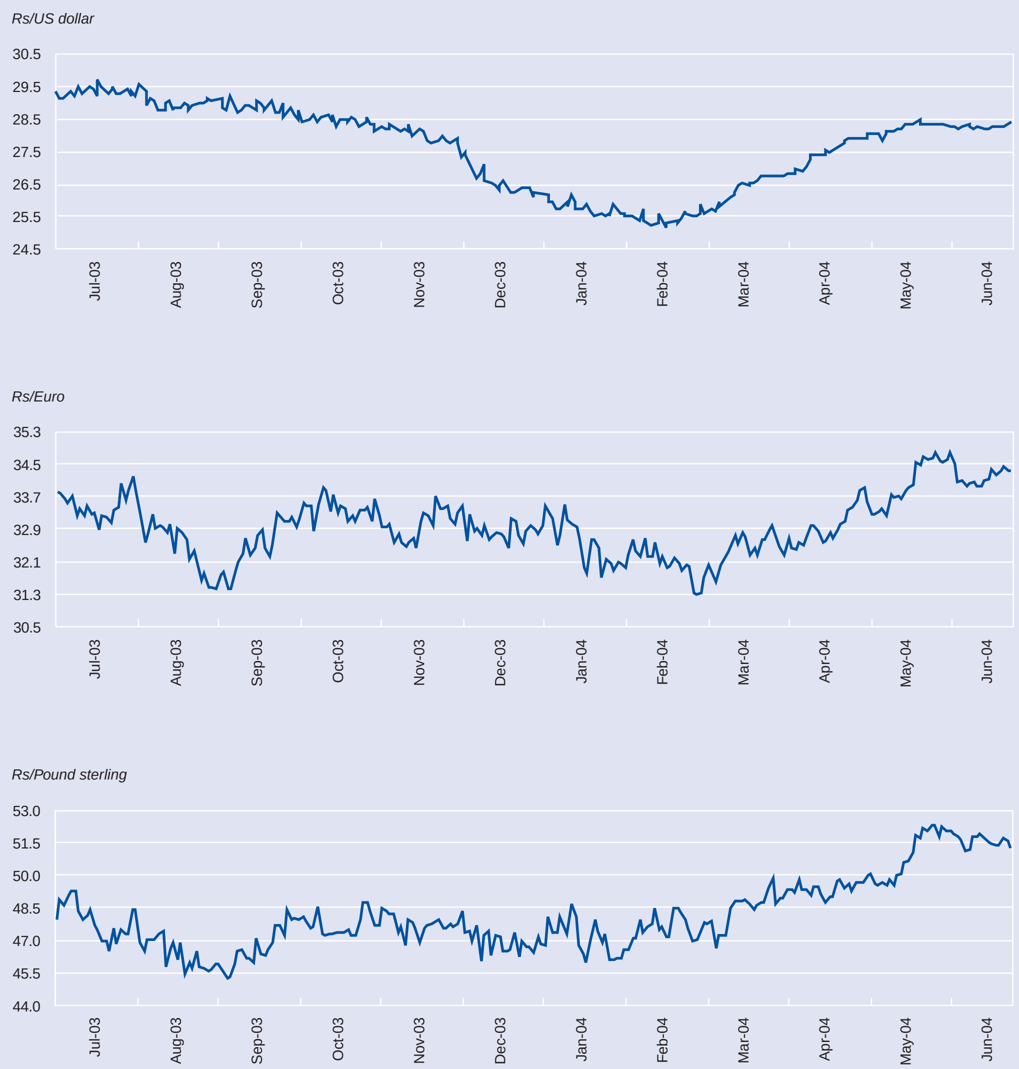


Chart 3.6: Category 1 Banks' Transactions above US$30,000: Turnover by Currency



on the international markets and the evolution of foreign exchange liquidity position of Category 1 banks. Between July 2003 and February 2004, the Rs/US$ weighted average dealt ask rates fluctuated between Rs29.70 and Rs25.18. On a monthly average basis, the Rs/US$ weighted average dealt ask rates appreciated by 15.2 per cent over this period before depreciating by around 10 per cent to end the fiscal year at Rs28.38. Against the euro, the weighted average dealt ask rates varied between a trough of Rs31.31 in March 2004 and a peak of Rs34.79 in June 2004 while, against the Pound sterling, they moved between Rs45.25 in September 2003 and Rs52.33 in June 2004. As at end-June 2004, the

Chart 3.7: Weighted Average Dealt Ask Rates of the Rupee vis-à-vis Major Currencies: 2003-04[1]



[1] Daily Basis.

weighted average dealt ask rate of the rupee stood at Rs34.35 against the euro and Rs51.30 against the Pound sterling.

Charts 3.5 and 3.6 give details on transactions of US$30,000 and above effected by Category 1 banks while Chart 3.7 and Table 3.11 show the weighted average dealt rates of the rupee against major currencies.

Foreign Currency Swaps

In view of the conditions prevailing in both the domestic money and foreign exchange markets, the Bank of Mauritius started, with effect from 19 April 2004, to conduct foreign currency swaps with Category 1 banks in respect of US dollars against the rupee. Foreign exchange swaps simultaneously affect liquidity on the money market as well as external reserves. They can either inject liquidity into or remove liquidity from the domestic money market, depending on the policy of the central bank on the regulation of liquidity conditions. The swap scheme was exchange rate neutral since the same exchange rate, adjusted for interest rate differentials on the forward leg, is applied to both legs of the swap.

During 2003-04, swap transactions with one-month and two-month maturities conducted by the Bank amounted to US$44.5 million.

Public Debt Management

In line with the decision taken during 2002-03 to lengthen the maturity structure of Government debt, the Government announced in the 2003-04 Budget that it was increasing the amount of loans that could be raised from the local market from Rs3,500 million to Rs7,500 million. For 2003-04, a total amount of Rs5,000 million was earmarked to be raised from the issue of debt instruments. A calendar of issuance of Mauritius Development Loan Stocks and Five-Year Government of Mauritius Bonds was worked out and issued jointly by the Bank of Mauritius and Government in September 2003. The calendar provided for the auctioning of Five-Year Government of Mauritius Bonds quarterly on a calendar year basis for a total nominal amount of Rs2,000 million and for the issue of Mauritius Development Loan Stocks with maturities ranging between 7 and 15 years, for the remaining nominal amount of Rs3,000 million on two separate occasions, that is, on 21 November 2003 and 19 March 2004.

Table 3.10: Intervention by the Bank of Mauritius on the Interbank Foreign Exchange Market

	Sale of US dollar *(US$ million)*	Range of Intervention *(Rs/US$ Ask Rate)*	Purchase of US dollar *(US$ million)*	Range of Intervention *(Rs/US$ Bid Rate)*
2003				
Jul	0.0	-	17.4	29.00-29.20
Aug	0.0	-	9.4	28.90-29.00
Sep	0.0	-	9.1	28.80-28.90
Oct	0.0	-	30.7	28.80
Nov	0.0	-	2.0	28.80
Dec	0.0	-	0.0	-
2004				
Jan	0.0	-	0.0	-
Feb	0.0	-	0.0	-
Mar	0.0	-	0.0	-
Apr	0.0	-	0.0	-
May	8.5	28.25	0.0	-
Jun	0.0	-	0.0	-
2003-04	**8.5**	**28.25**	**68.6**	**28.80-29.20**
2002-03	**0.0**	**-**	**189.00**	**26.70-29.85**

Table 3.11: Weighted Average Dealt Rates Against the Rupee [1]

	Rs/US$		Rs/EUR		Rs/GBP	
	BID	ASK	BID	ASK	BID	ASK
2003						
Jul	28.981	29.180	32.669	33.234	46.600	46.941
Aug	28.588	29.090	31.226	31.776	45.370	-
Sep	28.144	28.651	32.682	33.141	46.993	47.946
Oct	28.059	28.128	32.504	32.955	47.397	48.400
Nov	27.654	27.793	32.803	33.311	47.154	47.786
Dec	25.891	26.252	32.576	32.993	46.161	46.824
2004						
Jan	25.299	25.898	31.252	31.888	45.944	-
Feb	25.191	25.569	31.231	31.867	46.870	48.300
Mar	26.356	26.777	32.540	32.652	48.023	-
Apr	27.386	27.931	32.929	33.380	48.562	49.636
May	27.784	28.341	33.943	34.596	51.350	52.059
Jun	27.780	28.377	33.858	34.347	50.264	51.297

[1] *End of month.*

Furthermore, the Loans Act was amended in May 2004 to allow for the issue of Treasury Notes. The Act also makes provision for the Bank of Mauritius, acting as agent for Government, to issue Treasury Notes by converting Treasury Bills on or before their redemption dates. Holders of these Notes will be authorised on or before their maturity dates to convert same into new Notes under such terms and conditions as would be stipulated prior to the conversion.

Issue of Five-Year Government of Mauritius Bonds

In line with the decision to lengthen the maturity structure of public debt and in view of the high demand for Five-Year Government of Mauritius Bonds noted in 2002-03, the amounts put on tender for each quarterly auction of Bonds were increased to Rs500 million in 2003-04, from Rs250 million in the previous fiscal year. The coupon rates on these Bonds were adjusted downwards given the declining trend in interest rates and were set to vary between 8.00-8.50 per cent per annum in 2003-04 compared to 8.50-8.75 per cent per annum in 2002-03.

The first issue of these Bonds was held on 30 September 2003 and the remaining three issues took place on 31 December 2003, 31 March 2004 and 30 June 2004. The coupon rate for all the four issues was fixed at 8.00 per cent per annum.

As in 2002-03, all the four issues of Five-Year Government of Mauritius Bonds that took place in 2003-04 were oversubscribed with total nominal value of bids received amounting to Rs4,132 million compared to a tender amount of Rs2,000 million.

The weighted average yields on bids accepted declined continuously from the first to the last auction in 2003-04, in line with the successive reductions in the Lombard Rate and also reflecting the excess liquidity conditions prevailing in the money market. Whereas the weighted average yields for the first two auctions stood at 9.49 per cent and 9.08 per cent per annum, respectively, those for the last two auctions fell sharply to 7.38 per cent and 7.37 per cent per annum, respectively, that is, below the coupon rate of 8.00 per cent per annum. Comparatively, the weighted average yields on bids accepted for the auctions held in 2002-03 ranged between 9.73-11.59 per cent per annum.

Table 3.12 provides details of the four auctions of Five-Year Government of Mauritius Bonds held in 2003-04.

Table 3.12: Auctions of Five-Year Government of Mauritius Bonds	30-Sep-03	31-Dec-03	31-Mar-04	30-Jun-04
1. **Amount of Bonds put on Tender** *(Rs mn)*	500.0	500.0	500.0	500.0
2. **Value of Bids Received** *(Rs mn)*	576.0	763.3	1,691.1	1,101.8
3. **Value of Bids Accepted** *(Rs mn)*	500.0	500.0	500.0	500.0
4. **Coupon Rate** *(% p.a.)*	8.00	8.00	8.00	8.00
5. **Highest Yield Accepted** *(% p.a.)*	9.61	9.10	7.98	7.95
6. **Weighted Average Yield on Bids Accepted** *(% p.a.)*	9.49	9.08	7.38	7.37
7. **Weighted Price of Bids Accepted** *(%)*	94.175	95.736	102.554	102.595

Issue of Mauritius Development Loan Stocks (MDLS)

As in 2002-03, three types of MDLS with maturities of 7, 11 and 15 years were issued in 2003-04. The total nominal amount of MDLS issued in 2003-04 stood at Rs3,000 million, split between the two auctions held on 21 November 2003 and 19 March 2004.

The total nominal value of bids received at the first auction was Rs1,736 million compared to an amount of Rs2,000 million put on tender. Bids were accepted to the tune of Rs1,718 million. At the second auction held on 19 March 2004, total nominal value of bids received amounted to Rs2,360 million compared to an amount of Rs1,282 million put on tender, which was fully accepted. In all, total bids received at the two auctions of MDLS amounted to Rs4,096 million and a total nominal amount of Rs3,000 million was accepted.

The weighted average yields on bids accepted at the first auction on 21 November 2003 were 9.74 per cent, 10.05 per cent and 10.20 per cent for the MDLS with maturities of 7, 11 and 15 years, respectively. At the second auction held on 19 March 2004, the weighted average yields on bids accepted went down to 8.20, 9.46 and 9.78 per cent per annum, respectively, in line with the general declining trend in yields on Bills observed during most of 2003-04. Comparatively, the weighted average yields on bids accepted for MDLS with maturities of 7, 11 and 15 years, issued on 19 May 2003, were 10.11, 10.41 and 10.39 per cent per annum, respectively.

Details of the auctions of MDLS are given in Table 3.13.

Table 3.13: Auctions of Mauritius Development Loan Stocks	21 November 2003			19 March 2004		
Amount of Stocks put on Tender *(Rs mn)*	**2,000.0**			**1,282.3**		
	Stock 1	**Stock 2**	**Stock 3**	**Stock 1**	**Stock 2**	**Stock 3**
1. **Value of Bids Received** *(Rs mn)*	742.9	497.0	496.3	1,133.9	763.3	463.1
2. **Value of Bids Accepted** *(Rs mn)*	724.4	497.0	496.3	190.9	686.1	405.3
3. **Coupon Rate** *(% p.a.)*	8 1/4	8 1/2	8 3/4	8 1/4	8 1/2	8 3/4
4. **Highest Yield Accepted** *(% p.a.)*	10.05	10.30	10.40	8.43	9.62	9.82
5. **Weighted Yield on Bids Accepted** *(% p.a.)*	9.74	10.05	10.20	8.20	9.46	9.78
6. **Weighted Price of Bids Accepted** *(%)*	92.564	89.822	88.981	100.262	93.523	91.983

Issue of 21 November 2003:
Stock 1: 8 1/4% Mauritius Development Loan Stock 2010 (21 Nov 2010).
Stock 2: 8 1/2% Mauritius Development Loan Stock 2014 (21 Nov 2014).
Stock 3: 8 3/4% Mauritius Development Loan Stock 2018 (21 Nov 2018).

Issue of 19 March 2004:
Stock 1: 8 1/4% Mauritius Development Loan Stock 2011 (19 Mar 2011).
Stock 2: 8 1/2% Mauritius Development Loan Stock 2015 (19 Mar 2015).
Stock 3: 8 3/4% Mauritius Development Loan Stock 2019 (19 Mar 2019).

4 Accounting, Budgeting and Payment System

The Accounting, Budgeting and Payment System Department of the Bank provides back office services to different departments of the Bank and is responsible for the maintenance and safekeeping of accounting records and for the preparation of the financial statements of the Bank. It also prepares and monitors the budget of the Bank and manages the payment system as well as the SWIFT system.

Accounting

The Department maintains accounting records pertaining to, *inter alia*, foreign exchange transactions, open market operations for Government of Mauritius Treasury Bills, Bank of Mauritius Bills, Government of Mauritius Bonds and Mauritius Development Loan Stocks.

Foreign exchange transactions in respect of debt servicing, payments for consultancy services and contributions to international organisations are carried out by the Bank on behalf of the Government. Foreign currency receipts for account of Government are credited to their accounts maintained at the Bank. The Committee of Officials, chaired by the Director-Accounting, Budgeting and Payment System and comprising representatives from the Bank and from the Accountant General's Office, meets regularly to discuss issues relating to the cash flow and borrowing requirements of the Government.

The Department undertakes the processing of transactions of the Government with international financial organisations such as the International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). Dealings with these organisations include currency valuation adjustments, use of rupees under the operational budget and maintenance of value.

Weekly primary auctions of Government of Mauritius Treasury Bills/Bank of Mauritius Bills are conducted on Fridays and transactions are recorded in book entry form at the Bank or certificates of holdings are issued on request. Only holders of Bills whose transactions are kept in book entry form are provided with monthly statements.

The Bank prepares its accounts in accordance with International Financial Reporting Standards. In keeping with international standards and with a view to enhancing transparency, the Bank now publishes financial statements in a more elaborate format. The Bank's balance sheet and income and cash flow statements for the financial year ended 30 June 2004 together with comprehensive notes are presented in this report.

Bank of Mauritius Bills

Effective 22 August 2003, the Bank started the issue of Bank of Mauritius Bills on the same terms and conditions as Government of Mauritius Treasury Bills. The cost for servicing Bank of Mauritius Bills appears as an expense in the accounts of the Bank.

In order to comply with International Financial Reporting Standards, Bank of Mauritius Bills are revalued at the end of each month and are marked to market. As at 30 June 2004, the nominal amount of Bank of Mauritius Bills outstanding in the books of the Bank stood at Rs13,108.4 million.

Foreign Exchange Swaps

The Bank started conducting foreign exchange swaps with Category 1 banks as from April 2004 as a short-term measure aimed at balancing liquidity in the money and foreign exchange markets.

Swap transactions outstanding as at 30 June 2004 amounted to USD24.5 million.

Repurchase Transactions

A repurchase (reverse repurchase) operation is one under which the Bank lends (borrows) liquid funds to (from) a Category 1 bank that provides (receives) collateral in the form of securities. The two parties enter into an irrevocable commitment to complete the operation on a certain date and at a price fixed at the outset.

The operation is based on the principle of delivery against payment, that is, the borrower (lender) of the liquid funds transfers the securities to the counterparty in exchange for settlement at the agreed price.

This type of operation is considered to be a short term loan at a guaranteed rate of interest. In the books of the Bank of Mauritius, repurchase transactions are treated as collateralised financing transactions and are carried at the amounts of cash advanced or received plus accrued interest.

Securities received under repurchase agreements and securities delivered under reverse repurchase agreements are not recognised in the balance sheet of the Bank unless control of the contractual rights that comprise these securities is relinquished.

Interest earned on repurchase agreements and interest incurred on reverse repurchase agreements are recognised as interest income and interest expense, respectively, over the life of each agreement.

As at 30 June 2004, Government of Mauritius Treasury Bills for a total nominal amount of Rs350 million were pledged under reverse repurchase agreement in the course of open market transactions with one Category 1 bank.

Budgeting

The Department is responsible for the preparation of the budget of the Bank and for budgetary control. The budget is prepared in line with the policy to be pursued during the budget year, which coincides with the fiscal year, and is geared towards continuously improving the efficiency of the various areas of operations of the Bank. In this regard, much attention is paid to the strengthening of the organisational structure of the Bank in order to cope with the challenges of a dynamic financial environment.

As part of the budgeting process, a committee comprising budget liaison officers from all Departments of the Bank and chaired by the Director-Accounting, Budgeting and Payment System, has been set up in order to discuss issues relevant to the preparation of departmental budgets. The latest actual figures available for the current year are provided to all the Departments for use as a basis for the preparation of their respective budgets for the coming year. A zero-base approach is adopted as far as possible.

The inputs from the various departments of the Bank are used to prepare the master budget of the Bank, which is grouped under three main items, namely, "Recurrent Expenditure-Personal Emoluments", "Recurrent Expenditure-Other Charges" and "Capital Expenditure".

The Audit Committee has, on 10 June 2004, examined the budget for the year 2004-05 which was approved by the Board of Directors on 14 June 2004.

The financial performance of the Bank is continuously monitored against the budget, both on a consolidated and on a departmental basis. Budget reports that highlight variances between actual and budgeted performance are prepared and submitted to management on a regular basis. As such, management can take corrective action, as appropriate, based on variances and trends in the report.

Payment System

Mauritius Automated Clearing and Settlement System (MACSS)

The Mauritius Automated Clearing and Settlement System (MACSS), which was launched on 15 December 2000, is based on Real Time Gross Settlement (RTGS) principles. The responsibility for managing the MACSS rests with the Accounting, Budgeting and Payment System Department. The accounts of the Government and Category 1 banks are maintained on the MACSS.

There are presently twelve direct participants to the MACSS, including the Bank of Mauritius. The Ministry of Finance participates in the MACSS indirectly through the Bank of Mauritius. MACSS is a fully automated payment system that electronically links Category 1 banks and the Ministry of Finance to the Bank of Mauritius via a secure, reliable and efficient payment network that conforms to international standards.

The MACSS transfers funds from an account to another at any Category 1 bank in Mauritius in a real time transaction-by-transaction settlement system centered on the books of the Bank of Mauritius. Each payment effected through MACSS is regarded as final and irrevocable as settlement takes place. The settlement of transactions in real time has significantly improved customer liquidity management compared with the uncertainty associated with cheque presentation and delayed clearing associated with substantial floats.

Any Category 1 bank receiving payment instructions bears no risk in making the associated funds immediately available to its customer as the funds have already been credited to its settlement account with the Bank of Mauritius.

Category 1 banks can have recourse to intra-day loan facilities from the Bank of Mauritius. Such collateralised loan facilities should be repaid before the end of the final cut-off time. Since the inception of the MACSS, Category 1 banks have not had recourse to this facility in view of excess liquidity prevailing on the money market.

The MACSS operates as from 9:30 hours on every working day with an initial cut-off time at 15:30 hours for third party transactions. The final cut-off time of the MACSS is 16:15 hours, which allows banks some extra time for their

Table 4.1: Total Transactions Routed Through the MACSS

	Number of Transactions	Value of Transactions *(Rs million)*	No of Days	Daily Average: Number of Transactions	Daily Average: Value of Transactions *(Rs million)*
2003					
July	4,689	38,247	23	204	1,663
August	4,669	28,279	21	222	1,347
September	4,962	27,937	21	236	1,330
October	5,338	32,564	23	232	1,416
November	4,469	27,575	19	235	1,451
December	5,979	40,777	22	272	1,854
2004					
January	4,788	32,792	19	252	1,726
February	4,657	36,953	18	259	2,053
March	5,840	37,112	22	265	1,687
April	5,450	39,884	22	248	1,813
May	5,598	39,859	21	267	1,898
June	5,977	46,412	22	272	2,110
2003-04	**62,416**	**428,391**	**253**	**247**	**1,693**
2002-03	**49,926**	**409,854**	**250**	**200**	**1,639**

treasury management operations at the end of the normal operating hours. On the 20th of every month, or on the next working day if the 20th is not a working day, the initial and final cut-off times of the MACSS are set at 16:00 hours and 16:30 hours, respectively, to enable banks to capture the exceptionally large volume of Government-related transactions.

The MACSS platform also offers electronic mail facility which is used by Category 1 banks to report details of transactions effected and statistical data to the Bank. This facility is also used by the four primary dealers to report transactions in Government securities and Bank of Mauritius Bills to the Bank. For the financial year 2003-04, the total amount of transactions reported by primary dealers amounted to Rs16,091 million.

The Contributions Network Project, which was initiated by the Ministry of Finance, uses the MACSS platform for collecting revenues for other governmental departments. Revenue collected by the Income Tax, Value Added Tax and Customs and Excise Departments as well as contributions to the National Pensions Fund and the Industrial and Vocational Training Board are thus readily made available to the Government.

Table 4.1 provides details of transactions routed through the MACSS for the period July 2003 through June 2004.

Mauritius' payment system complies with the Core Principles issued by the Committee on Payment and Settlement Systems (CPSS) except for the zero hour rule as identified by the joint International Monetary Fund and World Bank mission under the Financial Sector Assessment Programme (FSAP) for Mauritius in November/ December 2002. Measures are being taken to introduce the necessary changes in the legislation. The Bank has published documents relating to the operation of the payment system in order to enhance public transparency.

Automation of Port Louis Clearing House

The second phase of the modernisation of the payment system in Mauritius was completed in November 2002 with the automation of the

Table 4.2: Cheque Clearances

	Number of Cheques	Amount (Rs' 000)	No of Days	Daily Average: Number of Cheques	Daily Average: Amount (Rs' 000)
2003					
July	472,573	16,384,246	23	20,547	712,359
August	401,221	13,016,996	21	19,106	619,857
September	438,657	14,222,486	21	20,888	677,261
October	477,576	16,586,710	23	20,764	721,161
November	397,415	12,996,403	19	20,917	684,021
December	530,767	19,904,556	22	24,126	904,753
2004					
January	385,039	13,413,257	19	20,265	705,961
February	384,549	13,680,455	18	21,364	760,025
March	465,674	15,820,113	22	21,167	719,096
April	425,931	14,827,378	22	19,361	673,972
May	422,107	14,312,690	21	20,100	681,557
June	438,906	15,754,463	22	19,950	716,112
2003-04	**5,240,415**	**180,919,753**	**253**	**20,713**	**715,098**
2002-03	**5,309,819**	**183,265,790**	**250**	**21,255**	**733,579**

Port Louis Clearing House which involved the standardisation of cheques using Magnetic Ink Character Recognition (MICR) technology. The MICR feature enhances the processing speed of cheques by enabling the electronic settlement and exchange of cheque details among participants via the MACSS network.

As at 30 June 2004, the following printers/encoders of MICR cheques were accredited by the Cheque Standards Committee:

(i) De La Rue Currency and Security Print.

(ii) Madras Security Printers.

(iii) Master's Continuous Stationery Ltd.

(iv) Mauritius Stationery Manufacturers Ltd.

(v) Standard Continuous Stationery Ltd.

(vi) Excel Secure Technologies Ltd.

The Port Louis Automated Clearing House (PLACH) Rules were updated in August 2003 so as to encompass issues relating to the clearing of cheques and the further automation of the settlement process. The procedures and format for the special presentation of cheques have also been adopted. In the initial phase, special presentation will only be effected between Head Offices of banks through the MACSS.

The Bank of Mauritius together with all Category 1 banks form part of the Port Louis Automated Clearing House. The Department is responsible for the day-to-day supervision of settlements through the PLACH.

Intrabank cheque clearances also take place, that is, without being channelled through the Port Louis Automated Clearing House.

Table 4.2 provides data on cheques cleared through the Port Louis Automated Clearing House as well as the Port Mathurin Clearing House in Rodrigues. Table 4.3 provides details on cheques cleared over the counters of Category 1 banks on the last working day of each month.

Payment Systems Oversight

Section 21 of the Bank of Mauritius Act stipulates that the Bank of Mauritius shall promote, regulate and organise the efficient and secure operation of payment and clearing systems. Accordingly, the responsibility for the oversight of the payment systems rests with the Bank of Mauritius.

Table 4.3: Intra Bank Cheque Clearing

Last working day of	Number of Cheques	Amount (Rs' 000)
2003		
July	20,368	887,610
August	21,638	1,077,540
September	19,626	916,266
October	20,549	799,364
November	30,444	1,175,210
December	30,830	1,480,702
2004		
January	31,097	1,404,361
February	31,475	1,200,001
March	23,513	869,199
April	33,545	989,055
May	27,315	1,032,486
June	26,343	1,503,789

The oversight function aims at maintaining systemic stability and protecting and ensuring the transmission channel of monetary policy. The Bank also has the responsibility of ensuring that the general organisation of payment flows within the economy is efficient and safe so that public confidence in payment systems is maintained.

The scope of oversight extends over payment systems, notably systemically important payment systems, securities settlement systems and providers of key services like S.W.I.F.T.

In Mauritius, payment streams comprise large value payments, settlement of securities and low value payments. As mentioned above, large value payments and the settlement of payments pertaining to transactions in securities are effected through the MACSS. Low value payments are processed through the Port Louis Automated Clearing House and settlement is also carried out through the MACSS.

At the Bank of Mauritius, the ongoing oversight function comprises the collection of information from daily liquidity reports and data from other sources, the analysis of the information and the initiation of action as appropriate. The oversight function is presently conducted by the Accounting, Budgeting and Payment System Department in close collaboration with the Banking Supervision and the Financial Markets Departments.

Central Depository and Settlement System

The Bank of Mauritius administers the daily settlement of funds in respect of transactions carried out on The Stock Exchange of Mauritius Ltd by stockbrokers and custodian banks through the Central Depository Settlement System. During 2003-04, settlements for a total amount of Rs1,469.3 million were effected through the MACSS. The settlement of secondary trading of Bills on The Stock Exchange of Mauritius Ltd, which amounted to Rs215.0 million in 2003-04, is however excluded from this figure.

Abandoned Funds

In accordance with section 34 of the Banking Act 1988, abandoned funds transferred to the Bank of Mauritius by Category 1 banks stood at Rs58.8 million as at close of business on 30 June 2004. Transfers effected by Category 2 banks to the Bank of Mauritius amounted to GBP5,720.60 and USD26,791.65 as at end-June 2004.

Banking and Currency Division

Currency Office

The Banking and Currency Division of the Bank is entrusted with the responsibilities relating to the issue and management of the domestic currency.

During 2003-04, banknotes and coins deposited at and issued by the Bank amounted to Rs7,892 million and Rs9,162 million, respectively. From these deposits, banknotes amounting to Rs5,750 million were examined, out of which an amount of Rs1,043 million was found to be unfit for circulation and was withdrawn for destruction.

About 21 million banknotes were examined at the Bank and about two thirds of that amount were found to be fit for circulation.

Banking Office

The Banking Office is a provider of front office services for Government, parastatal organisations, Category 1 banks, international financial institutions and staff members of the Bank. It is also responsible for the sale of industrial gold to manufacturers of jewellery and of Dodo gold coins to the public.

Sale of Gold

The Bank of Mauritius imports and sells gold of high quality, that is, 24 carats 999.9 assay in bar forms of 1,000 grams, 500 grams and 100 grams and in grain forms to industrialists and licensed jewellers.

The selling price of industrial gold, based on prevailing international gold market prices, is posted daily in the Banking Hall of the Bank.

Value Added Tax (VAT) at the prevailing rate is chargeable on the sale of industrial gold to industrialists and licensed jewellers.

Sale of Dodo Gold Coins

Dodo gold coins of 22 carats are issued by the Bank of Mauritius in four denominations, namely, one ounce with a face value of Rs1,000, half an ounce with a face value of Rs500, quarter of an ounce with a face value of Rs250 and one-tenth of an ounce with a face value of Rs100. The coins are legal tender in Mauritius for the value stated thereon.

The Dodo gold coins are on sale at the Bank of Mauritius and at Category 1 banks. They are also marketed overseas by the Royal Mint of the United Kingdom.

The daily selling prices of the coins, based on their gold content and on the international gold market prices, are posted in the Banking Hall of the Bank.

Sale of Commemorative Coins

The undermentioned commemorative coins are also on sale at the Bank of Mauritius to members of the public.

1. *Tenth Anniversary of the Independence of Mauritius*

A silver commemorative coin of Rs25 denomination was issued to mark the 10th anniversary of the independence of Mauritius. The sale price of the coin is Rs25.

2. *1997 Golden Wedding Collector Coin Programme*

A silver commemorative coin of Rs20 denomination was issued in May 1998 in proof condition to mark the 50th wedding anniversary of Queen Elizabeth II and Prince Philip. The sale price of the coin in presentation case is the rupee equivalent of £20.

3. *150th Anniversary of the Mauritius Chamber of Commerce & Industry Silver and Gold Coins*

A gold commemorative coin of Rs1,000 denomination and a silver commemorative coin of Rs10 denomination, both in proof condition, were issued in January 2000 to mark the 150th anniversary of the Mauritius Chamber of Commerce & Industry.

The sale prices of the gold and silver coins in presentation cases are Rs6,750 and Rs650, respectively.

4. *Centenary of the Arrival of Mahatma Gandhi in Mauritius*

A silver commemorative coin of Rs100 denomination in proof condition was issued in November 2001 to mark the centenary of the arrival of Mahatma Gandhi in Mauritius.

The sale price of the coin in presentation case is Rs725.

Rodrigues Office

The Bank's office in Rodrigues offers central banking services to Government Departments and Category 1 banks operating in Rodrigues. The Office also conducts over the counter sales of Government of Mauritius Treasury Bills to individuals and non-financial corporations.

5 Information Technology

The Information Technology Department is in its seventh year of existence. Set up originally to provide services to the staff of the Bank of Mauritius, the IT Department's scope of work has been enlarged, with the payment systems suite of applications, to serve the banking sector and the Ministry of Finance too. With forthcoming projects, like the Mauritius Credit Information Bureau, this user base is likely to widen further. To keep pace with the rapid change in technology and new projects, the IT Department's main strategy for providing optimal service rests on capacity building.

SWIFTNet Migration

The SWIFT (Society for Worldwide Interbank Financial Telecommunication) network is currently undergoing changes, which will impact on about 7000 financial institutions connected to the SWIFT network worldwide.

The reason for the change is the phasing out of the X.25 network, which was traditionally the network protocol used for SWIFT messaging. With advances in digital phone technology the X.25 network is now heading towards obsolescence. SWIFTNet, the new messaging platform is based on the same technology that underlies the Internet. SWIFTNet leverages on the existing tools and standards commonly used on the Internet like Tuxedo, Apache, XML, among others.

SWIFTNet is not a mere migration of one network communication protocol to another. Other value added services are now available using SWIFTNet. For example the SWIFTNet FileAct Service enables financial institutions which are subscribed to the service to exchange files among themselves in a secure way. Another service, the SWIFTNet Browse allows institutions to have interactive sessions using a browser.

The deadline for financial institutions to completely migrate to SWIFTNet is 30 September 2004. SWIFT has set up a migration plan on a country by country basis and the Migration Window for Mauritius has been set to the first week of July 2004. During this Country Migration Window, SWIFT will give particular attention to problems encountered by financial institutions in the country performing the migration. Financial institutions not meeting the deadlines will be liable to heavy penalties. The Bank of Mauritius is committed to perform its migration within the deadline set.

Information Technology Sub-Committee

After the setting up of the IT Sub-Committee in May 2003, the Bank of Mauritius has acted as facilitator to Category 1 banks so that information with regard to batch transactions could be exchanged among themselves. Details on individual batch transactions are exchanged using a common file format. This has enabled category 1 banks to perform updates to the account of their customers in a timely manner with less manual input and greater accuracy. The Mauritius Automated Clearing and Settlement System (MACSS) network has been used to facilitate this Electronic File Transfer system.

Mauritius Credit Information Bureau

Work on the setting up of the Mauritius Credit Information Bureau (MCIB) is well under way. The MCIB will allow credit providers to accurately assess the actual exposure of borrowers and accordingly their risk profiles.

Following the visit of the delegation headed by the Managing Director of the Bank of Mauritius and comprising the Mauritius Bankers Association Limited and commercial bankers to the National Bank of Belgium to understudy the operations and technicalities of their Credit Information Bureau, a task force was constituted under the Chairmanship of the Managing Director of the Bank.

The Task Force had a meeting with bankers on 16 January 2004, following which a Users and Technical Requirements Specifications document (UTRS) for the MCIB was drafted and forwarded to banks for consultation.

On 9 July 2004, a second meeting of the Task Force was held with banks to consider the response received as a result of the consultation exercise. The UTRS has been revised accordingly and is nearing finalisation. The UTRS will be issued formally by the end of July 2004.

In the meantime, appropriate action is being taken to amend the legal and regulatory framework to provide for the establishment of the MCIB.

With regards to the technical requirements of the MCIB, the Information Technology Department is already working on the infrastructure and the system modules that would be needed. The MCIB, which will be hosted at the Bank of Mauritius, will be using the existing communication network infrastructure, the MACSS. Category 1 banks, which are all members of the MACSS, will be submitting their information to the central database of the MCIB using the MACSS network; they will also be able to query the database using the same network.

6 Administration and Staff Matters

The composition of the Board of Directors, Monetary Management and Financial Markets Committee and Senior Management Officials of the Bank are given in Appendices II, III and IV. The Organisation Chart of the Bank is shown in Appendix V.

As at end-June 2004, there were 264 members of staff at the Bank.

Conferences, Seminars, Training Courses and Overseas Missions

The following gives a report on Conferences, Seminars, Training Courses and Overseas Missions attended by members of staff at the Bank.

Mr Y. Googoolye, Director-Accounting, Budgeting and Payment System, attended the SADC Payment System Project - Regional Conference and Leaders' Meeting in Maputo, Mozambique, from 1 to 4 September 2003.

Mr H.O. Jankee, Director-Research, attended the First Meeting of the COMESA Task Force on Monetary Co-operation in Lusaka, Zambia, on 26 April 2004.

Mr V.K. Sonah, Head-Banking and Currency, attended the SADC Regional Currency Conference in Gaborone, Botswana, from 2 to 4 December 2003.

Mr J.K. Ramtohul, Assistant Director-Banking Supervision, participated in a "Séminaire destiné aux cadres superiéurs des organismes de contrôle des banques dans les pays en voie de développement francophones" in Paris, France, from 17 to 28 November 2003.

Mr R. Chinniah, Assistant Director-Banking Supervision, attended a Regional Banking Leadership Development Programme in Cape Town, South Africa, from 9 to 15 November 2003.

Mr N.C.J. Li Yun Fong, Assistant Director-Information Technology, attended:

(i) a course on "Implementing SWIFTNet & SWIFTNet FIN" in Mumbai, India, from 29 to 30 January 2004.

(ii) the Financial Services Executive Summit in Nairobi, Kenya, on 10 and 11 May 2004.

Mrs M.M.A. Heerah-Pampusa, Assistant Director-Financial Markets, participated in a Special Seminar on Advanced Risk Management organised by the Bank for International Settlements (BIS) in Beatenberg, Switzerland, from 1 to 5 September 2003.

Mr S. Proag, Manager-Property, attended a Workshop on Protection Services Operations at the South African Reserve Bank (SARB) College in Pretoria, South Africa, from 9 to 11 September 2003.

Mr M.K. Yerukunondu, Manager-Legal, participated in a Seminar on "Current Developments in Monetary and Financial Laws" at the IMF Headquarters in Washington DC, U.S.A., from 24 May to 4 June 2004.

Mr J.K. Choolhun, Manager-Financial Markets, attended a seminar on Reserve Management organised by the South African Reserve Bank in Pretoria, South Africa, on 2 and 3 September 2003.

Mr D. Ghurburrun, Chief Bank Examiner, attended a Seminar on Updates and Trends in Banking Supervision organised by the South African Reserve Bank in Pretoria, South Africa, on 11 and 12 August 2003.

Mr V.M. Punchoo, Senior Research Officer, attended the Financial Sector Stakeholders Forum organised by the Central Bank of Kenya in Mombasa, Kenya, from 15 to 17 April 2004.

Mr J.N. Bissessur, Senior Research Officer, attended a Seminar on Financial Soundness Indicators organised by the Joint Africa Institute (JAI) in collaboration with the International Monetary Fund (IMF) in Tunis, Tunisia, from 17 to 21 November 2003.

Mr D. Thakoor, Senior Analyst Programmer, attended the Annual Conference of the SADC

Central Banks IT Forum in Kasane, Botswana, from 23 to 27 February 2004.

Miss V. Morarjee and Mrs H. Nundoochan, Research Officers, attended a Workshop on Core Inflation at the Bank of England, London, U.K., on 28 and 29 August 2003.

Mr A. Dowlut, Analyst Programmer, attended the Annual Conference of the Bankmaster User Group Annual Conference for Africa in Bangalore, India, from 9 to 11 February 2004.

Mr I. Seetohul, Analyst Programmer, participated in the Financial Services Executive Summit in Nairobi, Kenya, on 10 and 11 May 2004.

Mr A. Jhary, Senior Accounts Officer, attended:

(i) a Seminar on Payment & Settlement Systems for Central Banks organised by the European Central Bank in Frankfurt, Germany, from 1 to 3 September 2003.

(ii) a course on International Programme in Banking and Finance at the National Institute of Bank Management in Pune, India, from 17 November to 13 December 2003.

Mr N.J. Cangy, Administrative Officer, attended the Fourth Protective Services Workshop in Pretoria, South Africa, from 3 to 4 November 2003.

Mr D.D. Belut, Administrative Officer, attended the Bankmaster User Group Annual Conference Meeting for Africa in Bangalore, India, from 9 to 11 February 2004.

Mrs N. Sajadah-Aujayeb, Legal Officer, attended the First SADC Regional Conference on Anti-Money Laundering Strategies and Counter Measures conducted jointly by the SADC Secretariat, the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) and the UN Office on Drugs and Crime in Benoni, South Africa, from 21 to 23 October 2003.

Mrs R. Jutton-Gopy, Legal Officer, attended a Seminar on Anti-Money Laundering at the Financial Stability Institute in Basel, Switzerland, from 24 to 26 February 2004.

Miss L. Appadoo, Legal Officer, attended the ESAAMLG Advanced Mutual Training Evaluation Course in Lusaka, Zambia, from 26 to 29 January 2004.

Mr Y. Madhub, Senior Bank Examiner, attended the Eastern and Southern African Group of Bank Supervisors (ESAF) Third Regional Annual Workshop in Maputo, Mozambique, from 3 to 7 November 2003.

Mr V. Umanee, Senior Bank Officer, attended a Course in Banking and Finance in Small States organised by The Islands and Small States Institute in Malta in collaboration with the Commonwealth Fund for Technical Cooperation and the Ministry of Foreign Affairs of Malta held in Valletta, Malta, from 3 to 14 May 2004.

Mr H.R. Ramsurn, Senior Bank Officer, attended the Eastern and Southern African Group of Bank Supervisors Intermediate Training Course in Banking Supervision held in Pretoria, South Africa, from 11 to 22 August 2003.

Mr G. Gonpot, Senior Bank Officer, attended a Seminar on Internal Ratings-Based Systems at the Financial Stability Institute in Basel, Switzerland, from 2 to 4 December 2003.

Mr N. Munboth, Technical Officer Grade A, attended a Workshop on Protection Services Operations at the South African Reserve Bank (SARB) College in Pretoria, South Africa, from 9 to 11 September 2003.

Mr S. Ramnarainsing, Senior Accounts Officer, attended the Regional Conference of the SADC Payment System Project in Maputo, Mozambique, from 1 to 4 September 2003.

Mrs R.B. Lalmahomed Jeetun, Junior Dealer, attended the 35th International Central Banking Course in Islamabad, Pakistan, from 8 March to 16 April 2004.

Mrs T. Gokool, Bank Officer Grade 1, attended the Eastern and Southern African Group of Bank Supervisors Intermediate Training Course in Banking Supervision in Pretoria, South Africa, from 11 to 22 August 2003.

Local Training

Mr Y. Googooolye, Director-Accounting, Budgeting and Payment System, attended a Seminar on Europay, Mastercard, Visa (EMV) standard and smart cards at La Cannelle, Domaine Les Pailles, on 22 October 2003.

Messrs Y. Googoolye, N.C.J. Li Yun Fong, A.K. Ramkurrun and I. Seetohul participated in the SWIFT Regional Conference at Le Meridien, Pointe aux Piments, from 17 to 20 May 2004.

Mr R. Chinniah, Assistant Director-Banking Supervision, attended a Regional Workshop on

Non-Bank Financial Institutions in Africa at the Grand Bay Conference Centre from 9 to 11 December 2003.

Mr M.R.C. Noel, Chief Bank Examiner, attended a Regional Workshop on Non-Bank Financial Institutions in Africa at the Grand Bay Conference Centre from 9 to 11 December 2003.

Miss R. Bhuckory and Mr J.K. Choolhun, Managers, as well as, Mr D. Ramanah, Dealer, attended a Workshop on Treasury Management at Le Meridien Hotel, Pointes aux Piments, on 10 and 11 September 2003.

Messrs M.A.B. Fakira and D. Ghurburrun, Chief Bank Examiners, attended a Workshop on International Accounting Standards (IAS 32 and IAS 39) at La Cannelle, Domaine Les Pailles, on 8 and 9 September 2003.

Mrs S. Hurrymun, Chief Bank Examiner, Mrs U.C. Soobarah, Senior Bank Examiner, and Mr A. Jhary, Senior Accounts Officer, attended a Seminar on International Accounting Standards (IAS 32 and IAS 39) organised by KPMG at La Cannelle, Domaine Les Pailles, on 3 and 4 May 2004.

Mrs R. Jutton-Gopy, Legal Officer, attended a Seminar on "L'encadrement légal des Petites et Moyennes Entreprises (PME) et des clusters" at Labourdonnais Waterfront Hotel, Port Louis, on 13 August 2003.

Mr D. Ramanah, Dealer, attended an Executive Programme on International Investments at the DCDM Business School, Quatre Bornes, on 6 and 7 August 2003.

Mr B. Ramlaul, Administrative Officer, and Mr J.C.H. David, Senior Bank Officer, attended a Course on "Understanding Pension Business" at the State Insurance Company of Mauritius Ltd, Port Louis, on 23 and 24 March 2004.

Messrs H. Budhna and J.M. Bonafaire, Senior Accounts Officers, attended a Seminar on International Accounting Standards (IAS 32 and IAS 39) at Hilton Hotel, Flic en Flac, on 21 and 22 August 2003.

Mrs U.C. Soobarah, Senior Bank Examiner, attended a Seminar on Asset Liability Management at Labourdonnais Waterfront Hotel, Port Louis, on 17 and 18 November 2003.

Mrs M.L.C. Bastien Sylva, Bank Examiner Grade 1, and Mr G. Gonpot, Senior Bank Officer, attended a Seminar on Financial Analysis and Money Laundering Investigations at Sofitel Hotel, Flic en Flac, on 6 to 8 October 2003.

Overseas Mission

The Governor attended a Meeting of the Committee of SADC Central Bank Governors in Pretoria, South Africa, on 29 August 2003.

The Governor, accompanied by Mr H.O. Jankee, Director-Research, attended:

(i) the Commonwealth Finance Ministers Meeting in Brunei from 16 to 18 September 2003.

(ii) the Annual General Meeting of the International Monetary Fund and the International Bank for Reconstruction and Development held in Dubai on 23 and 24 September 2003.

The Governor, accompanied by Ms V. Morarjee, Research Officer, attended a Meeting of the Committee of SADC Central Bank Governors from 28 to 30 April 2004 in Gaborone, Botswana.

The Governor, accompanied by Mrs P.S. Hurree Gobin, Research Officer, attended a Commonwealth Development Council Seminar-Central Bank Symposium in London, U.K., and the Annual General Meeting of the Bank for International Settlements in Basel, Switzerland. They also visited the Bank of England in London, U.K.

The Managing Director attended a Regional Seminar on Comparative Experiences in Confronting Banking Sector Problems in the Sub-Saharan African Region in Cape Town, South Africa, on 14 and 15 October 2003.

The Managing Director headed a delegation of bankers to Belgium to discuss issues relating to the setting up in Mauritius of a Credit Information Bureau from 20 to 29 November 2003.

The Managing Director attended the Annual Meeting of Offshore Group of Banking Supervisors (OGBS) at the Financial Services Authority, London, U.K., on 1 and 2 March 2004. He also held discussions on the regulatory structure, experience and technical assistance from the Financial Services Authority in United Kingdom on 3 and 4 March 2004.

The Managing Director, accompanied by Mr N. Kowlessur, Research Officer, attended a Meeting of the Comprehensive Economic Cooperation and Partnership Agreement between India and Mauritius in New Delhi, India on 18 and 19 March 2004.

The Managing Director attended the Anti-Money Laundering/CFT Strategy Development Workshop in Cape Town, South Africa, from 25 to 27 May 2004.

Seminars and Conferences

The Bank hosted the Annual Meeting of the Offshore Group of Banking Supervisors (OGBS) at Le Meridien, Pointes aux Piments, from 21 to 23 July 2003. Delegates from 17 member countries as well as several international institutions, such as the IMF, BIS, FATF Secretariat and Banca D'Italia, attended this Annual Meeting.

The Bank, in collaboration with the Bank of England, organised a Workshop on Financial Stability and Monetary Policy at Maritim Hotel, Balaclava, from 22 to 24 March 2004. Delegates from central banks of SADC member countries (Angola, Botswana, Malawi, Mozambique, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe) as well as officers of the Bank of Mauritius participated in this Workshop.

The Bank, in association with the University of Mauritius, the Commonwealth Association for Corporate Governance and the Financial Services Commission, organised a Workshop on Governance in Financial Institutions at La Pirogue Hotel, Flic en Flac, on 24 and 25 March 2004.

In-house Training and Seminar

Mr Jean-Claude Hillion from Banque de France conducted an in-house IT Audit Training Course from 3 to 7 November 2003. Staff members of several Departments, namely, Banking Supervision, Information Technology and Accounting, Budgeting and Payment System as well as officers of the Internal Audit Office attended this Course.

Mr Miklos Endreffy and Miss Patricia Coghlan from the Bank for International Settlements (BIS) conducted an in-house Seminar on Reserve Management, Repo/Securities Lending and annual review of the MO5 Portfolio Management on 15 and 16 June 2004.

Training Attachments

Messrs S.K. Kgosi, J. Ghanie, E. Rall and M. Keeny from the Bank of Botswana were on a training attachment at the Bank to learn from our experience in the implementation and operation of the Real Time Gross Settlement System from 24 to 26 September 2003.

A delegation, comprising seven officers from the Central Bank of Angola, were on a training attachment at the Bank to study the implementation and operation of the Real Time Gross Settlement System from 5 to 8 October 2003.

Mrs E. Balele, Deputy Director of the Banking Department of the Bank of Tanzania, was on a training attachment at the Bank to study the payment and settlement systems as well as banking operations and activities from 24 to 26 May 2004.

Three officers from the Central Bank of Kenya, namely, Mr N.B. Korir, Mr D.M. Chenge and Mrs J. Migunde, were on a training attachment at the Bank to study the modalities of the Lombard Rate, Monetary Policy Framework, Primary Dealership, Structure of Interest Rates and existing legal and institutional framework from 4 to 10 June 2004.

Ceremony for the Laying of the Foundation Stone

The ceremony for the laying of the foundation stone of the Bank's New Headquarters Building was held on 7 June 2004 at the Corner of Royal and Bourbon Streets, Port Louis. This ceremony was attended by the Prime Minister, Honourable Paul Raymond Bérenger, G.C.S.K. and the Deputy Prime Minister & Minister of Finance and Economic Development, Honourable Pravind Jugnauth.

Human Resource Matters

Appointments

Mrs N. Beharee, Mrs S. Hurrymun, Mrs V. Soyjaudah, Mr M.A.B. Fakira and Mr D. Ghurburrun, Senior Bank Examiners, were appointed Chief Bank Examiners with effect from 1 July 2003.

Mrs H.D. Tylamma, Mr J.C.H. David, Mr B. Doolar, Mr K.K. Nako, Mr T. Ramdenee, Mr A.K. Ramkurrun and Mr V. Umanee, Bank Officers Grade I, were appointed Senior Bank Officers with effect from 1 July 2003.

Mr G. Gonpot, Mr R. Naggea and Mr H. Ramsurn, Bank Examiners Grade I, were appointed Senior Bank Officers with effect from 1 July 2003.

Mrs M.A.D.N. Agathe, Mrs S. Awmee, Mrs D.M. Benydin, Mrs S. Fowdur, Mrs V. Gungah, Mrs C. Jeetoo, Mrs B.F. Nahaboo Karbary, Mrs R.B. Rajabalee, Mrs S.D. Ramanah, Mrs M.D. Rambojun, Mrs Y. Seeburrun, Mrs L.D. Sobun, Mr C. Christna, Mr S. Madhub, Mr A.A. Massafeer, Mr R.K. Narayadu, Mr H. Sadool and Mr P. Seeballuck, Bank Officers Grade II, were appointed Bank Officers Grade I with effect from 1 July 2003.

Mrs T. Gobin Jhurry, Mrs T. Gokool, Mrs S.S. Goolam Hossen and Miss V Ramdonee, Bank Officers Grade II, were appointed Bank Officers Grade I with effect from 1 July 2003.

Mrs M.G. Lamvohee Nancy, Bank Officer Grade III, was appointed Bank Officer Grade II with effect from 1 July 2003.

Mrs R.P. Bakar Khan, Bank Officer Grade II, was appointed Bank Officer Grade I with effect from 14 July 2003.

Mr R. Kallychurn and Mr V.K. Ranlaul, Bank Officers Grade II, were appointed Analyst Programmers with effect from 1 March 2004.

Mrs S.D. Purryag and Mrs M.D. Ramkissoon, Bank Officers Grade II, were appointed Bank Officers Grade I with effect from 3 May 2004.

Miss Y.D. Ramphul, Bank Examiner Grade II, was appointed Bank Officer Grade I with effect from 3 May 2004.

Recruitment

Mrs M.A. Pyne was appointed Senior Bank Officer with effect from 1 August 2003.

Mrs R. Ramtohul was appointed Cleaner with effect from 5 January 2004.

Mr I.F. Beekun was appointed Analyst Programmer with effect from 1 March 2004.

Miss M.D. Bachoo and Miss R.D. Nundloll were appointed Analyst Programmers with effect from 8 March 2004.

Mr B. Baijnath was appointed Analyst Programmer with effect from 1 April 2004.

Mr D. Gukhool was appointed Analyst Programmer with effect from 3 May 2004

Retirement

Mr A.K. Prithipaul retired as Secretary with effect from 1 July 2003.

Resignation

Mr G. Pavaday and Miss M.D. Bachoo, Analyst Programmers, resigned from the service of the Bank with effect from 3 September 2003 and 19 April 2004, respectively.

Mr P.K. Benee and Mr F.E.S. Ruhmaly, Research Officers, resigned from the service of the Bank with effect from 3 November 2003 and 1 June 2004, respectively.

Completion of Studies

Mr C.S. Rutah, Internal Auditor, was awarded an MSc Finance by the University of Mauritius in October 2003.

Mr P. Seeballuck, Bank Officer Grade I, was awarded a BSc (Hons) Business Studies with Specialisation in Human Resource Management by the University of Mauritius in March 2004.

Mr H. Ramsurn, Senior Bank Officer, was awarded the degree of ICSA by the Institute of Chartered Secretaries and Administrators, London, U.K., in February 2004.

7 Financial Statements

BANK OF MAURITIUS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

Contents

INTRODUCTION

Section 11(1) of the Bank of Mauritius Act 1966 (as amended) states that the Board of Directors of the Bank of Mauritius ('the Bank') shall determine the net profits of the Bank for each financial year after meeting all current expenditure for that year and after making such provision as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

For the year ended 30 June 2004, the Bank made a deficit of income over expenditure of Rs378.7 million compared to a surplus of income over expenditure of Rs750.0 million realised in 2003. No profit was therefore made available to Government (2003- Rs1,500.0 million). The deficit resulted mainly on account of a decrease in the return on investments prompted by falling interest rates on the foreign exchange markets during the year. Accordingly, income derived from foreign assets of the Bank in 2004 declined by 31 % compared to 2003.

The deficit was exacerbated by the servicing of Bank of Mauritius Bills amounting to Rs868.4 million. The Bank started issuing Bank of Mauritius Bills as from August 2003 as part of its monetary policy measures. As at the end of 30 June 2004, the outstanding nominal amount of Bank of Mauritius Bills was Rs13.1 billion.

Assets

Major changes in assets reflect increase in Other Balances and Placements, Cash and Cash Equivalents and Interest Receivable.

Liabilities

The increase in liabilities arises mainly from the issue of Bank of Mauritius Bills, increase in demand deposits from Category 1 Banks and partly offset by a decrease in Demand Deposits from Government.

Capital and Reserves

The net increase in Reserves arises as a consequence of reserves set aside for foreign exchange rate fluctuations.

Statement of Responsibilities of the Board of Directors of the Bank of Mauritius

Section 45 of the Bank of Mauritius Act 1966 (as amended) requires the Bank to prepare its financial statements each year and to have the same certified by the Bank's statutory auditors.

The Board of Directors of the Bank is responsible for the accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. It has a general responsibility for taking such steps, as are reasonably open to it, to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Prime Minister appoints the Board of Directors of the Bank. The Governor is appointed by the Prime Minister for a period not exceeding five years and on such terms and conditions as the President of the Republic of Mauritius may determine. The Managing Director is appointed by the Prime Minister for such period and on such terms and conditions as the President of the Republic of Mauritius may determine. The Non-Executive Directors of the Bank (not less than three but not more than five) shall hold office for a term of three years and are appointed by the Prime Minister on the recommendation of the Minister of Finance.

REPORT OF THE AUDITORS PURSUANT TO SECTION 44 OF THE BANK OF MAURITIUS ACT 1966

We have audited the financial statements of the Bank of Mauritius ('the Bank') for the year ended 30 June 2004, as set out on pages 177 to 200.

This report is made solely to the shareholder of the Bank of Mauritius, as a body. Our audit work has been undertaken so that we might state to the shareholder of the Bank of Mauritius those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank of Mauritius and the shareholder of the Bank of Mauritius, as a body, for our audit work, for this report, or for the opinion we have formed.

Board of Directors' responsibilities

The Board of Directors of the Bank of Mauritius is responsible for the preparation of financial statements. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' responsibilities

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinions to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or interests in the Bank other than in our capacity as auditors.

REPORT OF THE AUDITORS PURSUANT TO SECTION 44 OF THE BANK OF MAURITIUS ACT 1966 (CONT'D)

Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the Bank as far as it appears from our examination of those records;
- the net profit for the year has been ascertained in accordance with Section 11 of the Bank of Mauritius Act 1966; and
- the financial statements give a true and fair view of the financial position of the Bank as at 30 June 2004, and of the results of its operations and cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards.

Date: 10 September 2004
Port Louis

KPMG
Public Accountants

BANK OF MAURITIUS BALANCE SHEET AT 30 JUNE 2004

	Note	2004 Rs	2003 Rs
CAPITAL AND RESERVES	3		
Authorised and Paid Up Capital		**10,000,000**	10,000,000
Reserves		**14,705,723,303**	14,415,622,645
		14,715,723,303	14,425,622,645
ASSETS			
External Assets:			
Cash and Cash Equivalents	4	**9,191,947,884**	7,598,747,658
Other Balances and Placements	5	**33,752,852,410**	31,707,132,575
Interest Receivable		**380,157,064**	260,273,920
Other Investments		**16,898,856**	17,313,932
		43,341,856,214	39,583,468,085
Loans and Advances	6	**2,060,031,515**	2,355,711,925
Financial Assets Available-For-Sale	7	**1,662,299,109**	930,112,622
Property, Plant and Equipment	8	**458,861,745**	358,429,774
Other Assets	9	**133,440,750**	106,598,802
		47,656,489,333	43,334,321,208
Less: LIABILITIES			
Notes in Circulation		**10,490,035,960**	9,234,470,605
Coins in Circulation		**375,832,116**	353,722,262
	10	**10,865,868,076**	9,588,192,867
Demand Deposits:			
Government		**2,388,713,681**	11,972,382,041
Category 1 Banks		**6,321,921,226**	4,991,625,252
Other Financial Institutions		**114,980,238**	170,575,330
Others		**128,185,157**	141,281,631
		8,953,800,302	17,275,864,254
Other Financial Liabilities	11	**12,216,505,457**	1,319,900
Provision	12	**100,000,000**	200,000,000
Employee Benefits	13	**25,970,000**	26,790,000
Other Liabilities	14	**778,622,195**	1,816,531,542
		32,940,766,030	28,908,698,563
		14,715,723,303	14,425,622,645

(sd) R. Basant Roi, G.C.S.K.
Governor

(sd) B. R. Gujadhur
Managing Director

(sd) Y. Googoolye
Director-Accounting, Budgeting & Payment System

10 September 2004

The notes on pages 181 to 200 form part of the financial statements.

BANK OF MAURITIUS
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 Rs	2003 Rs
Income			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets		**819,503,968**	1,185,191,545
Interest and Similar Income on Domestic Assets		**121,764,266**	176,027,638
Others		**95,867,112**	113,354,872
	15	**1,037,135,346**	1,474,574,055
Profit on Foreign Exchange Transactions		**12,992,416**	75,386,023
Other Income	16	**10,072,902**	11,455,412
		1,060,200,664	1,561,415,490
Expenditure			
Expenditure on Financial Liabilities			
Interest Expense and Similar Charges	17	**1,115,588,065**	526,098,333
Staff Salaries and Other Benefits	18	**128,179,171**	122,158,563
General Expenditure		**102,427,470**	60,818,633
Fees Payable		**25,931,966**	29,122,222
Coin Issue Expenses		**16,697,727**	153,739
Note Issue Expenses		**14,160,030**	103,389
Depreciation of Property, Plant and Equipment		**12,846,731**	54,242,963
Directors' Remuneration		**5,543,021**	3,357,527
IMF Charges		**1,307,711**	4,952,205
Other Expenditure	19	**16,268,242**	10,422,340
		1,438,950,134	811,429,914
(Deficit)/Surplus of Income over Expenditure		**(378,749,470)**	749,985,576
Foreign Exchange Rate Differences		**568,850,128**	834,727,895
Reversal of Provision	12	**100,000,000**	125,000,000
NET PROFIT BEFORE TRANSFER TO/ FROM RESERVES		**290,100,658**	1,709,713,471
Add: Transfer from Other Reserves		**278,749,470**	625,014,424
Less: Transfer to Foreign Exchange Rate Fluctuations Reserve		**(568,850,128)**	(834,727,895)
PROFIT AVAILABLE TO THE GOVERNMENT OF MAURITIUS		**-**	1,500,000,000

The notes on pages 181 to 200 form part of the financial statements.

BANK OF MAURITIUS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004

	Authorised and Paid Up Capital	General Reserve Fund	Foreign Exchange Rate Fluctuations Reserve	Other Reserves	Total
	Rs	Rs	Rs	Rs	Rs
At 1 July 2002	10,000,000	23,000,000	11,596,859,034	2,586,050,140	14,215,909,174
Transfer to Foreign Exchange Rate Fluctuations Reserve	-	-	834,727,895	-	834,727,895
Transfer from Other Reserves	-	-	-	(625,014,424)	(625,014,424)
At 30 June 2003	10,000,000	23,000,000	12,431,586,929	1,961,035,716	14,425,622,645
Transfer to Foreign Exchange Rate Fluctuations Reserve	-	-	568,850,128	-	568,850,128
Transfer from Other Reserves	-	-	-	(278,749,470)	(278,749,470)
At 30 June 2004	**10,000,000**	**23,000,000**	**13,000,437,057**	**1,682,286,246**	**14,715,723,303**

The notes on pages 181 to 200 form part of the financial statements.

BANK OF MAURITIUS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2004

	Note	**2004 Rs**	2003 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Inflow from Operating Activities	20	**5,580,876,389**	10,143,562,381
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in Other Balances and Placements		**(2,045,719,835)**	(10,405,152,228)
(Increase)/Decrease in Financial Assets Available-For-Sale		**(732,186,487)**	1,037,220,621
Acquisition of Property, Plant and Equipment		**(113,287,042)**	(58,025,660)
Proceeds from Disposal of Property, Plant and Equipment		**36,696**	575,062
Dividend Received		**3,480,505**	2,500,000
Net Cash Used in Investing Activities		**(2,887,676,163)**	(9,422,882,205)
CASH FLOW FROM FINANCING ACTIVITIES			
Profit paid to the Government of Mauritius		**(1,100,000,000)**	(1,500,000,000)
Net Cash Used in Financing Activities		**(1,100,000,000)**	(1,500,000,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		**1,593,200,226**	(779,319,824)
Cash and Cash Equivalents at Beginning of Year		**7,598,747,658**	8,378,067,482
Cash and Cash Equivalents at End of Year	4	**9,191,947,884**	7,598,747,658

The notes on pages 181 to 200 form part of the financial statements.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. LEGAL FRAMEWORK

The Bank of Mauritius ('the Bank') is established as the Central Bank of Mauritius under the Bank of Mauritius Act dated 15 October 1966 (as amended). Its main place of business is at Sir William Newton Street, Port Louis. It operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and tables its reports to the National Assembly. The Bank's principal responsibilities are to:

- Formulate and implement monetary policy with the principal objective of ensuring price stability.
- Formulate and implement appropriate intervention policies in the foreign exchange markets.
- Promote and regulate an efficient and secure operation of the payments system.
- Be responsible for the supervision of Category 1 and Category 2 banks, non-bank financial institutions authorised to transact in deposit taking business, money changers and foreign exchange dealers.
- Hold and manage the official foreign exchange reserves of Mauritius.
- Direct its policy towards strengthening the financial system and increasing the general prosperity of Mauritius.

Under Section 10 of the Bank of Mauritius Act 1966 (as amended), the authorised capital of the Bank shall be Rs10 million, and shall be subscribed and held by the Government. Such capital may be increased by transfer from the General Reserve Fund by such amounts as the Board may resolve with the agreement of the Minister of Finance. As at 30 June 2004, the paid up capital of the Bank amounted to Rs10 million.

Under Section 11 (2) of the Bank of Mauritius Act 1966 (as amended), the net profit shall be allocated at the end of each financial year as follows:

(a) to a General Reserve Fund to be established by the Bank
  (i) in respect of any year at the end of which the Fund does not exceed the paid up capital of the Bank, one quarter of the net profits;
  (ii) in respect of any year at the end of which the Fund exceeds the paid up capital of the Bank but does not exceed twice the paid up capital of the Bank, one-eighth of the net profits; or
  (iii) such amount as the Board may, with the approval of the Minister, determine after the advance mentioned in paragraph (b) has been fully repaid;
(b) one quarter of the remainder of the net profits shall be applied to the repayment of any sum outstanding which forms part of the advance deemed to have been made to the Bank on its establishment;
(c) the remainder shall be paid to the Government.

At 30 June 2004, the level of Reserves amounted to Rs 14,705.7 million (2003 – Rs 14,415.6 million).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are presented in Mauritian Rupee, rounded to the nearest unit.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the fair valuation of certain financial assets available-for-sale and certain financial liabilities and are presented in Mauritian Rupee.

A summary of the significant accounting policies adopted is given below:

Financial instruments

(i) *Classification*

Held for trading instruments are those that are acquired or incurred principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin. A financial asset should be classified as held for trading if, regardless of why it was acquired, it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking. These include investments, certain purchased loans and derivatives contracts that are not designated as held-to-maturity and effective hedging instruments, and liabilities from short sales of financial instruments.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. These include certain purchased loans, advances and certain debt investments.

Originated loans and receivables are financial assets created by the Bank by providing money, other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to commercial banks.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held-to-maturity. Available-for-sale instruments include Equity Investments, Government of Mauritius Treasury Bills and Mauritius Development Loan Stocks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

(ii) *Initial recognition*

The Bank recognises all financial instruments on its balance sheet when it becomes a party to the contractual provisions of the instrument. (All regular transactions entered by the Bank are recognised at trade date).

(iii) *Measurement*

Financial instruments are measured initially at cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability) for it, including transaction costs.

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost less impairment losses.

Loans and receivables originated by the Bank and not held for trading are measured at amortised cost with regard to the Bank's intent to hold them to maturity.

All non-trading financial liabilities are measured at amortised cost using effective interest rate method. Amortised cost represents the amount at which the financial liabilities were measured at initial recognition minus principal repayments plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and minus any write-down for impairment or uncollectability.

Gold deposits have been valued using the lowest bid price of gold during the last six months.

(iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

(v) *Gains and losses on subsequent measurement*

Gains or losses on available-for-sale financial assets arising from changes in their fair value are recognised in the Income Statement in the period in which they arise. For those financial instruments carried at amortised cost, gains or losses are recognised in the Income Statement when the financial instrument is derecognised or impaired and through amortisation processes.

(vi) *Specific instruments*

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances, call deposits with other financial institutions and short-term highly liquid investments with remaining maturities of three months or less.

(vii) *Swap*

The fair value of derivative financial instruments including currency swaps are estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis so as to write off the cost of the assets over their estimated useful lives. A full year of depreciation is charged in the year of purchase and none in the year of disposal.

Depreciation is provided at the following annual percentage rates:

Premises (excluding land)	-	2%
Other properties (excluding land)	-	2%
Furniture, equipment, fixtures and fittings	-	10%
Computer	-	33 1/3%
Motor vehicles	-	20% - 40%

No depreciation is provided on freehold land whereas assets held as work in progress will be depreciated when the asset will be in use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Loans

Loans are carried in the balance sheet at historical cost, net of specific provisions for bad and doubtful loans. Any impairment identified is recognised as an expense in the Income Statement.

Notes and coins in circulation

Notes and coins issued represent an unserviced liability of the Bank of Mauritius and are recorded at face value.

The Bank also issues a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are treated as current expenditure.

Retirement benefits

(a) Defined benefit pension plan

As per IAS 19 (Employee Benefits), the present value of funded obligations is recognised in the balance sheet as a non-current liability after adjusting for the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost. The valuation of the funded obligations is carried out annually by a firm of actuaries.

(b) State pension plan

Contributions to the National Pensions Scheme are expensed in the Income Statement in the period in which they fall due.

Income and expenditure recognition

Income and expenditure are recognised as they are earned or incurred and are recorded in the financial statements on an accrual basis to accurately reflect the period to which they relate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are included in the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Taxation

The Bank is exempted from Income Tax under Section 3 (3) of the Bank of Mauritius Act 1966 (as amended).

3. CAPITAL AND RESERVES

Capital

The Authorised Capital of the Bank of Mauritius is Rs10 million in accordance with Section 10 of the Bank of Mauritius Act 1966 (as amended). All the Paid Up Capital is subscribed and held only by the Government.

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with the Bank of Mauritius Act 1966 (as amended) (refer to Note 1).

Foreign Exchange Rate Fluctuations Reserve

The Foreign Exchange Rate Fluctuations Reserve is a reserve created by the Bank of Mauritius in respect of net appreciation of foreign assets and liabilities as a result of fluctuations in the exchange rate.

Other Reserves

Other Reserves are reserves set up for unforeseen contingencies which may affect the Bank of Mauritius.

4. CASH AND CASH EQUIVALENTS

	2004 Rs	2003 Rs
Deposit Accounts	**7,677,026,957**	5,391,755,332
Special Drawing Rights	**715,014,780**	690,267,916
Repurchase Agreement	**569,502,290**	1,411,610,270
Current Accounts	**230,394,893**	99,839,431
Foreign Currency Notes and Coins	**8,964**	5,274,709
	9,191,947,884	7,598,747,658

5. OTHER BALANCES AND PLACEMENTS

	2004 Rs	2003 Rs
Foreign Investments	**20,616,104,314**	15,878,684,506
Deposit Accounts	**12,488,505,356**	15,257,341,215
Gold Deposits	**648,242,740**	571,106,854
	33,752,852,410	31,707,132,575

6. LOANS AND ADVANCES

	2004 Rs	2003 Rs
Special Line of Credit to Sugar Industry	**1,575,530,536**	1,563,561,567
Special Line of Credit to EPZ	**289,115,816**	357,410,238
Special Line of Credit – National Equity Fund	**72,957,147**	-
Leasing Facilities to EPZ and Freeport Sectors	**3,875,141**	32,668,792
Loans to Category 1 Banks	**-**	250,000,000
Others	**118,552,875**	152,071,328
	2,060,031,515	2,355,711,925

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2004	2003
	Rs	Rs
Government of Mauritius Treasury Bills	**1,601,592,162**	863,283,598
Mauritius Development Loan Stocks	**35,706,947**	41,829,024
Investment: Development Bank of Mauritius Ltd (DBM)	**25,000,000**	25,000,000
	1,662,299,109	930,112,622

Mauritius Development Loan Stocks have been revalued using the discounted cash flow techniques, based on the latest market data available for similar instruments as at 30 June 2004. Any revaluation gains or losses are taken to the Income Statement.

Government of Mauritius Treasury Bills have been revalued using the effective interest rate method based on latest market data available for these instruments, after inclusion of liquidity spreads. Any revaluation gains or losses are taken to the Income Statement.

The Bank's investment in the Development Bank of Mauritius Ltd, an unquoted bank operating in Mauritius, is carried at cost. There is no market for this investment and its fair value cannot be directly estimated.

8. PROPERTY, PLANT AND EQUIPMENT

	Premises	Capital Work in Progress	Other Properties	Furniture, Equipment, Fixtures & Fittings	Computer	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost							
At 1 July 2003	48,468,514	210,116,884	67,230,999	52,283,899	103,884,562	17,862,865	499,847,723
Additions	2,608,235	100,910,466	-	8,907,781	860,560	-	113,287,042
Disposals	-	-	-	(24,984)	(1,710,602)	-	(1,735,586)
Scrap	-	-	-	-	(1,604,509)	-	(1,604,509)
At 30 June 2004	51,076,749	311,027,350	67,230,999	61,166,696	101,430,011	17,862,865	609,794,670
Depreciation							
At 1 July 2003	6,899,034	-	403,184	25,285,873	98,321,143	10,508,715	141,417,949
Charge for the year	1,001,651	-	40,318	5,552,193	3,206,986	3,045,583	12,846,731
Disposal adjustment	-	-	-	(20,944)	(1,706,302)	-	(1,727,246)
Scrap	-	-	-	-	(1,604,509)	-	(1,604,509)
At 30 June 2004	7,900,685	-	443,502	30,817,122	98,217,318	13,554,298	150,932,925
Net book value							
At 30 June 2004	**43,176,064**	**311,027,350**	**66,787,497**	**30,349,574**	**3,212,693**	**4,308,567**	**458,861,745**
At 30 June 2003	41,569,480	210,116,884	66,827,815	26,998,026	5,563,419	7,354,150	358,429,774

The Bank of Mauritius started a new Head Office building project; relevant capital expenditure is included in Capital Work in Progress.

9. OTHER ASSETS

	2004 Rs	2003 Rs
Staff Loans	**77,505,725**	71,133,826
Prepayments	**33,465,972**	9,908,486
Dodo Gold Coins in Circulation	**12,472,650**	12,383,638
Interest Receivable	**2,093,920**	2,537,457
Bills Negotiated	**-**	2,523
Others	**7,902,483**	10,632,872
	133,440,750	106,598,802

10. NOTES AND COINS IN CIRCULATION

	2004 Rs	2003 Rs
Notes issued		
Face value		
2,000	**834,722,000**	791,994,000
1,000	**5,670,403,000**	4,580,216,000
500	**1,544,619,500**	1,533,507,000
200	**1,167,866,400**	1,149,656,600
100	**897,448,700**	839,748,200
50	**205,158,050**	188,584,650
25	**121,125,025**	101,768,000
20 *	**1,649,420**	1,652,860
10 *	**38,848,080**	39,131,610
5 *	**7,710,085**	7,725,985
Demonetised Notes	**485,700**	485,700
Total	**10,490,035,960**	9,234,470,605
Coins issued		
Face value		
10 rupees	**151,809,600**	141,990,550
5 rupees	**64,114,895**	60,361,865
1 rupee	**82,183,451**	76,818,575
50 cents	**19,514,166**	18,438,122
25 cents *	**6,379,983**	6,381,128
20 cents	**24,258,348**	22,652,714
10 cents *	**2,438,460**	2,439,186
5 cents	**5,201,754**	4,807,764
2 cents *	**330,609**	330,615
1 cent	**221,139**	220,913
Others	**19,379,711**	19,280,830
Total	**375,832,116**	353,722,262
Total Notes and Coins in circulation	**10,865,868,076**	9,588,192,867

* These denominations have ceased to be issued by the Bank.

11. OTHER FINANCIAL LIABILITIES

	2004 Rs	2003 Rs
Bank of Mauritius Bills	**12,382,400,500**	-
Bank of Mauritius Bills-Secondary Market	**(167,054,943)**	-
Bank of Mauritius Savings Bonds	**1,159,900**	1,319,900
	12,216,505,457	1,319,900

The Bank started to issue Bank of Mauritius Bills for monetary policy purposes as from 22 August 2003. The Bills are marked to market and the costs of servicing these Bills are charged to the Income Statement. For the current financial year, interest expense paid/payable on Bank of Mauritius Bills amounted to Rs 868.4 million.

As at 30 June 2004, a total amount of Rs 13,108.4 million nominal Bank of Mauritius Bills was outstanding in the books of the Bank. The Bank of Mauritius holds Bank of Mauritius Bills with a nominal value of Rs 183.7 million which is included in this amount.

12. PROVISION

	2004 Rs	2003 Rs
Balance at beginning of year	**200,000,000**	325,000,000
Provision reversed during the year	**(100,000,000)**	(125,000,000)
Balance at end of year	**100,000,000**	200,000,000

The provision is made in relation to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Bank has an obligation to make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds of the realisation of its assets. The liquidation of MCCB Limited is still in progress.

13. EMPLOYEE BENEFITS

The pension plan is a final salary defined benefit plan for staff and is wholly funded. The scheme provides for a pension on retirement and a benefit on death in service before retirement. The asset in the funded plan is held independently and is administered by the State Insurance Company of Mauritius Ltd (SICOM).

The following employee benefits information is based on the report submitted by State Insurance Company of Mauritius Ltd (SICOM).

(i) Amount recognised in Balance Sheet

	2004	2003
	Rs	Rs
Present value of funded obligation	**311,410,000**	221,320,000
Fair value of plan assets	**(209,880,000)**	(169,600,000)
	101,530,000	51,720,000
Unrecognised actuarial loss	**(75,560,000)**	(24,930,000)
Net liability in Balance Sheet	**25,970,000**	26,790,000

(ii) Amount recognised in Income Statement

	2004	2003
	Rs	Rs
Current service cost of funded obligation	**8,920,000**	7,500,000
Interest on funded obligation	**23,240,000**	20,700,000
Expected return on fund	**(19,030,000)**	(17,610,000)
Total included in staff costs	**13,130,000**	10,590,000

(iii) Movement in liability recognised in the Balance Sheet

	2004	2003
	Rs	Rs
At beginning of the year	**26,790,000**	28,490,000
Add: Expense recognised in the Income Statement	**13,130,000**	10,590,000
Less: Contribution paid	**(13,950,000)**	(12,290,000)
At end of year	**25,970,000**	26,790,000
Actual return	**23,590,000**	6,180,000

13. EMPLOYEE BENEFITS (CONT'D)

The principal actuarial assumptions used for accounting purposes were:

	2004	2003
	%	%
Discount Rate	**10.5**	10.5
Expected Return	**11.0**	11.0
Increase in Pension	**6.5**	6.5
Salary Increase	**7.5**	7.5

14. OTHER LIABILITIES

	2004	2003
	Rs	Rs
Balance of Profit Payable to the Government of Mauritius in Accordance with Section 11(2) (c) of the Bank of Mauritius Act 1966	**-**	1,100,000,000
Reverse Repurchase Transaction	**342,692,100**	-
Customers Credits	**270,752,054**	283,873,051
IBRD Financial Sector Infrastructure Project Loan	**71,463,832**	71,933,929
Abandoned Funds from :		
- Category 1 Banks	**61,076,452**	58,829,649
- Category 2 Banks	**1,041,871**	-
IBRD Industrial Finance Project Loan	**17,975,533**	35,294,769
Interests and Charges Payable	**12,529,996**	266,116,599
Foreign Bills Sent for Collection	**818,441**	211,629
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	**169,200**	169,200
Surplus of Acquired Assets	**84,627**	84,627
Others	**18,089**	18,089
	778,622,195	1,816,531,542

15. INCOME FROM FINANCIAL ASSETS

	2004 Rs	2003 Rs
Interest and Similar Income on Foreign Assets		
Deposit Accounts	**689,145,059**	488,447,372
Foreign Investments	**107,895,638**	656,973,065
Special Drawing Rights	**10,989,682**	12,855,058
Repurchase Agreements	**6,971,986**	20,079,627
Current Accounts	**3,139,660**	3,693,804
Gold Deposits	**1,361,943**	3,142,619
	819,503,968	1,185,191,545
Interest and Similar Income on Domestic Assets		
Loans and Advances		
Leasing Facilities/ Special Line of Credit to EPZ/Freeport Sectors and Sugar Industry	**110,212,479**	114,857,415
Loans to Category 1 Banks	**5,786,041**	7,972,603
Special Line of Credit DBM-National Equity Fund	**466,117**	-
Advances under Repurchase Transactions	**44,041**	3,411,794
Advances to Category 1 Banks	**5,672**	110,668
	116,514,350	126,352,480
Mauritius Development Loan Stocks	**3,251,739**	47,672,089
Other Loans	**1,998,177**	2,003,069
	121,764,266	176,027,638
Others		
Revaluation of Mauritius Development Loan Stocks	**79,779,436**	34,607,303
Appreciation on Sale of Government of Mauritius Treasury Bills – Secondary Market Cell	**11,506,826**	75,800,945
Dividend Received	**2,500,000**	2,500,000
Profit on Sale of Gold and Gold Coins	**1,048,712**	383,560
Appreciation on Revaluation of BOM Bills	**975,452**	-
Profit on Issue of Mauritius Commemorative Coins	**52,695**	61,381
Profit on Sale of Notes and Coins	**3,991**	1,683
	95,867,112	113,354,872
Total Income from Financial Assets	**1,037,135,346**	1,474,574,055

16. OTHER INCOME

	2004 Rs	2003 Rs
Processing and Licence Fees	**7,760,203**	8,261,194
MACSS Fees	**728,214**	536,734
Fees Recovered	**400,000**	800,000
Commissions	**79,598**	50,385
Premises Rental Account	**36,850**	42,000
Profit on Sale of Fixed Assets	**28,356**	523,591
Others	**1,039,681**	1,241,508
	10,072,902	11,455,412

17. EXPENDITURE ON FINANCIAL LIABILITIES

	2004 Rs	2003 Rs
Interest Expense and Similar Charges on Financial Liabilities		
Bank of Mauritius Bills	**868,446,217**	-
Government of Mauritius Surplus Balance	**243,927,631**	524,513,436
Reverse Repurchase Transactions	**2,534,068**	1,584,897
SWAP Transactions	**680,149**	-
	1,115,588,065	526,098,333

18. STAFF SALARIES AND OTHER BENEFITS

	2004 Rs	2003 Rs
Staff Salaries and Allowances	**109,349,932**	79,949,870
Pension Cost	**13,130,000**	10,652,790
Staff Family Protection Scheme	**5,174,603**	4,232,679
National Savings Fund	**524,636**	533,224
Provision For Employee Benefits	**-**	26,790,000
	128,179,171	122,158,563
Number of staff at year end	**266**	263

19. OTHER EXPENDITURE

	2004 Rs	2003 Rs
Stationery and Library	**1,666,628**	2,069,271
Postage, Telephone and Reuters	**9,018,500**	8,352,428
Others	**5,583,114**	641
	16,268,242	10,422,340

20. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 Rs	2003 Rs
Profit available to the Government of Mauritius	**-**	1,500,000,000
Adjustments for:		
Transfer to Foreign Exchange Rate Fluctuations Reserve	**568,850,128**	834,727,895
Transfer from Other Reserves	**(278,749,470)**	(625,014,424)
Reversal of Provision	**(100,000,000)**	(125,000,000)
Employee Benefits	**(820,000)**	26,790,000
Depreciation of Property, Plant and Equipment	**12,846,731**	54,242,962
Profit on Sale of Property, Plant and Equipment	**(28,357)**	(523,591)
Dividend Received	**(3,480,505)**	(2,500,000)
Loss on Other Investments	**415,076**	709,075
Operating Profit Before Working Capital Changes	**199,033,603**	1,663,431,917
Increase in Interest Receivable	**(119,883,144)**	(46,715,275)
Decrease/(Increase) in Loans and Advances	**295,680,410**	(223,983,734)
(Increase)/Decrease in Other Assets	**(26,841,948)**	43,619,741
Increase in Notes and Coins in Circulation	**1,277,675,209**	1,054,959,799
(Decrease)/Increase in Government Demand Deposits	**(9,583,668,360)**	6,762,111,775
Increase in Category 1 Banks Demand Deposits	**1,330,295,974**	751,915,623
(Decrease)/Increase in Other Financial Institutions Demand Deposits	**(55,595,092)**	91,702,353
(Decrease)/Increase in Other Demand Deposits	**(13,096,473)**	37,621,687
Increase in Other Liabilities	**62,090,653**	8,898,495
Increase in Other Financial Liabilities	**12,215,185,557**	-
Net Cash Inflow from Operating Activities	**5,580,876,389**	10,143,562,381

21. COMMITMENTS AND OTHER CONTINGENCIES

Commitments and contingencies not otherwise provided for in the accounts and which existed at 30 June 2004 comprise :

Numismatic coins which are not taken into account in the determination of the Bank's liabilities but a liability may arise if such coins are encashed for their face value. The Bank is of the opinion that in the unlikely event of encashment as legal tender, no significant loss is expected to arise.

The Bank has a commitment to pay USD 900,000 for capital subscription in the African Export-Import Bank when call for payment will be made. This amount has not been accounted for as a liability in the financial statements.

During the year ended 30 June 2004, the Bank entered into a contract for the construction of the second phase of its new Head Office. The Bank is committed to incur capital expenditure of about Rs 1.2 billion. These commitments are expected to be settled by the completion of the project.

22. FINANCIAL INSTRUMENTS

Introduction

A financial instrument, as defined by IAS 32 (Financial Instruments: Disclosure and Presentation), is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Within the balance sheet of the Bank, the majority of assets and liabilities are captured by this definition, the principal exception being property, plant and equipment.

Derivative financial instruments

Derivative financial instruments including currency swaps are initially recognised in the balance sheet at cost (which includes transaction costs).

Derivative financial instruments are subsequently remeasured at their fair value. Fair values are obtained from discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

22. FINANCIAL INSTRUMENTS (CONT'D)

The fair values of derivative instruments held are set out below:

	Contractual / nominal amount USD	Fair values assets Rs	Fair values liabilities Rs
Year ended 30 June 2004			
Foreign exchange derivatives			
Currency swaps			
(less than 3 months to maturity)	**24,500,000**	**-**	**240,650**

Interest rate risk

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair values of other instruments on which the interest rates are fixed throughout the period of the contract.

Substantially, all financial assets and most financial liabilities with the exception of the currency in issue, are interest bearing. Rates are set at or about current market levels.

Amounts due to and from the IMF are subject to special interest arrangements and it is not practicable to assess the fair value of such balances as these types of transactions are confined to Central Banks.

The Bank's international foreign reserves management includes investments in a variety of foreign currency denominated in cash, deposits and other securities. The Board's stated goal is to maximise liquidity and security via quality investments and within these constraints, earn the maximum rate of return possible.

22. FINANCIAL INSTRUMENTS (CONT'D)

Maturity analysis

Financial Assets Available-For-Sale

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Above 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Government of Mauritius Treasury bills	209,581,819	112,313,910	505,776,416	427,492,435	346,427,582	1,601,592,162
Investment in Development Bank of Mauritius	25,000,000	-	-	-	-	25,000,000
Mauritius Development Loan Stocks	-	-	-	-	35,706,947	35,706,947
At 30 June 2004	**234,581,819**	**112,313,910**	**505,776,416**	**427,492,435**	**382,134,529**	**1,662,299,109**
At 30 June 2003	198,113,000	129,726,924	144,822,918	117,365,751	340,084,029	930,112,622

Loans and advances

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Above 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Special Line of Credit to EPZ Sector	2,250,542	1,421,966	202,634	-	-	3,875,142
Special Line of Credit to Category 1 Banks Against Collateral	27,875,181	28,531,675	29,243,410	29,736,811	173,728,739	289,115,816
Sugar Sector – Voluntary Retirement Scheme	44,283,799	75,508,084	100,041,602	105,056,912	1,250,640,138	1,575,530,535
National Equity Fund	-	-	-	-	72,957,147	72,957,147
Others	89,008,904	-	-	-	29,543,971	118,552,875
At 30 June 2004	**163,418,426**	**105,461,725**	**129,487,646**	**134,793,723**	**1,526,869,995**	**2,060,031,515**
At 30 June 2003	117,497,910	23,126,093	30,556,370	281,904,189	1,902,627,363	2,355,711,925

External assets

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Above 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Cash and Cash Equivalent	9,191,947,884	-	-	-	-	9,191,947,884
Other Balances and Placements	-	4,390,662,420	5,154,955,020	3,591,130,656	20,616,104,314	33,752,852,410
Other Investments	-	-	-	-	16,898,856	16,898,856
Interest Receivable	132,309,129	80,649,901	98,546,753	68,651,281	-	380,157,064
At 30 June 2004	**9,324,257,013**	**4,471,312,321**	**5,253,501,773**	**3,659,781,937**	**20,633,003,170**	**43,341,856,214**
At 30 June 2003	7,668,276,238	6,747,054,808	4,419,117,024	4,853,021,577	15,895,998,438	39,583,468,085

Liabilities

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Above 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Bank of Mauritius Bills	1,972,980,652	1,502,590,157	43,381,082	189,437,170	8,674,011,439	12,382,400,500
Bank of Mauritius Bills – Secondary Market	-	-	-	(167,054,943)	-	(167,054,943)
Bank of Mauritius Savings Bonds	-	-	-	-	1,159,900	1,159,900
At 30 June 2004	**1,972,980,652**	**1,502,590,157**	**43,381,082**	**22,382,227**	**8,675,171,339**	**12,216,505,457**
At 30 June 2003	1,319,900	-	-	-	-	1,319,900

22. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

This information can be obtained directly from the balance sheet and related notes in respect of credit exposures such as loans and deposits.

Foreign currency risk

The Bank of Mauritius has monetary assets and liabilities denominated in foreign currencies which consist mainly of Pound Sterling, US Dollar and Euro.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside a reserve for foreign exchange rate fluctuations which is used to cater for movements due to appreciation/depreciation in foreign exchange.

Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value and all changes in market conditions directly affect net trading income. Financial instruments held by the Bank are used mainly to conduct monetary policy.

23. REPURCHASE TRANSACTION

Repurchase transactions are conducted under the umbrella of the Master Repurchase Agreement that has been signed by all Category 1 banks with the Bank of Mauritius. The repurchase transactions are treated as secured loans received or granted without changes in the portfolio of bills given as collateral.

From the Central Bank point of view, reverse repurchase transactions involve absorbing liquidity from the domestic market by selling bills whereas repurchase transactions involve injecting liquidity in the market by purchasing bills.

As at 30 June 2004, Government of Mauritius Treasury Bills for a total nominal amount of Rs 350 million were pledged under reverse repurchase agreement in the course of open market transactions with a Category 1 bank.

24. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND

As a member of the IMF, Mauritius was allocated SDR 15,744,000 on which quarterly charges are payable. The Fund pays interest to the Bank of Mauritius on a quarterly basis on its SDR Holdings.

For revaluation purposes and quota subscription, the Bank maintains different accounts of the IMF. The IMF No 1 and No 2 accounts appear in the books of the Bank under the heading "Other Financial Institutions", whereas the Securities Account is kept off Balance Sheet.

Any increase in quota is subscribed in local currency and by any freely convertible currency. The value of the portion payable in freely convertible currency is debited to the account of Government maintained with the Bank and the quota increase in local currency is paid by way of non-negotiable, non-interest bearing securities issued by Government in favour of IMF, which are repayable on demand. These securities are lodged with the Bank acting as custodian and are kept in book entry form at the Bank as they form part of the accounts and records of Government.

The Bank of Mauritius revalues IMF accounts in its balance sheet in accordance with the practices of the IMF's Treasury Department. In general, the revaluation is effected annually and whenever the Fund makes use of Mauritius Rupees in accordance with the Designation Plan.

Glossary of Abbreviations

ABSA	Amalgamated Banks of South Africa
ACE	African Commerce Exchange
ACH	Automated Clearing House
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AMR	Aggregate Monetary Resources (M2)
ATI	African Trade Insurance
ATM	Automated Teller Machine
AU	African Union
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BLNS	Botswana, Lesotho, Namibia and Swaziland
BNPI	Banque Nationale de Paris Intercontinentale
BSA	Banking Supervision Application
CCBG	Committee of Central Bank Governors in SADC
COMESA	Common Market for Eastern and Southern Africa
COMPASS	COMESA Payment and Settlement System
CNP	Contributions Network Project
CPI	Consumer Price Index
CPIS	Coordinated Portfolio Investment Survey
CSE	Committee of Stock Exchanges of SADC
CSO	Central Statistics Office
DBM	Development Bank of Mauritius Ltd
DC	Development Certificates
DWC	Development Works Corporation
ECB	European Central Bank
EPZ	Export Processing Zone
ESAF	Eastern and Southern African Group of Bank Supervisors
EU	European Union
Ex-Dc	Ex-Development Certificate Holders
FISCU	Finance and Investment Sector Coordinating Unit
FOMC	Federal Open Market Committee
FSAP	Financial Sector Assessment Programme

FSC	Financial Services Commission
FTA	Free Trade Area
GDFCF	Gross Domestic Fixed Capital Formation
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GNDI	Gross National Disposable Income
GNI	Gross National Income
GNS	Gross National Savings
HBS	Household Budget Survey
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICM	Integrated Committee of SADC ministers
ICT	Information and Communication Technology
IDA	International Development Association
IIP	International Investment Position
IMF	International Monetary Fund
IPE	International Petroleum Exchange
IRCC	Inter Regional Coordinating Committee
IRS	Integrated Resorts Scheme
IVTB	Industrial and Vocational Training Board
LDBC	Less Developed Beneficiary Country
MACSS	Mauritius Automated Clearing and Settlement System
MAP	Millennium African Map
MDA	Management Discussion and Analysis
MDLS	Mauritius Development Loan Stocks
MFA	Multi Fibre Agreement
MoU	Memorandum of Understanding
MTPA	Mauritius Tourism Promotion Authority
MICR	Magnetic Ink Character Recognition
MSS	Mauritius Sugar Syndicate
NAI	New African Initiative
NEPAD	New Partnership for Africa's Development
NFA	Net Foreign Asset
NIR	Net International Reserves
NPF	National Pensions Fund
NWGs	National Workshop Groups
NYMEX	New York Mercantile Exchange
OAU	Organisation for African Unity
OBU	Offshore Banking Unit
OECD	Organisation for Economic Cooperation and Development
OGBS	Offshore Group of Banking Supervisors

OTC	Over The Counter
PAYE	Pay As You Earn
PLACH	Port Louis Automated Clearing House
PLCH	Port Louis Clearing House
POSB	Mauritius Post Office Savings Bank
PSSA	Private Secondary School Authority
PTA	Preferential Trade Area
R&D	Research & Development
REPSS	Regional Payment and Settlement System
RISDP	Regional Indicative Strategic Development Plan
RPIX	Retail Price Index excluding mortgage interest payments
RTFP	Regional Trade Facilitation Programme
RTGS	Real Time Gross Settlement
SADC	Southern African Development Community
SARB	South African Reserve Bank
SARS	Severe Acute Respiratory Syndrome
SEFER	Survey of Geographical Distribution of Securities Held as Foreign Exchange Reserves
SEM	The Stock Exchange of Mauritius Ltd
SEMDEX	Stock Exchange Market Index
SEMATS	Stock Exchange of Mauritius Automated Trading System
SEMTRI	SEM Total Return Index
SIC	State Investment Corporation
SITC	Standard International Trade Classification
SMC	Secondary Market Cell of the Bank of Mauritius
SMEs	Small and Medium Enterprises
SPA	SADC Programme of Action
SSA	Sub-Saharan Africa
SSSIO	Survey of Geographical Distribution of Securities Held by International Organisations
STC	State Trading Corporation
SWIFT	Society for Worldwide Interbank Financial Telecommunication
USAID	United States Agency for International Development
VAT	Value-Added Tax
VRS	Voluntary Retirement Scheme
WTO	World Trade Organisation
ZEP-RE	PTA Reinsurance Company

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Appendix I Statistical Tables

Notes

The following conventional signs are used:

. . Negligible

n.a. Not available

Table 1: Selected Economic Indicators

	Period	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Population-Republic of Mauritius [1]*	Mid-year		1,122,457	1,133,996	1,148,284	1,160,421	1,175,267	1,186,873 [5]	1,199,881	1,210,196	1,222,811	1,233,380
2. Tourist Arrivals***	Fiscal Year ended June		406,556	450,493	513,798	555,616	565,324	620,030	658,351	667,236	694,247	699,389
3. Tourist Earnings	Fiscal Year ended June	(Rs million)	7,038	8,094	9,408	11,026	12,764	14,344	15,527	19,045	17,998	22,394
4. Real GDP Growth Rate*	Calendar Year	(Per cent)	5.5	6.2	5.6	5.7	2.3	9.3	5.6	1.8 [2]	4.6 [2]	4.7 [4]
5. Gross Domestic Product (at market prices)*	Calendar Year	(Rs million)	70,283	79,086	88,099	99,564	107,444	119,494	132,219	142,161 [2]	157,696 [2]	174,485 [4]
6. Gross National Income (at market prices)*	Calendar Year	(Rs million)	69,951	78,297	87,727	98,927	106,850	118,711	132,612	142,557 [2]	156,903 [2]	173,675 [4]
7. GNI Per Capita (at market prices)*	Calendar Year	(Rupees)	62,310	69,035	76,414	85,239	90,902	99,995	110,494	117,769 [2]	128,286 [2]	140,856 [4]
8. Inflation Rate*	Fiscal Year ended June	(Per cent)	6.1	5.8	7.9	5.4	7.9	5.3	4.4	6.3	5.1	3.9
9. Unemployment Rate*	Mid-year	(Per cent)	5.1	5.8	6.6	6.9	7.7	8.8	9.1	9.7	10.2	n.a.
10. Current Account Balance	Fiscal Year ended June	(Rs million)	-3,856	-591	+346	-2,615	-1,622	-1,451	+4,257	+7,458	+3,554 [2]	+1,803 [3]
11. Overall Balance of Payments [6]	Fiscal Year ended June	(Rs million)	-1,009	+3,841	+1,600	-2,293	+690	+2,141	+5,107	+5,908	+9,099	+3,225
12. Net International Reserves	End-June	(Rs million)	15,007	19,304	21,443	21,349	22,575	25,214	31,760	40,551	48,414	50,021
13. Total Imports (c.i.f.)*	Fiscal Year ended June	(Rs million)	35,598	37,704	41,878	49,322	54,076	55,048	56,204	58,151	66,267 [2]	69,665 [3]
14. Total Exports (f.o.b.)*	Fiscal Year ended June	(Rs million)	25,482	29,090	33,128	36,279	41,702	38,845	45,222	47,938	53,247 [2]	54,499 [3]
15. Government Recurrent Revenue**	Fiscal Year ended June	(Rs million)	13,047	12,779	16,544	18,471	21,327	22,605	24,149	24,606	29,487	32,155 [2]
16. Government Recurrent Expenditure**	Fiscal Year ended June	(Rs million)	14,517	15,939	18,853	21,010	24,743	25,435	31,398	29,577	33,529	36,700 [2]
17. Government Capital Revenue**	Fiscal Year ended June	(Rs million)	1,113	6,380	3,324	3,944	1,695	2,461	5,073	4,895	3,153	7,432 [2]
18. Government Capital Expenditure**	Fiscal Year ended June	(Rs million)	3,192	4,058	5,743	3,420	3,700	3,926	4,505	5,058	7,015	7,125 [2]
19. Ratio of Budget Deficit to GDP at market prices**	Fiscal Year ended June	(Per cent)	3.7	5.6	4.5	3.7	3.6	3.8	6.7	6.0	6.2	5.6 [2]
20. External Debt: Central Government** [7]	End-June	(Rs million)	5,778	9,159	9,619	10,752	10,193	10,190	7,168	8,785	9,074	8,425 [3]
21. Internal Debt: Central Government	End-June	(Rs million)	21,701	24,706	30,241	34,619	40,819	46,641	53,394	67,095	86,413	85,002
22. Banking System Net Claims on Central Government	End-June	(Rs million)	13,529	14,798	15,759	17,358	16,014	18,469	17,578	18,980	21,476	35,346
23. Category 1 Banks' Claims on Private Sector (CPS)	End-June	(Rs million)	30,776	32,576	37,736	49,941	60,106	67,271	74,016	79,976	85,080	93,120
24. Growth Rate of CPS	Fiscal Year ended June	(Per cent)	14.4	5.8	15.8	32.3	20.4	11.9	10.0	8.1	6.4	9.4
25. Currency with Public	End-June	(Rs million)	3,767	4,162	4,307	4,651	4,876	5,172	5,735	6,466	7,488	8,480
26. Money Supply (M1)	End-June	(Rs million)	8,134	8,235	8,874	10,152	10,906	11,068	12,712	15,136	17,439	21,322
27. Aggregate Monetary Resources (M2)	End-June	(Rs million)	47,859	55,476	60,359	70,878	80,204	88,938	97,753	110,467	123,405	141,132
28. Growth Rate of M2	Fiscal Year ended June	(Per cent)	11.7	15.9	8.8	17.4	13.2	10.9	9.9	13.0	11.7	14.4
29. Total Private Sector Rupee Deposits with Category 1 Banks	End-June	(Rs million)	42,773	49,331	53,334	59,609	67,323	75,522	79,869	90,439	100,993	115,513

1 Excluding Agalega and Saint Brandon. *2 Revised estimates.* *3 Provisional.* *4 Forecast.*
5 Population Census figure adjusted for under-enumeration of young children. *6 As from 2001-02, valuation changes are excluded from reserve assets transactions.*
7 As from end-June 1999, external debt includes Treasury Bills held by foreign investors. *n.a.: Not available.*
Note: As from 2002-03, data on imports and exports include transactions through the Mauritius Freeport.
** Source: Central Statistics Office, Government of Mauritius.* *** Source: Ministry of Finance and Economic Development.* **** Source: Ministry of Tourism and Leisure.*

Table 2.1(a): Bank of Mauritius - Assets

(Rs million)

End of Period		EXTERNAL ASSETS				CLAIMS ON CENTRAL GOVERNMENT			CLAIMS ON CATEGORY 1 BANKS	CLAIMS ON NON-BANK DEPOSIT-TAKING INSTITUTIONS	OTHER ADVANCES	OTHER ASSETS	TOTAL ASSETS
		Special Drawing Rights	Balances with Banks	Eligible Securities	Total [1]	Treasury Bills and Government Stocks	Advances and Discounts	Total					
2001		641.8	12,471.4	12,071.1	**25,219.7**	2,171.6	0.0	**2,171.6**	660.3	215.7	75.5	476.2	**28,819.0**
2002		672.0	18,280.5	16,478.8	**35,616.6**	1,703.4	0.0	**1,703.4**	2,171.0	55.4	61.5	522.9	**40,130.9**
2003		665.8	23,351.8	16,530.0	**40,847.5**	799.6	0.0	**799.6**	2,156.7	15.8	41.7	541.7	**44,403.0**
2002	January	635.7	12,306.8	12,063.7	**25,020.8**	1,899.6	0.0	**1,899.6**	1,206.2	205.8	106.1	475.7	**28,914.2**
	February	636.1	12,824.2	12,631.4	**26,104.8**	1,881.4	0.0	**1,881.4**	1,403.6	196.3	81.0	481.2	**30,148.3**
	March	638.8	13,205.2	12,690.0	**26,725.5**	1,552.0	0.0	**1,552.0**	1,647.2	188.0	118.6	487.1	**30,718.5**
	April	648.8	13,631.9	12,710.1	**27,185.8**	1,429.5	0.0	**1,429.5**	1,683.5	177.3	83.4	493.2	**31,052.8**
	May	659.4	14,318.9	12,679.5	**27,860.3**	1,943.6	0.0	**1,943.6**	1,787.5	168.2	116.5	505.3	**32,381.3**
	June	669.4	17,026.3	12,001.9	**29,911.6**	1,942.3	0.0	**1,942.3**	1,874.8	156.2	100.7	529.9	**34,515.6**
	July	668.0	17,763.0	11,940.1	**30,557.2**	1,849.3	0.0	**1,849.3**	2,153.8	108.4	86.7	506.2	**35,261.6**
	August	668.5	18,719.0	12,022.9	**31,589.9**	1,625.8	0.0	**1,625.8**	2,156.9	102.0	81.6	507.4	**36,063.6**
	September	663.6	15,449.3	16,630.4	**32,926.9**	1,362.3	0.0	**1,362.3**	2,156.9	95.6	160.4	511.8	**37,214.0**
	October	663.6	15,749.2	16,727.1	**33,311.0**	1,275.0	0.0	**1,275.0**	2,168.0	64.6	67.3	519.3	**37,405.3**
	November	662.6	16,534.6	16,670.2	**34,054.7**	1,841.6	0.0	**1,841.6**	2,168.0	60.2	81.4	520.2	**38,726.2**
	December	672.0	18,280.5	16,478.8	**35,616.6**	1,703.4	0.0	**1,703.4**	2,171.0	55.4	61.5	522.9	**40,130.9**
2003	January	651.6	19,076.6	15,928.3	**35,832.8**	1,501.2	0.0	**1,501.2**	2,171.0	51.1	184.4	541.5	**40,282.1**
	February	644.6	18,586.5	15,708.6	**35,121.1**	1,316.1	0.0	**1,316.1**	2,171.0	47.2	69.9	539.7	**39,265.1**
	March	630.2	18,432.8	15,513.8	**34,782.3**	1,173.9	0.0	**1,173.9**	2,865.7	43.2	86.7	537.2	**39,489.0**
	April	633.0	19,059.5	15,458.7	**35,372.6**	1,098.3	0.0	**1,098.3**	2,171.0	39.5	68.6	537.5	**39,287.6**
	May	656.4	20,330.1	15,583.3	**36,821.8**	879.7	0.0	**879.7**	2,171.0	36.1	64.7	541.8	**40,515.1**
	June	690.3	22,731.7	15,896.0	**39,583.5**	905.1	0.0	**905.1**	2,171.0	32.7	152.0	490.0	**43,334.3**
	July	696.4	23,080.9	16,064.7	**40,117.5**	852.2	0.0	**852.2**	2,170.9	29.5	67.2	490.0	**43,727.3**
	August	680.4	22,956.7	15,845.6	**39,769.9**	732.0	0.0	**732.0**	2,174.3	26.7	65.0	490.9	**43,258.8**
	September	692.5	24,432.2	15,654.0	**41,097.8**	651.4	0.0	**651.4**	2,172.2	23.4	79.9	497.4	**44,522.1**
	October	696.4	25,710.6	15,623.0	**42,346.3**	737.4	0.0	**737.4**	2,168.8	20.8	73.3	508.6	**45,855.2**
	November	689.7	25,910.4	15,339.0	**42,272.2**	684.1	0.0	**684.1**	2,164.2	18.6	58.1	512.4	**45,709.7**
	December	665.8	23,351.8	16,350.0	**40,847.5**	799.6	0.0	**799.6**	2,156.7	15.8	41.7	541.7	**44,403.0**
2004	January	653.9	21,078.1	18,276.0	**40,281.5**	1,161.9	0.0	**1,161.9**	1,899.9	13.3	69.1	553.3	**43,979.0**
	February	649.2	20,879.0	18,860.1	**40,689.0**	1,321.9	0.0	**1,321.9**	1,894.7	11.2	53.4	566.9	**44,537.1**
	March	676.7	21,560.4	19,758.6	**42,340.3**	1,116.2	0.0	**1,116.2**	1,883.5	8.4	65.2	578.3	**45,992.0**
	April	688.0	21,061.7	20,499.5	**42,606.3**	1,813.3	0.0	**1,813.3**	1,882.9	6.6	128.0	1,127.0	**47,564.2**
	May	717.1	21,946.7	20,854.7	**43,893.7**	1,736.4	0.0	**1,736.4**	1,873.8	5.2	111.4	968.5	**48,589.0**
	June	715.0	21,613.7	20,633.0	**43,341.9**	1,637.3	0.0	**1,637.3**	1,864.6	3.9	191.5	1,305.8	**48,345.0**

[1] *Includes foreign notes and coin and suspense account interest receivable.*
Figures may not add up to totals due to rounding.

Table 2.1(b): Bank of Mauritius - Liabilities

(Rs million)

End of Period		Paid Up Capital and General Reserve Fund	RESERVE MONEY: Currency with Public	RESERVE MONEY: Currency with Category 1 Banks	RESERVE MONEY: BoM Bills Held by Category 1 Banks	RESERVE MONEY: Demand Deposits: Category 1 Banks	RESERVE MONEY: Demand Deposits: Other[1]	RESERVE MONEY: Total	Government Deposits	Current Account of International Organisations and Others	BoM Bills Held by Non-Bank Sector	Other Liabilities[2]	TOTAL LIABILITIES
2001		33.0	7,329.0	3,062.8		2,450.1	149.7	**12,991.6**	755.8	19.8		15,018.8	**28,819.0**
2002		33.0	8,286.1	3,181.6		3,341.5	113.6	**14,922.7**	9,392.2	27.7		15,755.3	**40,130.9**
2003		33.0	9,347.0	3,714.8	5,547.2	3,138.7	115.4	**21,863.1**	5,732.2	39.0	2,994.7	13,741.0	**44,403.0**
2002	January	33.0	6,641.8	2,400.3		3,473.4	291.1	**12,806.7**	1,219.6	16.1		14,838.8	**28,914.2**
	February	33.0	6,389.6	2,279.2		3,436.1	116.4	**12,221.3**	2,423.3	42.5		15,428.2	**30,148.3**
	March	33.0	6,511.1	1,954.6		3,858.9	134.8	**12,459.4**	2,469.5	19.3		15,737.3	**30,718.5**
	April	33.0	6,415.6	2,009.2		3,755.2	118.4	**12,298.4**	2,683.5	30.7		16,007.2	**31,052.8**
	May	33.0	6,449.4	1,993.5		3,791.5	204.3	**12,438.7**	3,134.4	20.7		16,754.5	**32,381.3**
	June	33.0	6,466.4	2,066.8		4,239.7	151.7	**12,924.7**	5,206.4	34.7		16,316.9	**34,515.6**
	July	33.0	6,533.3	2,239.4		3,914.1	173.0	**12,859.7**	6,179.6	36.2		16,153.1	**35,261.6**
	August	33.0	6,685.2	2,052.2		3,705.0	90.6	**12,533.0**	7,235.4	36.8		16,225.4	**36,063.6**
	September	33.0	6,714.1	2,017.7		3,875.2	198.4	**12,805.5**	8,051.7	40.9		16,282.8	**37,214.0**
	October	33.0	6,714.2	2,254.2		3,801.0	152.4	**12,921.7**	8,049.6	36.2		16,364.7	**37,405.3**
	November	33.0	7,100.3	2,197.2		3,964.7	425.7	**13,687.9**	8,696.1	46.7		16,262.4	**38,726.2**
	December	33.0	8,286.1	3,181.6		3,341.5	113.6	**14,922.7**	9,392.2	27.7		15,755.3	**40,130.9**
2003	January	33.0	7,483.7	2,257.2		3,852.3	266.8	**13,860.0**	11,474.5	40.3		14,874.3	**40,282.1**
	February	33.0	7,359.1	2,021.4		4,697.2	232.8	**14,310.5**	10,700.0	45.0		14,176.6	**39,265.1**
	March	33.0	7,354.1	2,071.7		4,813.0	444.0	**14,682.9**	11,033.5	58.9		13,680.7	**39,489.0**
	April	33.0	7,321.6	2,117.4		4,075.2	137.0	**13,651.2**	11,608.6	66.4		13,928.5	**39,287.6**
	May	33.0	7,490.2	2,101.8		4,486.5	182.7	**14,261.3**	11,026.7	111.8		15,082.3	**40,515.1**
	June	33.0	7,487.9	2,100.3		4,991.6	196.0	**14,775.9**	11,967.5	120.7		16,437.3	**43,334.3**
	July	33.0	7,605.9	2,137.7		4,519.3	113.3	**14,376.2**	12,714.4	90.8		16,512.8	**43,727.3**
	August	33.0	7,780.0	2,214.9	618.1	4,689.5	125.5	**15,427.9**	12,062.5	35.3	179.3	15,520.8	**43,258.8**
	September	33.0	7,719.4	2,239.7	2,350.7	4,573.4	128.5	**17,011.7**	10,269.5	45.3	965.5	16,197.1	**44,522.1**
	October	33.0	7,883.0	2,450.8	3,794.5	4,498.0	134.2	**18,760.4**	8,638.5	51.0	1,855.9	16,516.4	**45,855.2**
	November	33.0	8,221.9	2,480.1	5,141.1	4,478.3	192.2	**20,513.7**	6,538.5	55.9	2,582.1	15,986.3	**45,709.7**
	December	33.0	9,347.0	3,714.8	5,547.2	3,138.7	115.4	**21,863.1**	5,732.2	39.0	2,994.7	13,741.0	**44,403.0**
2004	January	33.0	8,569.3	2,760.2	6,353.9	5,091.0	157.3	**22,931.7**	4,324.2	67.9	3,706.6	12,915.6	**43,979.0**
	February	33.0	8,388.0	2,595.5	6,551.4	5,499.5	147.9	**23,182.3**	4,206.7	50.6	3,817.5	13,247.0	**44,537.1**
	March	33.0	8,295.4	2,591.8	6,631.9	6,584.8	154.7	**24,258.7**	2,778.4	34.1	4,145.9	14,741.9	**45,992.0**
	April	33.0	8,405.5	2,400.5	7,397.3	6,048.5	175.1	**24,426.9**	1,973.2	56.5	4,169.3	16,905.2	**47,564.2**
	May	33.0	8,527.0	2,401.7	7,285.2	5,566.3	160.7	**23,941.0**	2,100.4	45.0	4,073.9	18,395.7	**48,589.0**
	June	33.0	8,479.6	2,386.3	7,492.1	6,321.9	225.0	**24,904.9**	2,355.9	51.0	3,917.1	17,083.1	**48,345.0**

[1] Include deposits of certain Parastatal Bodies. *[2] Include Other Reserves.*
Figures may not add up to totals due to rounding.

Table 2.2: Bank of Mauritius Claims on Government

(Rs million)

End of Month		Government Stocks	Treasury Bills	Advances	Total
2002	January	1,104.9	794.7	0.0	**1,899.6**
	February	1,184.8	696.6	0.0	**1,881.4**
	March	720.3	831.7	0.0	**1,552.0**
	April	546.3	883.2	0.0	**1,429.5**
	May	619.5	1,324.1	0.0	**1,943.6**
	June	770.3	1,172.0	0.0	**1,942.3**
	July	770.5	1,078.8	0.0	**1,849.3**
	August	649.8	976.0	0.0	**1,625.8**
	September	552.6	809.6	0.0	**1,362.3**
	October	505.5	769.5	0.0	**1,275.0**
	November	495.1	1,346.5	0.0	**1,841.6**
	December	478.9	1,224.5	0.0	**1,703.4**
2003	January	291.0	1,210.2	0.0	**1,501.2**
	February	300.4	1,015.7	0.0	**1,316.1**
	March	212.0	961.9	0.0	**1,173.9**
	April	245.7	852.6	0.0	**1,098.3**
	May	204.1	675.6	0.0	**879.7**
	June	41.8	863.3	0.0	**905.1**
	July	40.8	811.4	0.0	**852.2**
	August	41.2	690.8	0.0	**732.0**
	September	39.3	612.2	0.0	**651.4**
	October	39.5	697.9	0.0	**737.4**
	November	38.5	645.6	0.0	**684.1**
	December	38.6	760.9	0.0	**799.5**
2004	January	37.2	1,124.7	0.0	**1,161.9**
	February	35.4	1,286.5	0.0	**1,321.9**
	March	33.6	1,082.7	0.0	**1,116.2**
	April	33.4	1,779.9	0.0	**1,813.3**
	May	35.0	1,701.3	0.0	**1,736.3**
	June	35.7	1,601.6	0.0	**1,637.3**

Figures may not add up to totals due to rounding.

Table 2.3: Currency in Circulation

(Rs million)

End of Month	BANKNOTES												COINS														TOTAL NOTES AND COINS
	Demone-tized Currency Notes	Rs5	Rs10	Rs20	Rs25	Rs50	Rs100	Rs200	Rs500	Rs1000	Rs2000	Total	Comme-morative Coins	Gold Bullion Coins	Rs10	Rs5	Re1	50c	25c	20c	10c	5c	2c	1c	Total	
2002 January	21.2	4.7	34.0	1.7	96.2	178.4	918.6	1,155.9	1,722.3	3,863.2	708.2	**8,704.4**	6.9	12.3	136.5	58.6	72.0	17.2	6.4	20.5	2.4	4.4	0.3	0.2	**337.7**	**9,042.1**
February	21.2	4.7	33.9	1.7	93.8	169.6	879.1	1,098.9	1,673.2	3,659.2	698.1	**8,333.4**	6.9	12.3	134.7	57.8	72.0	17.4	6.4	20.6	2.4	4.4	0.3	0.2	**335.4**	**8,668.8**
March	21.2	4.7	33.9	1.7	90.9	171.5	851.4	1,082.6	1,628.4	3,565.9	683.6	**8,135.8**	6.9	12.3	129.4	57.6	71.8	17.4	6.4	20.7	2.4	4.5	0.3	0.2	**329.9**	**8,465.7**
April	21.2	4.7	33.8	1.7	92.2	169.5	836.1	1,087.2	1,592.7	3,568.3	689.7	**8,097.1**	6.9	12.3	129.0	55.9	71.6	17.4	6.4	20.8	2.4	4.5	0.3	0.2	**327.7**	**8,424.8**
May	21.2	4.7	33.7	1.7	90.7	170.6	823.6	1,071.4	1,517.0	3,675.1	705.3	**8,115.0**	6.9	12.4	129.0	55.9	71.6	17.4	6.4	20.9	2.4	4.5	0.3	0.2	**327.9**	**8,442.9**
June	21.2	4.7	33.7	1.7	88.2	169.3	828.1	1,062.4	1,478.3	3,777.5	737.8	**8,202.9**	6.9	12.4	130.8	56.3	71.8	17.5	6.4	21.0	2.4	4.5	0.3	0.2	**330.5**	**8,533.4**
July	21.2	4.7	33.6	1.7	92.7	172.8	856.3	1,093.0	1,515.5	3,920.5	731.0	**8,443.0**	6.9	12.4	130.7	55.6	71.7	17.5	6.4	21.1	2.4	4.5	0.3	0.2	**329.7**	**8,772.7**
August	21.2	4.6	33.6	1.7	94.0	175.6	852.2	1,093.3	1,493.2	3,904.5	731.7	**8,405.6**	6.9	12.4	132.0	55.9	72.0	17.5	6.4	21.2	2.4	4.6	0.3	0.2	**331.8**	**8,737.4**
September	21.2	4.6	33.5	1.7	97.9	176.3	853.4	1,106.7	1,498.9	3,872.8	730.2	**8,397.2**	6.9	12.3	133.8	56.5	72.2	17.6	6.4	21.4	2.4	4.6	0.3	0.2	**334.6**	**8,731.8**
October	21.2	4.6	33.5	1.7	101.0	181.8	859.2	1,134.9	1,529.8	4,011.5	751.3	**8,630.5**	6.9	12.4	135.0	57.8	72.7	17.7	6.4	21.5	2.4	4.6	0.3	0.2	**337.9**	**8,968.4**
November	21.2	4.6	33.4	1.7	109.9	191.1	892.2	1,188.5	1,556.2	4,201.3	751.9	**8,952.0**	6.9	12.4	139.7	59.2	73.8	17.9	6.4	21.7	2.4	4.6	0.3	0.2	**345.5**	**9,297.5**
December	21.1	4.6	33.4	1.7	115.9	207.8	1,063.8	1,466.5	1,967.9	5,439.1	790.8	**11,112.6**	6.9	12.4	144.6	61.9	75.4	18.0	6.4	21.8	2.4	4.7	0.3	0.2	**355.0**	**11,467.6**
2003 January	21.1	4.6	33.4	1.7	111.6	194.2	911.9	1,207.0	1,637.6	4,483.2	775.2	**9,381.5**	6.9	12.4	146.8	63.0	76.2	18.1	6.4	22.0	2.4	4.7	0.3	0.2	**359.4**	**9,740.9**
February	21.1	4.6	33.4	1.7	103.8	182.7	875.4	1,153.8	1,537.3	4,338.5	771.5	**9,023.8**	6.9	12.4	144.7	62.2	76.2	18.2	6.4	22.1	2.4	4.7	0.3	0.2	**356.7**	**9,380.5**
March	21.1	4.6	33.3	1.7	100.1	184.2	862.0	1,167.5	1,572.4	4,335.7	788.6	**9,071.2**	6.9	12.4	143.5	61.0	76.2	18.3	6.4	22.3	2.4	4.7	0.3	0.2	**354.6**	**9,425.8**
April	21.1	4.6	33.3	1.7	98.8	183.2	864.3	1,173.4	1,523.2	4,394.3	788.3	**9,086.2**	6.9	12.4	141.7	60.3	76.6	18.3	6.4	22.4	2.4	4.7	0.3	0.2	**352.8**	**9,439.0**
May	21.1	4.6	33.2	1.7	96.9	182.1	855.7	1,148.3	1,543.4	4,558.8	792.9	**9,238.9**	6.9	12.4	141.7	60.3	76.8	18.4	6.4	22.6	2.4	4.8	0.3	0.2	**353.2**	**9,592.1**
June	21.1	4.6	33.2	1.7	97.2	181.5	839.8	1,149.7	1,533.5	4,580.2	792.0	**9,234.5**	6.9	12.4	142.0	60.4	76.8	18.4	6.4	22.7	2.4	4.8	0.3	0.2	**353.7**	**9,588.2**
July	21.1	4.6	33.2	1.7	99.9	181.4	864.9	1,170.8	1,526.9	4,668.6	817.6	**9,390.8**	6.9	12.4	140.7	60.4	77.0	18.5	6.4	22.8	2.4	4.8	0.3	0.2	**352.8**	**9,743.6**
August	21.1	4.6	33.2	1.7	99.7	185.1	889.1	1,227.5	1,514.7	4,841.9	821.9	**9,640.5**	6.9	12.4	141.0	60.7	77.6	18.6	6.4	23.0	2.4	4.9	0.3	0.2	**354.4**	**9,994.9**
September	21.1	4.6	33.1	1.7	99.2	188.4	921.7	1,230.9	1,475.3	4,797.1	830.0	**9,603.1**	6.9	12.4	141.5	61.2	78.0	18.7	6.4	23.1	2.4	4.9	0.3	0.2	**356.0**	**9,959.1**
October	21.1	4.6	33.1	1.7	100.0	190.9	931.3	1,268.4	1,542.7	5,039.3	840.1	**9,973.2**	6.9	12.4	144.7	61.9	78.3	18.8	6.4	23.3	2.4	4.9	0.3	0.2	**360.5**	**10,333.7**
November	21.1	4.6	33.1	1.7	107.8	200.4	960.2	1,297.2	1,635.9	5,219.4	852.4	**10,333.8**	6.9	12.4	148.9	64.1	79.3	18.9	6.4	23.4	2.4	5.0	0.3	0.2	**368.2**	**10,702.0**
December	21.1	4.6	33.1	1.7	126.3	230.0	1,200.9	1,641.1	2,136.9	6,387.0	898.7	**12,681.2**	6.9	12.4	155.7	67.1	81.3	19.2	6.4	23.6	2.4	5.0	0.3	0.2	**380.6**	**13,061.8**
2004 January	21.1	4.6	33.0	1.7	119.1	219.3	1,087.8	1,423.5	1,687.6	5,455.4	893.6	**10,946.7**	6.9	12.4	156.8	67.7	81.6	19.2	6.4	23.7	2.4	5.1	0.3	0.2	**382.7**	**11,329.5**
February	21.1	4.6	33.0	1.7	112.8	211.4	1,029.1	1,328.1	1,611.4	5,388.7	858.4	**10,600.2**	6.9	12.4	156.8	67.7	81.9	19.3	6.4	23.8	2.4	5.1	0.3	0.2	**383.3**	**10,983.5**
March	21.1	4.6	33.0	1.7	108.0	200.9	988.8	1,255.1	1,577.0	5,459.0	858.4	**10,507.4**	6.9	12.4	155.6	65.3	81.8	19.3	6.4	24.0	2.4	5.1	0.3	0.2	**379.8**	**10,887.2**
April	21.1	4.6	33.0	1.6	112.1	203.5	956.3	1,236.2	1,536.5	5,472.1	853.4	**10,430.4**	6.9	12.4	152.7	63.9	81.9	19.3	6.4	24.1	2.4	5.1	0.3	0.2	**375.6**	**10,806.0**
May	21.1	4.6	33.0	1.6	114.1	196.2	937.6	1,228.9	1,548.1	5,613.3	854.2	**10,552.7**	6.9	12.5	152.8	63.6	82.0	19.5	6.4	24.2	2.4	5.2	0.3	0.2	**376.0**	**10,928.7**
June	21.1	4.6	33.0	1.6	116.6	198.1	897.4	1,167.9	1,544.6	5,670.4	834.7	**10,490.0**	6.9	12.5	151.8	64.1	82.2	19.5	6.4	24.3	2.4	5.2	0.3	0.2	**375.8**	**10,865.9**

Figures may not add up to totals due to rounding.

Table 2.4(a): Category 1 Banks - Assets

(Rs million)

End of Period		RESERVES				FOREIGN ASSETS				CLAIMS ON GOVERNMENT				CLAIMS ON PRIVATE SECTOR					CLAIMS ON CATEGORY 2 BANKS [3]	OTHER ASSETS [4]	TOTAL ASSETS	Acceptances, Documentary Credits and Guarantees[5]
		Cash in Hand	Balances with Bank of Mauritius	Bank of Mauritius Bills	Total	Balances with Banks Abroad	Foreign Bills Discounted	Foreign Notes and Coins	Total [1]	Treasury Bills	Government Securities	Advances	Total	Local Bills Discounted	Bills Receivable	Local Investments	Loans and Advances [2]	Total				
2001		3,062.8	2,450.1		5,512.9	6,313.3	2,375.9	409.9	12,978.1	16,120.8	2,036.6	129.1	18,286.5	797.0	2,141.2	12,776.4	62,176.9	77,891.5	1,282.9	10,777.4	126,729.3	13,702.7
2002		3,181.6	3,341.5		6,523.1	6,546.0	2,299.8	355.4	13,591.6	26,464.9	2,183.1	0.0	28,648.0	682.4	2,011.7	9,902.4	71,380.2	83,976.7	893.9	12,442.5	146,075.8	15,456.1
2003		3,714.8	3,140.1	5,595.3	12,450.1	7,202.6	1,666.9	275.2	13,125.1	30,000.4	2,361.3	0.0	32,361.8	636.8	2,219.2	8,942.4	76,625.9	88,424.2	1,918.7	13,401.8	161,681.7	17,640.0.
2002	January	2,400.3	3,473.4		5,873.7	6,793.9	1,983.3	295.1	12,895.6	17,085.4	1,997.9	0.0	19,083.3	743.4	2,196.2	12,572.5	63,385.6	78,897.8	1,710.6	10,237.4	128,698.3	13,006.7
	February	2,279.2	3,436.2		5,715.5	7,052.1	1,627.2	232.4	13,131.2	17,726.6	1,970.1	5.7	19,702.4	739.6	2,153.0	12,478.9	62,948.0	78,319.5	1,802.8	10,249.9	128,921.4	12,899.3
	March	1,954.6	3,859.0		5,813.5	7,579.7	1,513.4	204.9	13,514.6	18,196.7	2,257.1	9.0	20,462.8	712.5	2,129.6	12,295.2	63,659.8	78,797.1	1,673.3	10,605.9	130,867.3	13,690.8
	April	2,009.2	3,754.0		5,763.1	6,823.0	1,515.5	196.6	12,638.8	18,817.1	2,257.1	48.9	21,123.0	670.7	1,948.0	12,126.4	63,665.9	78,411.0	1,196.8	10,415.2	129,547.9	14,129.5
	May	1,993.5	3,790.8		5,784.3	7,125.9	1,631.1	140.3	13,152.0	19,422.0	2,232.7	60.4	21,715.0	683.1	1,790.0	11,776.9	64,803.1	79,053.1	1,545.9	10,748.7	131,999.0	14,629.2
	June	2,066.8	4,239.7		6,306.5	6,877.1	1,921.0	167.2	13,265.8	20,573.4	1,945.6	0.0	22,519.0	693.3	1,702.1	11,545.3	66,035.0	79,975.7	1,489.2	11,123.5	134,679.8	15,053.2
	July	2,239.4	3,914.1		6,153.5	6,006.0	2,110.1	181.7	12,499.1	21,978.7	2,026.1	0.0	24,004.8	642.1	1,661.3	10,968.3	67,307.5	80,579.2	1,520.4	11,194.6	135,951.5	15,628.8
	August	2,052.2	3,705.0		5,757.2	6,123.0	2,105.0	169.5	12,564.4	23,076.6	2,132.5	0.0	25,209.2	654.4	1,706.5	11,683.1	67,728.1	81,772.2	1,508.0	11,483.5	138,294.5	16,552.9
	September	2,017.7	3,875.2		5,893.0	6,590.3	2,107.9	180.2	13,353.2	24,891.3	2,145.9	0.0	27,037.2	648.6	1,653.7	11,002.5	68,237.5	81,542.3	1,539.4	11,840.1	141,205.1	16,761.0
	October	2,254.2	3,801.0		6,055.1	5,846.5	2,199.6	198.3	12,683.7	24,808.7	2,145.9	0.0	26,954.6	651.8	2,120.2	10,310.3	69,537.9	82,620.2	1,707.3	11,547.8	141,568.8	16,020.6
	November	2,197.2	3,964.7		6,161.9	6,061.7	2,298.1	194.7	12,959.0	25,279.7	2,145.9	0.0	27,425.6	659.1	2,056.1	10,263.7	70,552.4	83,531.3	1,103.1	12,291.9	143,472.8	15,946.8
	December	3,181.6	3,341.5		6,523.1	6,546.0	2,299.8	355.4	13,591.6	26,464.9	2,183.1	0.0	28,648.0	682.4	2,011.7	9,902.4	71,380.2	83,976.7	893.9	12,442.5	146,075.8	15,456.1
2003	January	2,257.2	3,852.3		6,109.5	7,113.4	1,813.8	175.7	13,368.8	27,889.7	2,097.5	0.0	29,987.2	658.4	2,082.4	10,719.1	70,291.0	83,750.9	1,109.9	12,291.1	146,617.5	15,335.4
	February	2,021.4	4,697.2		6,718.6	7,085.6	1,772.1	146.5	13,304.0	27,855.9	2,097.5	0.0	29,953.4	642.7	1,930.6	10,699.7	70,669.8	83,942.8	774.1	11,932.3	146,625.2	15,425.0
	March	2,071.7	4,814.8		6,886.5	6,966.6	1,764.8	178.9	13,157.2	28,698.6	1,974.7	0.0	30,673.3	630.7	2,018.6	10,330.5	70,894.6	83,874.4	1,137.2	12,071.2	147,799.8	16,187.8
	April	2,117.4	4,065.3		6,182.7	6,325.4	1,728.5	196.7	12,520.3	28,733.7	1,939.9	0.0	30,673.6	628.4	1,953.8	10,123.9	71,817.1	84,523.1	1,233.8	12,136.7	147,270.2	15,947.3
	May	2,101.8	4,486.5		6,588.3	7,022.9	1,826.0	171.3	13,442.8	28,427.6	1,980.3	0.0	30,407.9	661.8	1,872.3	10,274.4	72,409.3	85,217.8	1,491.0	12,509.3	149,657.1	15,933.5
	June	2,100.3	4,997.8		7,098.1	7,604.5	2,294.4	190.2	14,750.2	31,206.2	1,965.0	0.0	33,171.3	648.1	1,939.7	8,881.4	73,610.8	85,080.1	1,125.6	13,334.5	154,559.7	17,051.7
	July	2,137.7	4,518.3		6,656.0	7,536.6	2,128.8	231.7	14,075.9	31,410.8	1,933.8	0.2	33,344.8	615.3	2,144.5	8,635.7	74,279.1	85,674.6	1,133.6	13,049.1	153,933.8	16,254.0
	August	2,214.9	4,689.6	618.1	7,522.5	7,754.0	1,863.0	146.5	13,908.6	32,566.3	2,034.8	0.0	34,601.1	626.0	2,097.6	8,661.8	74,460.5	85,845.8	1,156.0	12,617.4	155,651.5	16,813.8
	September	2,239.7	4,574.9	2,354.6	9,169.2	7,709.8	1,549.6	195.1	13,555.7	31,501.3	2,227.1	0.1	33,728.4	586.4	2,313.1	9,253.8	74,551.9	86,705.2	1,744.5	12,936.0	157,839.0	16,662.0
	October	2,450.8	4,497.8	3,800.9	10,749.5	7,715.4	1,374.7	174.7	13,382.0	30,659.1	2,227.1	0.0	32,886.2	596.0	2,117.3	9,078.9	75,414.0	87,206.2	1,524.1	12,812.4	158,560.4	16,935.7
	November	2,480.1	4,476.5	5,156.7	12,113.4	7,365.7	1,610.6	206.9	13,191.0	29,760.7	2,332.8	3.0	32,096.5	604.0	2,256.1	9,108.1	75,607.6	87,575.8	1,444.0	13,212.3	159,632.9	16,647.1
	December	3,714.8	3,140.1	5,595.3	12,450.1	7,202.6	1,666.9	275.2	13,125.1	30,000.4	2,361.3	0.0	32,361.8	636.8	2,219.2	8,942.4	76,625.9	88,424.2	1,918.7	13,401.8	161,681.7	17,640.0
2004	January	2,760.2	5,083.6	6,591.7	14,435.5	6,925.0	1,512.4	174.8	12,597.2	29,255.1	2,361.4	0.0	31,586.4	659.5	2,340.0	8,915.0	77,689.8	89,604.2	1,656.7	12,635.9	162,515.9	16,298.9
	February	2,595.5	5,479.1	6,662.9	14,737.5	6,178.8	1,429.2	157.7	11,791.9	30,054.7	2,361.4	0.2	32,416.3	686.1	2,273.3	8,818.1	77,495.4	89,273.0	1,956.3	12,686.9	162,861.9	15,594.7
	March	2,591.8	6,580.2	6,692.2	15,864.2	6,512.8	1,733.2	176.9	12,510.3	30,155.5	2,774.7	0.0	32,930.2	734.1	2,082.0	8,658.2	76,584.3	88,058.6	2,436.2	12,723.6	164,523.2	16,191.7
	April	2,400.5	6,040.9	7,473.4	15,914.8	6,797.9	1,590.3	156.6	12,550.5	31,618.0	2,697.3	0.0	34,315.3	791.9	2,337.2	8,566.3	77,219.6	88,915.0	2,932.9	12,937.7	167,566.2	16,812.9
	May	2,401.7	5,567.5	7,363.3	15,332.5	7,027.2	2,015.3	215.9	13,339.1	33,907.9	2,697.3	0.0	36,605.2	829.1	2,398.7	8,491.0	78,045.6	89,764.3	2,583.3	13,064.1	170,688.5	17,504.7
	June	2,386.3	6,322.8	7,586.6	16,295.7	6,438.1	1,778.7	135.9	12,315.8	34,496.8	2,787.0	0.1	37,283.9	874.0	2,398.2	8,524.6	81,322.7	93,119.6	1,948.8	13,676.8	174,640.7	17,765.5

[1] Includes foreign securities and loans to nonresidents.
[2] Includes Loans and Other Financing in Foreign Currency in Mauritius.
[3] Includes balances and investments.
[4] Include interbank loans and claims on Category 1 banks.
[5] For a breakdown, see Table 2.4(b).
Figures may not add up to totals due to rounding.

Table 2.4(b): Category 1 Banks - Liabilities

(Rs million)

End of Period		Capital and Reserves	PRIVATE SECTOR DEPOSITS				Government Deposits	Foreign Currency Deposits	Interbank Deposits	Credit from Bank of Mauritius	BORROWINGS FROM			Bills Payable	Other Liabilities[3]	TOTAL LIABILITIES	Acceptances on Account of Customers	Documentary Credits	Guarantees
			Demand[1]	Time	Savings[2]	Total					Category 1 Banks	Banks Abroad	Category 2 Banks						
2001		12,037.2	7,974.9	35,676.5	41,881.8	**85,533.2**	225.0	12,257.3	310.0	660.3	0.0	2,986.4	1,296.8	185.2	11,238.0	**126,729.3**	640.3	3,543.2	9,519.2
2002		14,477.0	9,759.1	39,688.6	47,419.9	**96,867.6**	234.1	13,117.8	143.0	2,171.0	48.0	5,741.7	849.8	148.0	12,277.8	**146,075.8**	685.7	3,900.9	10,869.6
2003		15,602.8	10,940.5	43,054.8	54,210.3	**108,205.6**	207.7	13,631.4	695.0	2,157.0	3.0	5,877.6	269.7	193.9	14,837.8	**161,681.7**	663.7	5,500.9	11,475.3
2002	January	12,331.3	8,036.7	35,959.6	43,066.2	**87,062.5**	187.8	12,742.5	10.0	1,206.2	0.0	2,997.2	1,104.0	122.5	10,934.3	**128,698.3**	613.4	3,322.0	9,071.3
	February	12,337.6	7,300.0	35,992.6	43,769.2	**87,061.8**	169.6	13,182.8	285.0	1,403.6	0.0	2,667.8	1,137.5	131.3	10,544.5	**128,921.4**	579.5	3,177.1	9,142.8
	March	12,317.8	7,545.7	36,366.9	44,184.9	**88,097.5**	159.5	13,217.2	312.9	1,647.2	0.0	2,447.2	1,272.0	118.3	11,277.5	**130,867.3**	497.1	3,318.9	9,874.8
	April	12,172.0	7,760.4	36,861.2	43,761.7	**88,383.3**	203.7	12,785.5	170.0	1,684.8	138.0	2,085.9	508.2	106.4	11,310.0	**129,547.9**	507.2	3,393.2	10,229.1
	May	12,368.7	7,930.0	37,232.8	44,331.6	**89,494.4**	168.6	13,749.5	65.0	1,787.5	131.9	2,188.4	529.4	130.9	11,384.8	**131,999.0**	531.8	3,485.1	10,612.2
	June	12,747.2	8,517.5	37,060.7	44,860.7	**90,438.9**	426.3	13,410.1	0.0	1,874.8	0.0	3,203.4	681.4	213.5	11,684.2	**134,679.8**	559.7	3,664.7	10,828.8
	July	12,798.0	8,353.6	37,749.0	44,760.7	**90,863.3**	178.7	13,311.5	10.0	2,153.8	0.0	3,569.4	920.1	112.2	12,034.5	**135,951.5**	548.1	3,832.9	11,247.8
	August	13,904.4	8,213.4	38,265.8	45,293.3	**91,772.5**	172.8	13,092.3	345.0	2,156.9	0.0	3,689.5	1,148.8	163.8	11,848.5	**138,294.5**	566.6	4,288.2	11,698.0
	September	14,607.3	8,740.0	38,833.9	45,247.8	**92,821.7**	171.9	13,260.5	627.0	2,156.9	0.0	4,063.5	1,419.1	220.7	11,856.5	**141,205.1**	553.8	4,712.9	11,494.3
	October	14,823.6	8,266.4	39,600.9	45,357.0	**93,224.3**	182.7	12,907.5	275.0	2,168.0	0.0	5,282.7	806.3	167.0	11,731.7	**141,568.8**	615.7	4,353.0	11,051.9
	November	14,473.9	8,847.9	39,931.4	46,095.2	**94,874.6**	194.5	12,673.9	150.0	2,168.0	50.0	5,259.5	935.1	141.5	12,551.8	**143,472.8**	732.5	3,966.4	11,247.9
	December	14,477.0	9,759.1	39,688.6	47,419.9	**96,867.6**	234.1	13,117.8	143.0	2,171.0	48.0	5,741.7	849.8	148.0	12,277.8	**146,075.8**	685.7	3,900.9	10,869.6
2003	January	15,653.8	9,038.1	39,699.5	48,191.2	**96,928.7**	220.4	12,864.4	290.0	2,172.7	0.0	5,265.4	983.7	184.8	12,053.6	**146,617.5**	628.8	3,650.1	11,056.6
	February	15,636.1	8,756.9	39,879.0	49,437.5	**98,073.4**	217.5	12,607.9	40.0	2,172.5	3.5	4,967.0	722.5	175.2	12,009.5	**146,625.2**	502.9	3,793.7	11,128.4
	March	15,658.5	8,931.4	40,702.2	49,165.6	**98,799.3**	179.1	12,957.5	0.0	2,867.4	0.2	4,900.2	640.6	158.6	11,638.5	**147,799.8**	438.9	3,597.3	12,151.7
	April	15,691.6	8,553.3	40,931.5	48,989.1	**98,473.9**	171.1	12,670.0	0.0	2,172.7	0.0	5,183.2	660.9	140.1	12,106.8	**147,270.2**	456.9	3,551.5	11,938.8
	May	15,711.7	8,756.0	41,365.0	48,753.3	**98,874.3**	156.5	13,333.1	28.0	2,172.7	0.0	5,637.6	818.4	140.6	12,784.0	**149,657.1**	481.9	3,736.3	11,715.3
	June	14,414.3	9,755.0	41,808.9	49,428.8	**100,992.7**	575.0	14,727.9	40.0	2,172.6	0.4	6,765.8	789.0	154.5	13,927.5	**154,559.7**	450.9	4,189.1	12,411.7
	July	14,239.3	9,284.0	41,538.3	50,314.7	**101,137.0**	161.2	14,487.8	575.0	2,172.4	0.0	6,627.2	598.6	145.2	13,790.2	**153,933.8**	503.4	4,210.8	11,539.8
	August	14,290.2	9,145.6	43,080.0	51,385.8	**103,611.3**	128.4	14,356.6	0.0	2,175.9	0.0	6,709.1	575.5	222.0	13,582.4	**155,651.5**	637.6	4,283.3	11,892.9
	September	14,766.6	9,617.4	42,914.4	51,250.3	**103,782.0**	183.5	14,527.8	65.0	2,173.4	0.0	6,703.2	345.2	223.6	15,068.6	**157,839.0**	679.1	4,930.9	11,052.0
	October	15,350.4	9,766.6	43,503.9	51,526.0	**104,796.5**	145.2	13,795.6	0.0	2,169.8	2.9	6,960.3	418.9	161.5	14,759.4	**158,560.4**	660.3	5,353.8	10,921.6
	November	15,427.1	10,306.2	43,228.5	52,288.4	**105,823.2**	148.5	13,728.7	105.0	2,163.9	3.2	6,412.6	266.4	147.0	15,407.4	**159,632.9**	663.8	5,087.7	10,895.6
	December	15,602.8	10,940.5	43,054.8	54,210.3	**108,205.6**	207.7	13,631.4	695.0	2,157.0	3.0	5,877.6	269.7	193.9	14,837.8	**161,681.7**	663.7	5,500.9	11,475.3
2004	January	15,746.7	10,760.5	44,235.5	55,270.0	**110,265.9**	177.1	13,637.4	60.0	1,900.2	3.2	5,507.7	341.1	196.4	14,680.3	**162,515.9**	566.9	4,694.7	11,037.3
	February	15,806.3	10,916.6	44,115.5	56,654.3	**111,686.3**	154.0	13,511.1	0.0	1,893.3	3.7	5,032.0	287.7	185.0	14,302.6	**162,861.9**	559.9	4,367.5	10,667.3
	March	15,807.1	11,106.4	43,693.3	56,268.8	**111,068.6**	158.6	15,069.5	135.0	1,883.6	3.4	5,026.7	705.4	164.8	14,500.7	**164,523.2**	595.1	4,765.4	10,831.2
	April	15,988.7	11,770.3	43,042.6	57,225.6	**112,038.5**	164.1	15,981.7	100.6	1,882.9	0.1	5,855.7	268.0	176.1	15,109.8	**167,566.2**	697.5	5,149.1	10,966.3
	May	15,980.7	12,035.9	42,892.4	57,806.9	**112,735.2**	239.6	16,615.5	138.7	1,873.8	0.1	6,495.9	538.8	179.3	15,890.8	**170,688.5**	729.4	4,901.7	11,873.6
	June	16,269.0	12,617.2	43,394.5	59,500.9	**115,512.6**	302.0	16,915.2	463.5	1,864.5	55.3	6,423.6	490.7	229.5	16,114.9	**174,640.7**	725.8	4,864.4	12,175.3

1 Include demand deposits of Category 2 Banks. *2 Include margin deposits.* *3 Include borrowings from other institutions (local and foreign).*

Figures may not add up to totals due to rounding.

Table 2.5: Monetary Survey

(Rs million)

End of Period	NET FOREIGN ASSETS	DOMESTIC CREDIT					TOTAL ASSETS	MONEY SUPPLY (M1)				QUASI-MONEY				AGGREGATE MONETARY RESOURCES (M2)	OTHER ITEMS (net)
		Net Claims on Central Government	Claims on Private Sector	Claims on Category 2 Banks	Claims on Non-Bank Deposit-Taking Institutions	Total		Currency with Public	Demand Deposits: Bank of Mauritius	Demand Deposits: Category 1 Banks	Total (1)	Savings Deposits [1]	Time Deposits	Foreign Currency Deposits	Total (2)	(1) + (2)	
2001	**35,211.4**	19,509.0	77,891.5	283.8	215.7	**97,899.9**	**133,111.3**	7,329.0	149.7	7,974.9	**15,453.5**	41,881.8	35,676.5	12,257.3	**89,815.5**	**105,269.1**	**27,842.3**
2002	**43,466.5**	19,985.9	83,976.7	360.8	55.4	**104,378.8**	**147,845.3**	8,286.1	113.6	9,759.1	**18,158.7**	47,419.9	39,688.6	13,117.8	**100,226.3**	**118,385.0**	**29,460.3**
2003	**48,052.1**	26,072.1	88,424.2	306.6	15.8	**114,818.7**	**162,870.9**	9,347.0	115.4	10,940.5	**20,402.8**	54,210.3	43,054.8	13,631.4	**110,896.6**	**131,299.4**	**31,571.5**
2002 January	**34,919.1**	19,589.3	78,897.8	283.8	205.8	**98,976.7**	**133,895.8**	6,641.8	291.2	8,036.7	**14,969.7**	43,066.2	35,959.6	12,742.5	**91,768.3**	**106,738.0**	**27,157.8**
February	**36,568.2**	19,015.6	78,319.6	283.8	196.3	**97,815.3**	**134,383.5**	6,389.6	116.4	7,300.0	**13,805.9**	43,769.2	35,992.6	13,182.8	**92,944.6**	**106,750.5**	**27,633.0**
March	**37,792.9**	19,373.6	78,797.1	283.8	188.0	**98,642.5**	**136,435.4**	6,511.1	134.8	7,545.7	**14,191.5**	44,184.9	36,366.9	13,217.2	**93,769.1**	**107,960.6**	**28,474.8**
April	**37,738.6**	19,649.2	78,411.0	283.8	177.3	**98,521.3**	**136,259.9**	6,415.6	118.4	7,760.4	**14,294.5**	43,761.7	36,861.2	12,785.5	**93,408.3**	**107,702.8**	**28,557.1**
May	**38,823.9**	20,410.7	79,053.0	283.8	168.2	**99,915.7**	**138,739.6**	6,449.4	204.3	7,930.0	**14,583.7**	44,331.6	37,232.8	13,749.5	**95,313.9**	**109,897.6**	**28,841.9**
June	**39,974.0**	18,980.1	79,975.7	283.8	156.2	**99,395.9**	**139,369.9**	6,466.4	151.7	8,517.5	**15,135.6**	44,860.8	37,060.7	13,410.1	**95,331.6**	**110,467.2**	**28,902.7**
July	**39,483.9**	19,396.3	80,579.2	283.8	108.4	**100,367.7**	**139,851.6**	6,533.3	173.0	8,353.6	**15,059.8**	44,760.7	37,749.0	13,311.5	**95,821.3**	**110,881.1**	**28,970.5**
August	**40,464.7**	19,352.5	81,772.2	395.1	102.0	**101,621.8**	**142,086.5**	6,685.2	90.6	8,213.4	**14,989.3**	45,293.3	38,265.8	13,092.3	**96,651.4**	**111,640.7**	**30,445.8**
September	**42,216.6**	20,112.7	81,542.3	400.7	95.6	**102,151.3**	**144,368.0**	6,714.1	198.4	8,740.0	**15,652.5**	45,247.8	38,833.9	13,260.5	**97,825.9**	**113,478.4**	**30,889.6**
October	**40,712.0**	19,812.3	82,620.2	402.5	64.6	**102,899.6**	**143,611.6**	6,714.2	152.4	8,266.4	**15,132.9**	45,357.0	39,600.9	12,907.5	**97,865.4**	**112,998.3**	**30,613.3**
November	**41,754.3**	20,256.4	83,531.3	399.9	60.2	**104,247.8**	**146,002.1**	7,100.3	425.7	8,847.9	**16,373.9**	46,095.2	39,931.4	12,673.9	**98,700.6**	**115,074.4**	**30,927.6**
December	**43,466.5**	19,985.9	83,976.7	360.8	55.4	**104,378.8**	**147,845.3**	8,286.1	113.6	9,759.1	**18,158.7**	47,419.9	39,688.6	13,117.8	**100,226.3**	**118,385.0**	**29,460.3**
2003 January	**43,936.2**	19,643.2	83,750.9	360.8	51.1	**103,806.0**	**147,742.2**	7,483.7	266.8	9,038.1	**16,788.6**	48,191.2	39,699.5	12,864.4	**100,755.1**	**117,543.7**	**30,198.5**
February	**43,458.1**	20,274.5	83,942.8	350.3	47.2	**104,614.8**	**148,073.0**	7,359.1	232.8	8,756.9	**16,348.9**	49,437.5	39,879.0	12,607.9	**101,924.4**	**118,273.3**	**29,799.6**
March	**43,039.3**	20,354.4	83,874.4	351.8	43.2	**104,623.8**	**147,663.1**	7,354.1	444.0	8,931.4	**16,729.5**	49,165.6	40,702.2	12,957.5	**102,825.4**	**119,554.9**	**28,108.2**
April	**42,709.7**	19,958.3	84,523.1	337.5	39.5	**104,858.5**	**147,568.1**	7,321.6	137.0	8,553.3	**16,011.9**	48,989.1	40,931.5	12,670.0	**102,590.6**	**118,602.4**	**28,965.7**
May	**44,627.0**	20,149.1	85,217.8	337.5	36.1	**105,740.5**	**150,367.4**	7,490.2	182.7	8,756.0	**16,428.9**	48,753.3	41,365.0	13,333.1	**103,451.5**	**119,880.4**	**30,487.1**
June	**47,567.9**	21,476.2	85,080.1	338.1	32.7	**106,927.0**	**154,494.9**	7,487.9	196.0	9,755.0	**17,439.0**	49,428.8	41,808.9	14,727.9	**105,965.6**	**123,404.5**	**31,090.4**
July	**47,566.2**	21,196.8	85,674.6	338.1	29.5	**107,238.9**	**154,805.1**	7,605.9	113.3	9,284.0	**17,003.2**	50,314.7	41,538.3	14,487.8	**106,340.8**	**123,344.0**	**31,461.1**
August	**46,969.4**	23,022.5	85,845.8	362.6	26.7	**109,257.6**	**156,227.0**	7,780.0	125.6	9,145.6	**17,051.1**	51,385.8	43,080.0	14,356.6	**108,822.4**	**125,873.5**	**30,353.5**
September	**47,900.1**	23,631.9	86,705.2	325.5	23.4	**110,686.0**	**158,586.1**	7,719.4	128.5	9,617.4	**17,465.2**	51,250.3	42,914.4	14,527.8	**108,692.5**	**126,157.7**	**32,428.4**
October	**48,721.7**	24,498.4	87,206.2	325.5	20.8	**112,050.9**	**160,772.5**	7,883.0	134.2	9,766.6	**17,783.7**	51,526.0	43,503.9	13,795.6	**108,825.5**	**126,609.3**	**34,163.3**
November	**48,980.8**	25,693.4	87,575.8	367.0	18.6	**113,654.8**	**162,635.6**	8,221.9	192.2	10,306.2	**18,720.4**	52,288.4	43,228.5	13,728.7	**109,245.6**	**127,966.0**	**34,669.6**
December	**48,052.1**	26,072.1	88,424.2	306.6	15.8	**114,818.7**	**162,870.9**	9,347.0	115.4	10,940.5	**20,402.8**	54,210.3	43,054.8	13,631.4	**110,896.6**	**131,299.4**	**31,571.5**
2004 January	**47,309.1**	27,939.3	89,604.2	306.6	13.3	**117,863.4**	**165,167.4**	8,569.3	157.3	10,760.5	**19,487.1**	55,270.0	44,235.5	13,637.4	**113,142.8**	**132,629.9**	**32,542.6**
February	**47,396.6**	28,900.2	89,273.0	349.8	11.2	**118,534.1**	**165,930.7**	8,388.0	147.9	10,916.6	**19,452.4**	56,654.3	44,115.5	13,511.1	**114,280.8**	**133,733.3**	**32,197.4**
March	**49,753.1**	30,572.6	88,058.6	297.4	8.4	**118,937.1**	**168,690.2**	8,295.4	154.7	11,106.4	**19,556.5**	56,268.8	43,693.3	15,069.5	**115,031.7**	**134,588.2**	**34,102.0**
April	**49,230.2**	32,645.7	88,915.0	314.5	6.6	**121,881.8**	**171,112.0**	8,405.5	175.1	11,770.3	**20,350.9**	57,225.6	43,042.6	15,981.7	**116,249.9**	**136,600.8**	**34,511.2**
May	**50,666.1**	34,181.7	89,764.3	315.6	5.2	**124,266.8**	**174,932.8**	8,527.0	160.7	12,035.9	**20,723.6**	57,806.9	42,892.4	16,615.5	**117,314.8**	**138,038.5**	**36,894.4**
June	**49,120.3**	35,346.2	93,119.6	329.6	3.9	**128,799.3**	**177,919.6**	8,479.6	225.0	12,617.2	**21,321.8**	59,500.9	43,394.5	16,915.2	**119,810.6**	**141,132.4**	**36,787.2**

[1] Include margin deposits.
Figures may not add up to totals due to rounding.

Table 2.6: Money Supply and Aggregate Monetary Resources (M2)

(Rs million)

End of Period		Currency with Public (1)	Demand Deposits (2)	Time and Savings Deposits [1] (3)	Foreign Currency Deposits (4)	Money Supply (M1) (1) + (2) = (5)	Aggregate Monetary Resources (M2) (3) + (4) + (5)
2002	January	6,641.8	8,327.9	79,025.8	12,742.5	**14,969.7**	**106,738.0**
	February	6,389.6	7,416.4	79,761.8	13,182.8	**13,805.9**	**106,750.6**
	March	6,511.1	7,680.5	80,551.8	13,217.2	**14,191.5**	**107,960.6**
	April	6,415.6	7,878.8	80,622.9	12,785.5	**14,294.5**	**107,702.8**
	May	6,449.4	8,134.3	81,564.4	13,749.5	**14,583.7**	**109,897.6**
	June	6,466.4	8,669.2	81,921.5	13,410.1	**15,135.6**	**110,467.2**
	July	6,533.3	8,526.6	82,509.7	13,311.5	**15,059.8**	**110,881.1**
	August	6,685.2	8,304.1	83,559.1	13,092.3	**14,989.3**	**111,640.7**
	September	6,714.1	8,938.4	84,081.7	13,744.2	**15,652.5**	**113,478.4**
	October	6,714.2	8,418.7	84,957.9	12,907.5	**15,132.9**	**112,998.3**
	November	7,100.3	9,273.5	86,026.7	12,673.9	**16,373.9**	**115,074.4**
	December	8,286.1	9,872.6	87,108.5	13,117.8	**18,158.7**	**118,385.0**
2003	January	7,483.7	9,304.9	87,890.7	12,864.4	**16,788.6**	**117,543.7**
	February	7,359.1	8,989.8	89,316.5	12,607.9	**16,348.9**	**118,273.3**
	March	7,354.1	9,375.5	89,867.8	12,957.5	**16,729.5**	**119,554.9**
	April	7,321.6	8,690.3	89,920.6	12,670.0	**16,011.9**	**118,602.4**
	May	7,490.2	8,938.7	90,118.3	13,333.1	**16,428.9**	**119,880.4**
	June	7,487.9	9,951.1	91,237.7	14,727.9	**17,439.0**	**123,404.5**
	July	7,605.9	9,397.3	91,853.0	14,487.8	**17,003.2**	**123,344.0**
	August	7,780.0	9,271.1	94,465.8	14,356.6	**17,051.1**	**125,873.5**
	September	7,719.4	9,745.9	94,164.6	14,527.8	**17,465.2**	**126,157.7**
	October	7,883.0	9,900.8	95,029.9	13,795.6	**17,783.7**	**126,609.3**
	November	8,221.9	10,498.5	95,516.9	13,728.7	**18,720.4**	**127,966.0**
	December	9,347.0	11,055.8	97,265.1	13,631.4	**20,402.8**	**131,299.4**
2004	January	8,569.3	10,917.8	99,505.4	13,637.4	**19,487.1**	**132,629.9**
	February	8,388.0	11,064.5	100,769.8	13,511.1	**19,452.4**	**133,733.3**
	March	8,295.4	11,261.1	99,962.1	15,069.5	**19,556.5**	**134,588.2**
	April	8,405.5	11,945.4	100,268.2	15,981.7	**20,350.9**	**136,600.8**
	May	8,527.0	12,196.6	100,699.3	16,615.5	**20,723.6**	**138,038.5**
	June	8,479.6	12,842.2	102,895.4	16,915.2	**21,321.8**	**141,132.4**

[1] Include margin deposits.

Figures may not add up to totals due to rounding.

Table 2.7: Principal Interest Rates

(As on the last day of the month) *(Per cent per annum)*

	Sep-03	Dec-03	Mar-04	Jun-04
I. LENDING				
Bank of Mauritius				
Lombard Rate	10.00	9.75	9.50	9.50
Bank Rate	7.81	7.36	4.89	4.74
Category 1 Banks				
A. Prime Lending Rate	**8.50 - 9.00**	**8.25 - 8.75**	**7.50 - 8.75**	**7.50 - 8.00**
B. Sectoral Rates				
1. Agriculture & Fishing	8.50 - 21.00	8.25 - 21.00	7.50 - 21.00	7.00 - 21.00
of which: Sugar Industry	8.50 - 21.00	8.25 - 21.00	7.50 - 21.00	7.00 - 21.00
2. Manufacturing	7.50 - 21.00	7.25 - 21.00	6.50 - 21.00	6.50 - 21.00
of which: Export Enterprise Certificate Holders	7.50 - 21.00	7.25 - 21.00	6.50 - 21.00	6.50 - 21.00
3. Tourism	7.89 - 21.00	7.31 - 21.00	7.13 - 21.00	6.75 - 21.00
of which: Hotels	7.89 - 21.00	7.68 - 21.00	7.13 - 21.00	6.85 - 21.00
4. Transport	8.50 - 21.00	8.25 - 21.00	8.00 - 21.00	7.50 - 21.00
5. Construction	8.50 - 21.00	8.25 - 21.00	7.20 - 21.00	7.20 - 21.25
of which: Housing	8.50 - 19.50	8.25 - 19.50	8.00 - 19.50	7.50 - 19.50
6. Traders	8.50 - 21.00	7.75 - 21.00	7.50 - 21.50	7.25 - 21.00
7. New Economy	8.50 - 21.00	8.25 - 21.00	8.00 - 21.00	7.50 - 21.00
8. Financial and Business Services	8.50 - 21.00	8.25 - 21.00	8.00 - 21.00	7.50 - 21.00
9. Infrastructure	8.75 - 17.50	8.25 - 17.50	8.00 - 17.50	7.50 - 17.50
10. Statutory and Parastatal Bodies	8.75 - 21.00	8.75 - 21.00	8.00 - 21.00	7.20 - 21.00
11. Freeport Enterprise Certificate Holders	8.50 - 17.00	8.25 - 17.00	8.00 - 17.00	7.50 - 16.75
12. Health Development Certificate Holders	9.00 - 21.00	8.75 - 21.00	8.25 - 21.00	7.75 - 21.00
13. Personal	9.00 - 19.75	8.50 - 19.75	8.00 - 19.75	7.75 - 19.75
14. Professional	8.50 - 21.00	8.25 - 21.00	8.00 - 21.00	7.50 - 21.00
15. Education	8.50 - 21.00	8.25 - 21.00	8.00 - 21.00	7.50 - 21.00
16. Media, Entertainment and Recreational Activities	8.50 - 21.00	8.25 - 21.00	7.50 - 21.00	7.50 - 21.00
17. Other Customers	8.50 - 21.00	8.25 - 21.00	8.00 - 21.00	6.75 - 21.25
II. DEPOSITS				
1. Savings	**5.00 - 5.50**	**4.75 - 5.25**	**4.00 - 4.75**	**4.00 - 4.50**
2. Time				
Call	5.00 - 6.75	4.75 - 5.75	4.00 - 5.75	4.00 - 4.50
7 Days' Notice	5.00 - 9.75	4.75 - 9.75	4.00 - 9.75	2.70 - 9.75
Exceeding 7 Days & Up to 1 Month	5.00 - 9.75	4.75 - 9.75	4.00 - 9.75	2.90 - 9.75
Exceeding 1 Month & Up to 3 Months	5.00 - 7.75	4.75 - 8.25	4.00 - 8.25	3.00 - 8.25
Exceeding 3 Months & Up to 6 Months	5.00 - 8.50	4.75 - 8.50	4.20 - 8.50	2.90 - 8.50
Exceeding 6 Months & Up to 9 Months	5.13 - 10.00	4.88 - 10.00	4.25 - 8.75	3.30 - 8.50
Exceeding 9 Months & Up to 12 Months	5.00 - 10.50	4.75 - 10.25	4.25 - 9.70	3.00 - 9.70
Exceeding 12 Months & Up to 18 Months	5.25 - 10.00	5.00 - 10.00	4.65 - 8.75	4.25 - 8.75
Exceeding 18 Months & Up to 24 Months	5.25 - 11.00	4.75 - 11.00	4.50 - 11.00	3.75 - 11.00
Exceeding 24 Months & Up to 36 Months	5.25 - 13.00	5.00 - 13.00	4.75 - 13.00	4.25 - 13.00
Exceeding 36 Months & Up to 48 Months	5.00 - 13.00	4.75 - 13.00	4.50 - 13.00	4.00 - 12.00
Exceeding 48 Months & Up to 60 Months	5.50 - 13.00	5.25 - 13.00	4.80 - 13.00	4.50 - 13.00
Exceeding 60 Months	7.00 - 12.50	6.25 - 12.50	6.50 - 12.50	7.50 - 13.00

Table 2.8: Value Range of Category 1 Banks' "Overdrafts", "Loans","Local Bills Discounted", "Bills Receivable" and "Advances Against Pledge of Export Bills"as at end-June 2004

RANGE	OVERDRAFTS		LOANS		LOCAL BILLS DISCOUNTED		BILLS RECEIVABLE		ADVANCES AGAINST PLEDGE OF EXPORT BILLS		TOTAL	
	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)
Up to Rs100,000	117,565	1,023,914	59,504	2,481,908	30,223	689,930	524	29,208	0	0	207,816	4,224,960
Over Rs100,000 and Up to Rs500,000	5,836	1,321,324	29,674	6,598,039	78	21,905	1,531	403,764	4	1,133	37,123	8,346,165
Over Rs500,000 and Up to Rs1,000,000	1,487	1,030,768	4,773	3,369,709	50	35,868	538	374,878	2	1,735	6,850	4,812,958
Over Rs1,000,000 and Up to Rs2,500,000	1,289	2,001,503	2,485	3,751,157	25	38,710	281	390,736	1	1,872	4,081	6,183,978
Over Rs2,500,000 and Up to Rs5,000,000	578	2,013,750	737	2,512,750	12	39,857	77	272,854	0	0	1,404	4,839,211
Over Rs5,000,000 and Up to Rs7,500,000	246	1,516,434	211	1,314,104	4	26,040	16	99,242	0	0	477	2,955,820
Over Rs7,500,000 and Up to Rs10,000,000	134	1,175,830	119	1,053,875	1	7,620	5	44,590	0	0	259	2,281,915
Over Rs 10,000,000 and Up to Rs 25,000,000	274	4,160,429	245	3,869,632	1	14,101	16	268,390	0	0	536	8,312,552
Exceeding Rs 25,000,000	169	10,592,328	261	22,985,580	0	0	6	514,576	0	0	436	34,092,484
TOTAL	**125,578**	**24,836,280**	**98,009**	**47,936,754**	**30,394**	**874,031**	**2,994**	**2,398,238**	**7**	**4,740**	**258,982**	**76,050,043**

Note: Exclude Loans and Other Financing in Foreign Currencies in Mauritius.

Table 2.9: Ownership of Category 1 Banks' "Overdrafts", "Loans","Local Bills Discounted", "Bills Receivable" and "Advances Against Pledge of Export Bills" as at end-June 2004

SECTORS	OVERDRAFTS		LOANS		LOCAL BILLS DISCOUNTED		BILLS RECEIVABLE		ADVANCES AGAINST PLEDGE OF EXPORT BILLS		TOTAL	
	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)
Agriculture & Fishing	809	2,808,500	861	3,450,549	17	362	26	42,222	0	0	**1,713**	**6,301,633**
Manufacturing	2,379	5,873,534	1,577	4,436,156	139	60,931	808	583,993	6	4,440	**4,909**	**10,959,054**
Tourism	616	1,463,771	532	9,228,762	3	635	0	0	0	0	**1,151**	**10,693,168**
Transport	410	303,818	959	466,311	1	23	22	9,567	0	0	**1,392**	**779,719**
Construction	840	2,109,459	33,272	11,625,171	645	9,871	10	9,218	0	0	**34,767**	**13,753,719**
Traders	6,681	6,070,131	3,645	4,988,747	169	115,303	1,907	1,635,219	1	300	**12,403**	**12,809,700**
New Economy	161	115,540	81	806,228	2	1,738	0	0	0	0	**244**	**923,506**
Financial and Business Services	351	1,471,655	187	5,023,693	3	1,743	22	7,507	0	0	**563**	**6,504,608**
Infrastructure	19	68,741	24	436,698	0	0	0	0	0	0	**43**	**505,439**
Statutory and Parastatal Bodies	24	288,313	20	714,407	0	0	0	0	0	0	**44**	**1,002,720**
Regional Development Certificate Holders	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Freeport Enterprise Certificate Holders	43	50,683	12	67,401	1	192	4	3,405	0	0	**60**	**121,681**
Regional Headquarters Certificate Holders	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Health Development Certificate Holders	9	1,449	8	9,813	0	0	0	0	0	0	**17**	**11,262**
Modernisation & Expansion Enterprise Certificate Holders	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Personal	113,538	2,334,202	55,904	5,188,937	29,393	678,364	127	39,245	0	0	**198,962**	**8,240,748**
Professional	380	297,824	210	334,951	9	225	8	23,761	0	0	**607**	**656,761**
Education	72	44,042	178	68,352	7	113	0	0	0	0	**257**	**112,507**
Human Resource Development Certificate Holders	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Media, Entertainment and Recreational Activities	91	86,155	43	262,970	1	20	17	12,713	0	0	**152**	**361,858**
Other	1,155	1,448,453	496	827,608	4	4,511	43	31,388	0	0	**1,698**	**2,311,960**
TOTAL	**127,578**	**24,836,280**	**98,009**	**47,936,754**	**30,394**	**874,031**	**2,994**	**2,398,238**	**7**	**4,740**	**258,982**	**76,050,043**

Note: Exclude Loans and Other Financing in Foreign Currencies in Mauritius.

Table 2.10: Ownership of Category 1 Banks' Deposits as at end-June 2004

SECTORS	DEMAND DEPOSITS[1]		SAVINGS DEPOSITS		TIME DEPOSITS [2]		RUPEE EQUIVALENT OF DEPOSITS DENOMINATED IN FOREIGN CURRENCIES	
	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)
Agriculture & Fishing	1,416	537,066	7,883	428,264	327	744,100	66	341,949
Manufacturing	3,356	1,005,199	1,085	547,091	634	658,700	933	1,553,075
Tourism	1,014	547,279	309	166,359	127	275,808	227	538,709
Transport	833	282,147	1,120	189,289	113	128,631	127	1,226,965
Construction	1,416	1,232,592	1,523	531,005	210	438,683	95	367,435
Traders	9,704	1,510,220	7,906	810,470	1,570	1,070,605	941	1,315,487
New Economy	477	166,586	77	595,263	53	550,399	125	469,150
Financial and Business Services	1,824	2,441,629	362	1,226,897	601	1,277,123	456	1,704,356
Infrastructure	200	114,813	1,635	248,736	28	534,554	20	73,654
Statutory and Parastatal Bodies	246	685,958	199	2,255,816	144	3,262,950	34	1,001,302
Regional Development Certificate Holders	1	975	1	13,378	1	275	0	0
Freeport Enterprise Certificate Holders	58	26,222	6	431	15	10,827	101	117,673
Regional Headquarters Certificate Holders	16	747	1	2	1	4,582	14	11,510
Health Development Certificate Holders	10	5,752	15	6,082	1	100	1	195
Modernisation & Expansion Enterprise Certificate Holders	1	17	5	159	0	0	0	0
Personal	57,012	2,539,344	1,678,396	49,863,448	104,595	32,767,750	10,697	7,204,888
Professional	1,073	189,366	5,499	189,505	195	177,473	75	222,762
Education	322	79,984	330	170,611	64	234,289	7	4,495
Human Resource Development Certificate Holders	1	44	2	239	0	0	0	0
Media, Entertainment and Recreational Activities	254	34,222	487	22,952	33	20,702	20	51,271
Other	6,611	1,489,944	17,199	2,201,708	2,040	1,265,938	794	710,335
TOTAL	**85,845**	**12,890,106**	**1,724,040**	**59,467,705**	**110,752**	**43,423,489**	**14,733**	**16,915,211**

[1] *Include Demand Deposits of Government and Category 2 Banks.*

[2] *Include Government Time Deposits.*

Table 2.11: Value Range of Category 1 Banks' Deposits as at end-June 2004

RANGE	DEMAND DEPOSITS[1]		SAVINGS DEPOSITS		TIME DEPOSITS[2]		MARGIN DEPOSITS		RUPEE EQUIVALENT OF DEPOSITS DENOMINATED IN FOREIGN CURRENCIES	
	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)	No. of Accounts	Amount (Rs' 000)
Up to Rs100,000	74,289	1,040,120	1,605,713	14,031,186	50,022	2,856,743	138	5,835	6,867	276,679
Over Rs100,000 and Up to Rs500,000	8,424	1,815,129	100,665	21,089,208	44,782	12,078,147	53	12,830	3,918	1,120,788
Over Rs500,000 and Up to Rs1,000,000	1,524	1,052,071	12,036	8,143,789	10,010	7,839,910	7	4,033	1,532	1,276,489
Over Rs1,000,000 and Up to Rs2,500,000	967	1,460,944	4,558	6,522,817	4,404	6,962,449	4	7,534	1,267	2,061,311
Over Rs2,500,000 and Up to Rs5,000,000	313	1,092,275	685	2,286,334	1,027	3,706,704	1	2,943	574	2,013,866
Over Rs5,000,000 and Up to Rs7,500,000	126	766,742	147	893,368	199	1,217,018	-	-	208	1,275,381
Over Rs7,500,000 and Up to Rs10,000,000	59	509,308	63	555,257	111	999,635	-	-	106	900,320
Over Rs 10,000,000 and Up to Rs 25,000,000	91	1,365,278	112	1,687,326	124	2,015,924	-	-	179	2,732,224
Exceeding Rs 25,000,000	52	3,788,239	61	4,258,421	73	5,746,958	-	-	82	5,258,154
TOTAL	**85,845**	**12,890,106**	**1,724,040**	**59,467,705**	**110,752**	**43,423,489**	**203**	**33,175**	**14,733**	**16,915,211**

[1] *Include Demand Deposits of Government and Category 2 banks.*
[2] *Include Government Time Deposits.*

Table 2.12: Maturity Pattern of Category 1 Banks' Time Deposits as at end-June 2004

DURATION	RUPEE DEPOSITS[1]							RUPEE EQUIVALENT OF DEPOSITS DENOMINATED IN FOREIGN CURRENCIES						
	Personal/Professional			Institutional			Total	Personal/Professional			Institutional			Total
	Resident	Non-Resident	Total	Resident	Non-Resident	Total		Resident	Non-Resident	Total	Resident	Non-Resident	Total	
7 Days' Notice	2,239,758,747	2,170,961	2,241,929,708	4,424,861,364	4,938,897	4,429,800,261	**6,671,729,969**	271,190,859	58,869,475	330,060,334	1,558,698,895	7,012,289	1,565,711,184	**1,895,771,518**
Exceeding and Up to 1 Month	782,931,691	5,666,862	788,598,553	812,598,710	0	812,598,710	**1,601,197,263**	1,158,129,362	206,434,473	1,364,563,835	804,670,124	0	804,670,124	**2,169,233,958**
Exceeding 1 Month and Up to 3 Months	1,360,730,208	26,808,403	1,387,538,611	631,176,393	0	631,176,393	**2,018,715,004**	617,119,822	155,536,891	772,656,713	862,602,515	182,000,000	1,044,602,515	**1,817,259,228**
Exceeding 3 Months and Up to 6 Months	1,988,409,709	16,423,533	2,004,833,242	1,053,634,386	0	1,053,634,386	**3,058,467,628**	321,147,180	148,474,578	469,621,758	655,890,433	3,263,739	659,154,172	**1,128,775,930**
Exceeding 6 Months and Up to 12 Months	5,942,499,861	82,315,046	6,024,814,907	1,620,361,069	140,000	1,620,501,069	**7,645,315,976**	429,379,813	82,217,632	511,597,445	222,505,867	0	222,505,867	**734,103,311**
Exceeding 12 Months and Up to 18 Months	2,601,181,616	1,779,140	2,602,960,756	131,017,143	0	131,017,143	**2,733,977,899**	1,992,267	0	1,992,267	164,368,990	0	164,368,990	**166,361,257**
Exceeding 18 Months and Up to 24 Months	4,974,242,868	172,355,203	5,146,598,071	814,706,645	0	814,706,645	**5,961,304,716**	0	0	0	0	0	0	**0**
Exceeding 24 Months and Up to 36 Months	3,271,500,648	4,063,138	3,275,563,786	130,635,157	0	130,635,157	**3,406,198,943**	0	0	0	0	0	0	**0**
Exceeding 36 Months and Up to 48 Months	3,423,099,296	36,684,427	3,459,783,723	242,154,694	0	242,154,694	**3,701,938,417**	115,087,725	25,262,897	140,350,622	1,357,232	0	1,357,232	**141,707,854**
Exceeding 48 Months and Up to 60 Months	5,853,074,474	4,616,000	5,857,690,474	288,326,734	0	288,326,734	**6,146,017,208**	62,192,419	0	62,192,419	14,799,609	0	14,799,609	**76,992,028**
Exceeding 60 Months	473,328,768	183,348	473,512,116	5,114,127	0	5,114,127	**478,626,243**	0	0	0	0	0	0	**0**
TOTAL	**32,910,757,886**	**353,066,061**	**33,263,823,947**	**10,154,586,423**	**5,078,897**	**10,159,665,320**	**43,423,489,267**	**2,976,239,446**	**676,795,949**	**3,653,035,391**	**4,284,893,665**	**192,276,028**	**4,477,169,693**	**8,130,205,084**

[1] *Include Government.*

Note: Figures rounded to the nearest Rupee.

Table 2.13: Maturity Pattern of Category 1 Banks' Foreign Currency Deposits as at end-June 2004

(Rupees)

DURATION	RUPEE EQUIVALENT OF DEPOSITS DENOMINATED IN FOREIGN CURRENCIES					
	US Dollar	Pound Sterling	Euro	South African Rand	Other	Total
1. DEMAND	**3,230,752,036**	**816,794,321**	**2,320,589,416**	**96,861,158**	**109,116,974**	**6,574,113,905**
2. SAVINGS[1]	**1,277,176,902**	**232,341,040**	**671,453,825**	**4,099,842**	**25,820,252**	**2,210,891,860**
3. TIME	**3,364,341,695**	**1,719,433,477**	**2,451,190,458**	**113,159,477**	**482,079,976**	**8,130,205,084**
7 Days' Notice	941,641,405	134,891,402	748,913,293	3,137,046	67,188,372	**1,895,771,518**
Exceeding 7 Days and Up to 1 Month	1,023,470,534	471,046,223	551,205,776	75,354,929	48,156,496	**2,169,233,958**
Exceeding 1 Month and Up to 3 Months	788,320,030	179,325,218	813,258,978	28,491,829	7,863,172	**1,817,259,228**
Exceeding 3 Months and Up to 6 Months	274,092,011	621,267,366	215,933,731	2,903,899	14,578,923	**1,128,775,930**
Exceeding 6 Months and Up to 12 Months	274,792,916	168,375,830	107,738,770	3,271,774	179,924,021	**734,103,311**
Exceeding 12 Months and Up to 18 Months	1,654,944	337,321	0	0	164,368,992	**166,361,257**
Exceeding 18 Months and Up to 24 Months	0	0	0	0	0	**0**
Exceeding 24 Months and Up to 36 Months	0	0	0	0	0	**0**
Exceeding 36 Months and Up to 48 Months	59,613,633	68,211,330	13,882,891	0	0	**141,707,854**
Exceeding 48 Months and Up to 60 Months	756,221	75,978,787	257,020	0	0	**76,992,028**
Exceeding 60 Months	0	0	0	0	0	**0**
TOTAL	**7,872,270,633**	**2,768,568,838**	**5,443,233,698**	**214,120,477**	**617,017,202**	**16,915,210,848**

[1] Include Margin Deposits.

Note: Figures rounded to the nearest Rupee.

Table 2.14: Cheque Clearances

		NUMBER OF CHEQUES	AMOUNT *(Rs' 000)*	NUMBER OF DAYS	DAILY AVERAGE	
					Number of Cheques	Amount *(Rs' 000)*
2002	January	393,714	14,139,363	19	**20,722**	**744,177**
	February	403,495	13,890,463	18	**22,416**	**771,692**
	March	442,251	14,143,507	20	**22,113**	**707,175**
	April	431,442	14,853,450	22	**19,611**	**675,157**
	May	442,925	15,281,616	22	**20,133**	**694,619**
	June	414,995	16,102,595	20	**20,750**	**805,130**
	July	476,226	17,458,136	23	**20,705**	**759,049**
	August	423,603	13,689,815	21	**20,172**	**651,896**
	September	424,513	15,091,277	20	**21,226**	**754,564**
	October	498,460	17,170,821	23	**21,672**	**746,557**
	November	433,868	15,552,132	20	**21,693**	**777,607**
	December	500,649	18,572,024	20	**25,032**	**928,601**
2003	January	434,496	15,648,274	21	**20,690**	**745,156**
	February	395,092	13,919,333	19 [1]	**20,784**	**732,485**
	March	430,385	13,565,418	20	**21,541**	**678,524**
	April	434,780	14,369,365	21	**20,704**	**684,255**
	May	431,387	13,341,610	21	**20,542**	**635,315**
	June	426,360	14,887,585	21	**20,303**	**708,933**
	July	472,573	16,384,246	23	**20,547**	**712,359**
	August	401,221	13,016,996	21	**19,106**	**619,857**
	September	438,657	14,222,486	21	**20,888**	**677,261**
	October	477,576	16,586,710	23	**20,764**	**721,161**
	November	397,415	12,996,403	19	**20,917**	**684,021**
	December	530,767	19,904,556	22	**24,126**	**904,753**
2004	January	385,039	13,413,257	19	**20,265**	**705,961**
	February	384,549	13,680,455	18	**21,364**	**760,025**
	March	465,674	15,820,113	22	**21,167**	**719,096**
	April	425,931	14,827,378	22	**19,361**	**673,972**
	May	422,107	14,312,690	21	**20,100**	**681,557**
	June	438,906	15,754,463	22	**19,950**	**716,112**

[1] *Our Rodrigues branch worked for 20 days, including 13 February 2003 when there was a cyclone warning Class 3 in force in Mauritius.*

Table 2.15: Electronic Banking Transactions

End of Period		Number of ATMs in Operation	During the month		Number of Cards in Circulation			Outstanding Advances on Credit Cards (Rs million)
			Number of Transactions	Value of Transactions [1] (Rs million)	Credit Cards	Debit Cards and Others	Total	
2002	October	256	2,003,065	3,176	157,893	638,233	**796,126**	767.4
	November	261	1,961,691	3,269	159,111	643,289	**802,400**	768.4
	December	261	2,534,785	4,572	159,674	650,037	**809,711**	826.9
2003	January	261	1,988,815	3,110	161,126	658,418	**819,544**	769.3
	February	261	1,785,213	2,803	161,416	661,690	**823,106**	769.2
	March	258	2,115,284	3,418	161,034	663,649	**824,683**	763.4
	April	256	2,022,395	3,220	162,358	668,655	**831,013**	776.3
	May	256	2,124,023	3,392	162,946	672,629	**835,575**	778.1
	June	257	2,134,469	3,384	164,030	689,037	**853,067**	807.4
	July	259	2,144,323	3,447	164,711	701,333	**866,044**	800.0
	August	262	2,125,354	3,420	166,153	605,040	**771,193**	805.2
	September	269	2,241,072	3,686	167,820	611,220	**779,040**	845.6
	October	270	2,304,435	3,803	168,889	615,204	**784,093**	826.6
	November	270	2,181,312	3,738	169,205	620,471	**789,676**	844.8
	December	270	3,152,306	6,061	169,620	625,786	**795,406**	871.9
2004	January	272	2,240,161	3,784	169,913	631,299	**801,212**	840.1
	February	272	2,173,883	3,567	170,505	635,620	**806,125**	818.5
	March	272	2,595,910	4,297	172,432	642,937	**815,369**	804.6
	April	273	2,370,652	3,874	170,024	647,222	**817,246**	824.9
	May	273	2,494,182	3,994	171,017	653,348	**824,365**	817.1
	June	273	2,286,308	3,598	171,764	659,622	**831,386**	822.3

[1] *Involve the use of credit cards, debit cards, ATMs and merchant points of sale.*

Table 2.16: Central Bank Survey

(Rs million)

	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
Net Foreign Assets	**39,424.7**	**39,932.9**	**39,635.8**	**40,902.3**	**42,144.2**	**42,051.2**	**40,682.2**	**40,068.2**	**40,504.4**	**42,138.7**	**42,379.7**	**43,681.8**	**43,117.5**
Claims on Nonresidents	39,583.7	40,118.4	39,770.3	41,098.1	42,346.3	42,272.4	40,847.8	40,281.5	40,689.0	42,340.3	42,606.4	43,894.5	43,342.7
less: Liabilities to Nonresidents	159.0	185.5	134.5	195.8	202.1	221.2	165.6	213.4	184.6	201.6	226.7	212.7	225.2
Claims on Other Depository Corporations	**2,230.5**	**2,200.4**	**2,201.0**	**2,195.9**	**2,189.6**	**2,197.4**	**2,172.7**	**1,920.7**	**1,920.5**	**1,892.2**	**2,437.5**	**2,240.5**	**2,563.4**
Net Claims on Central Government	**-12,409.7**	**-13,146.3**	**-12,431.0**	**-10,729.9**	**-9,045.7**	**-7,100.4**	**-5,283.1**	**-3,542.5**	**-3,278.5**	**-2,051.1**	**-562.3**	**-770.2**	**-739.8**
Claims on central government	916.9	864.0	743.7	662.9	748.2	694.9	810.8	1,173.1	1,333.1	1,127.5	1,824.5	1,747.6	1,648.9
less: Liabilities to central government	13,326.6	14,010.3	13,174.8	11,392.8	9,793.9	7,795.3	6,093.9	4,715.6	4,611.7	3,178.6	2,386.8	2,517.8	2,388.7
Claims on Other Sectors	**106.8**	**131.3**	**131.9**	**131.2**	**142.9**	**131.7**	**122.0**	**124.9**	**126.9**	**126.7**	**183.6**	**183.3**	**194.1**
Monetary Base	**14,867.2**	**14,468.7**	**15,682.5**	**18,055.8**	**20,684.7**	**23,168.0**	**25,118.8**	**26,956.1**	**27,620.1**	**28,998.9**	**29,388.0**	**28,848.8**	**29,518.8**
Currency in circulation	**9,527.3**	**9,663.7**	**9,914.5**	**9,879.2**	**10,249.3**	**10,622.3**	**12,982.0**	**11,249.8**	**10,903.8**	**10,807.5**	**10,733.2**	**10,849.0**	**10,786.2**
Liabilities to Other Depository Corporations	**4,992.0**	**4,528.2**	**5,313.0**	**7,094.0**	**8,557.7**	**10,005.6**	**9,295.5**	**12,279.4**	**12,990.8**	**14,310.1**	**14,762.8**	**14,188.5**	**15,106.0**
Reserve Deposits	4,992.0	4,528.2	4,695.0	4,574.1	4,499.0	4,479.0	3,139.6	5,091.7	5,500.2	6,585.2	6,055.5	5,566.7	6,322.3
Other Liabilities	0.0	0.0	618.1	2,519.9	4,058.7	5,526.7	6,155.9	7,187.7	7,490.6	7,724.9	8,707.3	8,621.8	8,783.7
Deposits included in Broad Money	**347.9**	**276.8**	**275.5**	**312.0**	**267.4**	**271.6**	**264.3**	**263.0**	**385.3**	**256.4**	**263.4**	**274.2**	**279.3**
Transferable deposits	89.1	15.2	15.4	14.9	13.6	21.4	27.4	28.6	33.4	15.6	13.9	18.7	19.0
Savings deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time deposits	258.7	261.6	260.1	297.1	253.8	250.2	236.9	234.4	351.9	240.7	249.5	255.5	260.2
Securities other than Shares, Included in Broad Money	**0.0**	**0.0**	**179.5**	**770.6**	**1,610.2**	**2,268.5**	**2,577.0**	**3,164.0**	**3,340.3**	**3,625.0**	**3,628.5**	**3,537.2**	**3,347.3**
Deposits Excluded from Broad Money	**48.3**	**54.1**	**54.1**	**54.3**	**65.8**	**65.7**	**67.5**	**67.5**	**67.6**	**67.5**	**67.4**	**67.6**	**64.0**
Securities Other than Shares, Excluded from Broad Money	**1.4**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.2**	**1.2**
Loans	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**775.6**	**1,149.5**	**342.7**
Financial Derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**538.4**	**354.2**	**696.8**
Trade Credit and Advances	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Shares and Other Equity	**14,452.6**	**14,574.5**	**13,630.0**	**14,490.2**	**14,374.3**	**14,226.8**	**12,779.4**	**11,952.2**	**12,125.7**	**13,701.5**	**14,507.5**	**15,752.9**	**14,741.3**
Other Items (net)	**-17.5**	**19.8**	**169.8**	**-102.2**	**305.0**	**-182.0**	**-273.2**	**-405.9**	**-541.5**	**-662.7**	**-839.7**	**-838.9**	**-229.7**

Figures may not add up to totals due to rounding.

Table 2.17: Other Depository Corporations Survey

(Rs million)

	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
Net Foreign Assets	**46,094.8**	**51,965.6**	**50,301.0**	**46,668.7**	**47,587.8**	**50,097.9**	**49,731.6**	**48,912.7**	**50,990.5**	**52,066.4**	**57,540.1**	**61,435.2**	**60,897.0**
Claims on nonresidents	152,499.9	163,742.5	167,992.4	165,452.4	163,125.6	162,251.4	154,049.8	150,023.7	153,516.5	165,193.3	175,750.8	192,290.1	196,175.5
less: Liabilities to nonresidents	106,405.1	111,776.9	117,691.3	118,783.7	115,537.8	112,153.5	104,318.2	101,110.9	102,525.9	113,126.9	118,210.6	130,854.9	135,278.6
Claims on Central Bank	**7,102.2**	**6,659.7**	**7,522.9**	**9,266.1**	**10,984.1**	**12,361.1**	**12,988.5**	**15,107.8**	**15,401.0**	**16,571.5**	**17,969.6**	**17,594.7**	**18,163.9**
Currency	2,104.0	2,140.7	2,215.1	2,239.9	2,451.0	2,480.4	3,715.1	2,760.4	2,595.7	2,592.1	2,400.7	2,401.9	2,386.5
Reserve deposits	4,998.2	4,518.9	4,689.8	4,575.5	4,498.8	4,476.9	3,140.7	5,084.3	5,479.8	6,580.6	6,041.3	5,567.8	6,323.1
Other claims	0.0	0.0	618.1	2,450.8	4,034.3	5,403.8	6,132.8	7,263.1	7,325.5	7,398.8	9,527.7	9,625.0	9,454.2
Net Claims on Central Government	**35,957.9**	**36,429.8**	**36,783.0**	**36,149.3**	**35,179.6**	**34,585.1**	**35,093.0**	**33,914.2**	**34,958.1**	**35,736.0**	**35,999.8**	**37,570.5**	**38,935.6**
Claims on central government	38,290.5	38,384.7	38,583.3	37,958.4	36,979.0	36,370.3	36,707.9	35,640.7	36,679.4	37,487.6	37,884.2	39,719.6	41,233.4
less: Liabilities to central government	2,332.6	1,954.9	1,800.3	1,809.1	1,799.4	1,785.1	1,614.9	1,726.5	1,721.3	1,751.7	1,884.4	2,149.1	2,297.8
Claims on Other Sectors	**117,934.1**	**116,691.1**	**117,502.9**	**119,994.8**	**121,743.3**	**121,984.6**	**120,602.9**	**121,539.9**	**119,747.3**	**121,355.2**	**123,469.2**	**124,918.8**	**127,283.1**
Liabilities to Central Bank	**2,232.6**	**2,236.5**	**2,243.7**	**2,224.3**	**2,225.4**	**2,225.4**	**2,203.0**	**1,953.2**	**1,951.9**	**1,918.7**	**2,334.0**	**2,202.3**	**2,517.3**
Deposits Included in Broad Money	**165,233.1**	**169,784.1**	**170,260.5**	**170,397.5**	**173,110.0**	**176,487.7**	**177,163.0**	**178,468.9**	**179,372.0**	**183,440.7**	**189,700.3**	**196,029.5**	**200,410.4**
Transferable Deposits	39,258.5	41,751.6	40,892.1	44,171.8	44,339.5	45,445.2	46,463.3	44,957.8	46,736.9	47,517.4	52,473.0	57,265.3	55,723.6
Savings Deposits	42,983.5	43,958.3	43,957.9	44,279.7	44,351.2	45,115.0	46,919.4	47,954.0	48,446.5	48,746.5	49,535.1	49,492.3	50,245.8
Time Deposits	82,991.1	84,074.2	85,410.5	81,946.1	84,419.4	85,927.5	83,780.3	85,557.1	84,188.6	87,176.7	87,692.2	89,272.0	94,441.1
Securities other than Shares, Included in Broad Money	**65.3**	**73.9**	**77.3**	**79.1**	**84.1**	**88.2**	**92.4**	**96.9**	**101.1**	**105.7**	**110.4**	**115.8**	**139.5**
Deposits Excluded from Broad Money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Securities other than Shares, Excluded from Broad Money	**1,405.0**	**1,506.0**	**1,696.7**	**1,609.2**	**1,536.7**	**1,583.1**	**1,349.2**	**1,174.9**	**1,177.6**	**1,113.5**	**1,345.8**	**1,332.2**	**1,123.6**
Loans	**2,391.0**	**2,539.2**	**2,408.3**	**2,386.6**	**2,370.8**	**2,283.9**	**2,401.1**	**2,448.0**	**2,457.7**	**2,359.4**	**2,262.0**	**2,251.3**	**791.4**
Financial Derivatives	**6,711.7**	**6,981.9**	**6,617.7**	**5,827.8**	**5,549.3**	**4,967.2**	**4,021.7**	**4,381.9**	**4,286.9**	**4,823.5**	**7,104.8**	**6,524.6**	**6,308.3**
Trade Credit and Advances	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Shares and Other Equity	**29,509.0**	**29,658.1**	**29,353.5**	**30,795.1**	**30,851.9**	**31,338.1**	**31,281.8**	**31,286.8**	**32,190.5**	**32,105.7**	**32,419.2**	**33,430.7**	**34,275.6**
Other Items (net)	**-458.7**	**-1,033.6**	**-547.9**	**-1,240.8**	**-233.5**	**55.2**	**-96.2**	**-336.0**	**-440.9**	**-138.1**	**-297.8**	**-367.1**	**-286.6**

Figures may not add up to totals due to rounding.

Table 2.18: Depository Corporations Survey

(Rs million)

	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
Net Foreign Assets	**85,519.5**	**91,898.6**	**89,936.8**	**87,571.0**	**89,732.0**	**92,149.1**	**90,413.8**	**88,980.9**	**91,495.0**	**94,205.1**	**99,919.8**	**105,117.0**	**104,014.4**
Claims on Nonresidents	**192,083.6**	**203,860.9**	**207,762.7**	**206,550.5**	**205,471.9**	**204,523.8**	**194,897.6**	**190,305.2**	**194,205.4**	**207,533.6**	**218,357.1**	**236,184.6**	**239,518.2**
Central Bank	39,583.7	40,118.4	39,770.3	41,098.1	42,346.3	42,272.4	40,847.8	40,281.5	40,689.0	42,340.3	42,606.4	43,894.5	43,342.7
Other Depository Corporations	152,499.9	163,742.5	167,992.4	165,452.4	163,125.6	162,251.4	154,049.8	150,023.7	153,516.5	165,193.3	175,750.8	192,290.1	196,175.5
less: Liabilities to Nonresidents	**106,564.0**	**111,962.3**	**117,825.8**	**118,979.4**	**115,739.9**	**112,374.7**	**104,483.8**	**101,324.3**	**102,710.5**	**113,328.5**	**118,437.3**	**131,067.6**	**135,503.8**
Central Bank	159.0	185.5	134.5	195.8	202.1	221.2	165.6	213.4	184.6	201.6	226.7	212.7	225.2
Other Depository Corporations	106,405.1	111,776.9	117,691.3	118,783.7	115,537.8	112,153.5	104,318.2	101,110.9	102,525.9	113,126.9	118,210.6	130,854.9	135,278.6
Domestic Claims	**141,589.1**	**140,105.8**	**141,986.8**	**145,545.3**	**148,020.1**	**149,601.0**	**150,534.7**	**152,036.5**	**151,553.7**	**155,166.8**	**159,090.3**	**161,902.4**	**165,672.9**
Net Claims on Central Government	**23,548.3**	**23,283.4**	**24,351.9**	**25,419.3**	**26,133.9**	**27,484.7**	**29,809.8**	**30,371.7**	**31,679.6**	**33,684.9**	**35,437.5**	**36,800.2**	**38,195.8**
Claims on Central Government	**39,207.5**	**39,248.7**	**39,327.0**	**38,621.3**	**37,727.2**	**37,065.1**	**37,518.7**	**36,813.8**	**38,012.5**	**38,615.1**	**39,708.7**	**41,467.2**	**42,882.3**
Central Bank	916.9	864.0	743.7	662.9	748.2	694.9	810.8	1,173.1	1,333.1	1,127.5	1,824.5	1,747.6	1,648.9
Other Depository Corporations	38,290.5	38,384.7	38,583.3	37,958.4	36,979.0	36,370.3	36,707.9	35,640.7	36,679.4	37,487.6	37,884.2	39,719.6	41,233.4
less: Liabilities to Central Government	**15,659.2**	**15,965.2**	**14,975.1**	**13,201.9**	**11,593.3**	**9,580.4**	**7,708.8**	**6,442.1**	**6,332.9**	**4,930.2**	**4,271.2**	**4,666.9**	**4,686.5**
Central Bank	13,326.6	14,010.3	13,174.8	11,392.8	9,793.9	7,795.3	6,093.9	4,715.6	4,611.7	3,178.6	2,386.8	2,517.8	2,388.7
Other Depository Corporations	2,332.6	1,954.9	1,800.3	1,809.1	1,799.4	1,785.1	1,614.9	1,726.5	1,721.3	1,751.7	1,884.4	2,149.1	2,297.8
Claims on Other Sectors	**118,040.9**	**116,822.4**	**117,634.8**	**120,125.9**	**121,886.2**	**122,116.3**	**120,724.8**	**121,664.8**	**119,874.1**	**121,481.9**	**123,652.8**	**125,102.1**	**127,477.1**
Central Bank	106.8	131.3	131.9	131.2	142.9	131.7	122.0	124.9	126.9	126.7	183.6	183.3	194.1
Other Depository Corporations	117,934.1	116,691.1	117,502.9	119,994.8	121,743.3	121,984.6	120,602.9	121,539.9	119,747.3	121,355.2	123,469.2	124,918.8	127,283.1
TOTAL ASSETS	**227,108.7**	**232,004.4**	**231,923.6**	**233,116.3**	**237,752.1**	**241,750.1**	**240,948.4**	**241,017.4**	**243,048.7**	**249,371.9**	**259,010.1**	**267,019.4**	**269,687.4**

Continued on next page.

Table 2.18: Depository Corporations Survey (continued)

(Rs million)

	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
Broad Money Liabilities	**173,069.6**	**177,657.8**	**178,492.3**	**179,198.6**	**182,870.1**	**187,257.9**	**189,363.7**	**190,482.2**	**191,506.8**	**195,643.1**	**202,035.2**	**208,403.7**	**212,576.2**
Currency Outside Depository Corporations	**7,423.2**	**7,523.0**	**7,699.4**	**7,639.4**	**7,798.4**	**8,141.9**	**9,267.0**	**8,489.4**	**8,308.1**	**8,215.4**	**8,332.5**	**8,447.1**	**8,399.7**
Transferable Deposits	**39,347.6**	**41,766.8**	**40,907.6**	**44,186.6**	**44,353.1**	**45,466.7**	**46,490.7**	**44,986.4**	**46,770.3**	**47,533.1**	**52,486.9**	**57,284.0**	**55,742.6**
Central Bank	89.1	15.2	15.4	14.9	13.6	21.4	27.4	28.6	33.4	15.6	13.9	18.7	19.0
Other Depository Corporations	39,258.5	41,751.6	40,892.1	44,171.8	44,339.5	45,445.2	46,463.3	44,957.8	46,736.9	47,517.4	52,473.0	57,265.3	55,723.6
Savings Deposits	**42,983.5**	**43,958.3**	**43,957.9**	**44,279.7**	**44,351.2**	**45,115.0**	**46,919.4**	**47,954.0**	**48,446.5**	**48,746.5**	**49,535.1**	**49,492.3**	**50,245.8**
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Depository Corporations	42,983.5	43,958.3	43,957.9	44,279.7	44,351.2	45,115.0	46,919.4	47,954.0	48,446.5	48,746.5	49,535.1	49,492.3	50,245.8
Time Deposits	**83,249.9**	**84,335.8**	**85,670.6**	**82,243.2**	**84,673.2**	**86,177.7**	**84,017.2**	**85,791.5**	**84,540.5**	**87,417.4**	**87,941.7**	**89,527.4**	**94,701.3**
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	351.9	240.7	249.5	255.5	260.2
Other Depository Corporations	83,249.9	84,335.8	85,670.6	82,243.2	84,673.2	86,177.7	84,017.2	85,791.5	84,188.6	87,176.7	87,692.2	89,272.0	94,441.1
Securities other than Shares	**65.3**	**73.9**	**256.8**	**849.7**	**1,694.3**	**2,356.7**	**2,669.4**	**3,260.9**	**3,441.4**	**3,730.6**	**3,739.0**	**3,653.0**	**3,486.8**
Central Bank	0.0	0.0	179.5	770.6	1,610.2	2,268.5	2,577.0	3,164.0	3,340.3	3,625.0	3,628.5	3,537.2	3,347.3
Other Depository Corporations	65.3	73.9	77.3	79.1	84.1	88.2	92.4	96.9	101.1	105.7	110.4	115.8	139.5
Deposits Excluded from Broad Money	**48.3**	**54.1**	**54.1**	**54.3**	**65.8**	**65.7**	**67.5**	**67.5**	**67.6**	**67.5**	**67.4**	**67.6**	**64.0**
Central Bank	48.3	54.1	54.1	54.3	65.8	65.7	67.5	67.5	67.6	67.5	67.4	67.6	64.0
Other Depository Corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities Other than Shares, Excluded from Broad Money	**1,406.4**	**1,507.3**	**1,698.0**	**1,610.5**	**1,538.0**	**1,584.4**	**1,350.4**	**1,176.2**	**1,178.9**	**1,114.7**	**1,347.1**	**1,333.4**	**1,124.8**
Central Bank	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2
Other Depository Corporations	1,405.0	1,506.0	1,696.7	1,609.2	1,536.7	1,583.1	1,349.2	1,174.9	1,177.6	1,113.5	1,345.8	1,332.2	1,123.6
Loans	**2,391.4**	**2,539.2**	**2,408.3**	**2,386.6**	**2,370.8**	**2,283.9**	**2,401.1**	**2,448.0**	**2,457.7**	**2,359.4**	**2,262.0**	**2,251.3**	**791.4**
Central Bank	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Depository Corporations	2,391.0	2,539.2	2,408.3	2,386.6	2,370.8	2,283.9	2,401.1	2,448.0	2,457.7	2,359.4	2,262.0	2,251.3	791.4
Financial Derivatives	**6,711.7**	**6,981.9**	**6,617.7**	**5,827.8**	**5,549.3**	**4,967.2**	**4,021.7**	**4,381.9**	**4,286.9**	**4,823.5**	**7,104.8**	**6,524.6**	**6,308.3**
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Depository Corporations	6,711.7	6,981.9	6,617.7	5,827.8	5,549.3	4,967.2	4,021.7	4,381.9	4,286.9	4,823.5	7,104.8	6,524.6	6,308.3
Trade Credit and Advances	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Depository Corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and Other Equity	**43,961.6**	**44,232.6**	**42,983.5**	**45,285.3**	**45,226.2**	**45,564.9**	**44,061.2**	**43,239.0**	**44,316.2**	**45,807.3**	**46,926.8**	**49,183.6**	**49,016.9**
Central Bank	14,452.6	14,574.5	13,630.0	14,490.2	14,374.3	14,226.8	12,779.4	11,952.2	12,125.7	13,701.5	14,507.5	15,752.9	14,741.3
Other Depository Corporations	29,509.0	29,658.1	29,353.5	30,795.1	30,851.9	31,338.1	31,281.8	31,286.8	32,190.5	32,105.7	32,419.2	33,430.7	34,275.6
Other Items (net)	**-480.2**	**-968.5**	**-330.2**	**-1,246.8**	**132.0**	**26.1**	**-317.2**	**-777.4**	**-765.4**	**-443.5**	**-733.0**	**-744.9**	**-194.1**
TOTAL LIABILITIES	**227,108.7**	**232,004.4**	**231,923.6**	**233,116.3**	**237,752.1**	**241,750.1**	**240,948.4**	**241,017.4**	**243,048.7**	**249,371.9**	**259,010.1**	**267,019.4**	**269,687.4**

Figures may not add up to totals due to rounding.

Table 2.19(a): Sectoral Balance Sheet of the Bank of Mauritius - Assets

(Rs million)

Code	Assets	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
A1	**Monetary Gold and SDRs**	**1,261.4**	**1,275.2**	**1,255.8**	**1,260.5**	**1,288.8**	**1,276.0**	**1,216.0**	**1,200.9**	**1,226.8**	**1,280.6**	**1,328.5**	**1,366.5**	**1,363.3**
A2	**Currency and Deposits**	**22,426.1**	**22,777.7**	**22,668.5**	**24,183.3**	**25,434.5**	**25,657.2**	**23,101.5**	**20,804.6**	**20,602.2**	**21,301.0**	**20,778.4**	**21,672.5**	**21,345.6**
A2.1	Currency	5.3	6.2	1.6	6.4	0.2	0.7	0.6	0.2	0.1	0.1	0.0	0.3	0.0
A2.2	Transferable deposits	1,511.4	1,287.1	1,229.9	1,225.5	1,553.1	1,236.2	3,625.3	4,252.1	4,856.3	5,478.0	373.1	833.9	797.7
A2.3	Savings deposits	20,909.4	21,484.4	21,437.0	22,951.3	23,881.2	24,420.3	19,475.6	16,552.4	15,745.8	15,822.9	20,405.2	20,838.2	20,547.8
A2.4	Time deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A3	**Securities other than Shares**	**16,785.0**	**16,901.2**	**16,561.5**	**16,288.9**	**16,343.4**	**16,006.3**	**17,314.1**	**19,422.5**	**20,166.7**	**20,858.9**	**22,296.2**	**22,574.2**	**22,254.0**
A4	**Loans**	**2,323.0**	**2,317.5**	**2,318.8**	**2,312.9**	**2,314.5**	**2,314.9**	**2,280.9**	**2,030.2**	**2,031.3**	**2,004.6**	**2,066.9**	**2,056.1**	**2,050.0**
A5	**Shares and Other Equity**	**42.3**	**42.5**	**42.4**	**42.2**	**42.0**	**41.7**	**40.7**	**40.4**	**40.3**	**41.0**	**41.6**	**41.9**	**41.9**
A6	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A7	**Financial Derivatives**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**540.4**	**353.9**	**693.4**
A8	**Other Accounts Receivable**	**109.2**	**25.0**	**22.7**	**44.9**	**24.1**	**16.8**	**15.1**	**43.5**	**32.2**	**34.3**	**32.7**	**23.6**	**97.1**
A9	**Nonfinancial Assets**	**368.6**	**368.9**	**369.9**	**377.1**	**388.6**	**377.3**	**422.1**	**424.5**	**425.3**	**459.1**	**460.2**	**487.8**	**487.2**
	TOTAL ASSETS	**43,315.7**	**43,708.0**	**43,239.6**	**44,509.7**	**45,835.9**	**45,690.3**	**44,390.6**	**43,966.6**	**44,524.6**	**45,979.5**	**47,544.8**	**48,576.6**	**48,332.5**

Figures may not add up to totals due to rounding.

Table 2.19(b): Sectoral Balance Sheet of the Bank of Mauritius - Liabilities

(Rs million)

Code	Liabilities	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
L1	**Currency in Circulation**	**9,527.3**	**9,663.7**	**9,914.5**	**9,879.2**	**10,249.3**	**10,622.3**	**12,982.0**	**11,249.8**	**10,903.8**	**10,807.5**	**10,733.2**	**10,849.0**	**10,786.2**
L2	**Deposits Included in Broad Money**	**347.9**	**276.8**	**275.5**	**312.0**	**267.4**	**271.6**	**264.3**	**263.0**	**385.3**	**256.4**	**263.4**	**274.2**	**279.3**
L2.1	Transferable deposits	89.1	15.2	15.4	14.9	13.6	21.4	27.4	28.6	33.4	15.6	13.9	18.7	19.0
L2.2	Savings deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L2.3	Time deposits	258.7	261.6	260.1	297.1	253.8	250.2	236.9	234.4	351.9	240.7	249.5	255.5	260.2
L3	**Deposits Excuded from Broad Money**	**18,407.6**	**18,670.8**	**17,951.6**	**16,058.6**	**14,401.9**	**12,381.8**	**9,322.7**	**9,922.8**	**10,207.1**	**9,858.8**	**8,559.7**	**8,186.9**	**8,815.6**
L3.1	Transferable deposits	18,359.3	18,616.6	17,881.4	16,004.3	14,336.1	12,316.1	9,255.2	9,855.2	10,139.4	9,791.2	8,492.3	8,119.3	8,751.7
L3.2	Savings deposits	48.3	54.2	70.3	54.3	65.8	65.7	67.5	67.6	67.7	67.6	67.4	67.6	64.0
L3.3	Time deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L4	**Securities Other than Shares, Included in Broad Money**	**0.0**	**0.0**	**179.5**	**770.6**	**1,610.2**	**2,268.5**	**2,577.0**	**3,164.0**	**3,340.3**	**3,625.0**	**3,628.5**	**3,537.2**	**3,347.3**
L5	**Securities Other than Shares, Excluded from Broad Money**	**1.4**	**1.3**	**619.3**	**2,571.6**	**4,110.8**	**5,599.1**	**6,201.2**	**7,253.2**	**7,546.9**	**7,801.3**	**8,785.6**	**8,700.3**	**8,872.3**
L6	**Loans**	**107.6**	**107.2**	**106.8**	**106.8**	**106.8**	**106.8**	**98.3**	**98.3**	**98.3**	**98.3**	**873.9**	**1,247.8**	**432.2**
L7	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L8	**Financial Derivatives**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**538.4**	**354.2**	**696.8**
L9	**Other Accounts Payable**	**471.3**	**413.7**	**562.4**	**320.7**	**715.2**	**213.5**	**165.6**	**63.4**	**-82.7**	**-169.4**	**-345.5**	**-326.0**	**361.5**
L10	**Shares and Other Equity**	**14,452.6**	**14,574.5**	**13,630.0**	**14,490.2**	**14,374.3**	**14,226.8**	**12,779.4**	**11,952.2**	**12,125.7**	**13,701.5**	**14,507.5**	**15,752.9**	**14,741.3**
	TOTAL LIABILITIES	**43,315.7**	**43,708.0**	**43,239.6**	**44,509.7**	**45,835.9**	**45,690.3**	**44,390.6**	**43,966.6**	**44,524.6**	**45,979.5**	**47,544.8**	**48,576.6**	**48,332.5**

Figures may not add up to totals due to rounding.

Table 2.20(a): Sectoral Balance Sheet of Other Depository Corporations - Assets

(Rs million)

Code	Assets	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
A1	**Monetary Gold and SDRs**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A2	**Currency and Deposits**	**72,096.4**	**74,547.0**	**75,677.4**	**74,571.9**	**79,690.1**	**80,006.9**	**75,015.9**	**72,096.4**	**76,896.2**	**84,353.4**	**85,939.9**	**97,625.7**	**99,697.7**
A2.1	Currency	2,296.7	2,374.7	2,363.2	2,436.3	2,628.3	2,689.6	3,991.7	2,296.7	2,755.3	2,770.9	2,559.6	2,618.8	2,524.5
A2.2	Transferable deposits	17,947.8	29,663.2	29,912.2	13,204.4	18,322.5	19,893.8	16,952.1	17,947.8	20,322.9	18,362.7	22,783.0	27,803.7	18,754.7
A2.3	Savings deposits	579.7	433.2	563.4	1,547.7	431.5	354.6	329.0	579.7	551.8	839.1	494.0	556.9	545.3
A2.4	Time deposits	51,272.2	42,075.9	42,838.6	57,383.5	58,307.9	57,068.9	53,743.1	51,272.2	53,266.2	62,380.7	60,103.2	66,646.4	77,873.3
A3	**Securities other than Shares**	**58,032.1**	**58,118.4**	**58,439.3**	**58,608.9**	**58,735.7**	**59,800.1**	**60,238.6**	**58,032.1**	**61,191.7**	**68,574.2**	**70,487.9**	**72,388.2**	**71,565.9**
A4	**Loans**	**165,896.9**	**169,990.7**	**173,969.5**	**177,332.9**	**172,270.1**	**172,240.1**	**171,519.3**	**165,896.9**	**169,112.4**	**169,587.9**	**176,545.1**	**181,318.1**	**187,544.0**
A5	**Shares and Other Equity**	**2,948.9**	**3,485.7**	**3,562.7**	**4,682.1**	**4,699.5**	**4,768.0**	**4,911.9**	**2,948.9**	**5,040.1**	**5,046.6**	**5,164.8**	**5,212.1**	**5,394.3**
A6	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A7	**Financial Derivatives**	**22,675.4**	**25,503.0**	**25,453.4**	**24,199.5**	**22,657.1**	**21,319.3**	**16,597.8**	**22,675.4**	**16,867.4**	**17,537.3**	**21,087.2**	**22,036.2**	**22,558.2**
A8	**Other Accounts Receivable**	**4,416.0**	**4,082.2**	**4,548.0**	**4,676.5**	**4,626.1**	**4,678.5**	**6,130.1**	**4,416.0**	**6,092.8**	**6,128.6**	**6,853.4**	**7,228.0**	**8,868.7**
A9	**Nonfinancial Assets**	**8,666.0**	**8,508.6**	**8,515.4**	**8,523.3**	**8,550.8**	**8,504.6**	**8,376.4**	**8,666.0**	**8,431.9**	**8,502.1**	**8,669.2**	**8,756.8**	**8,838.4**
	TOTAL ASSETS	**334,731.6**	**344,235.7**	**350,165.7**	**352,595.2**	**351,229.4**	**351,317.4**	**342,790.0**	**334,731.6**	**343,632.5**	**359,730.1**	**374,747.5**	**394,565.1**	**404,467.3**

Figures may not add up to totals due to rounding.

Table 2.20(b): Sectoral Balance Sheet of Other Depository Corporations - Liabilities

(Rs million)

Code	Liabilities	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
L1	**Currency in Circulation**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L2	**Deposits Included in Broad Money**	**165,233.1**	**169,784.1**	**170,260.5**	**170,397.5**	**173,110.0**	**176,487.7**	**177,163.0**	**165,233.1**	**179,372.0**	**183,440.7**	**189,700.3**	**196,029.5**	**200,410.4**
L2.1	Transferable deposits	39,258.5	41,751.6	40,892.1	44,171.8	44,339.5	45,445.2	46,463.3	39,258.5	46,736.9	47,517.4	52,473.0	57,265.3	55,723.6
L2.2	Savings deposits	42,983.5	43,958.3	43,957.9	44,279.7	44,351.2	45,115.0	46,919.4	42,983.5	48,446.5	48,746.5	49,535.1	49,492.3	50,245.8
L2.3	Time deposits	82,991.1	84,074.2	85,410.5	81,946.1	84,419.4	85,927.5	83,780.3	82,991.1	84,188.6	87,176.7	87,692.2	89,272.0	94,441.1
L3	**Deposits Excluded from Broad Money**	**71,055.9**	**73,591.0**	**76,764.9**	**76,506.8**	**72,355.7**	**72,126.8**	**68,455.4**	**71,055.9**	**68,495.3**	**71,617.4**	**75,089.2**	**84,868.3**	**88,882.3**
L3.1	Transferable deposits	10,444.8	8,375.1	8,610.9	9,842.3	8,712.5	8,353.0	8,598.3	10,444.8	8,689.5	9,164.4	9,006.3	12,292.6	11,379.3
L3.2	Savings deposits	2,516.2	2,581.7	2,495.9	2,227.9	2,513.2	2,648.2	2,081.7	2,516.2	2,644.1	2,619.1	2,743.2	3,033.8	3,060.6
L3.3	Time deposits	58,094.8	62,634.2	65,658.1	64,436.6	61,130.1	61,125.5	57,775.4	58,094.8	57,161.7	59,833.8	63,339.7	69,541.9	74,442.4
L4	**Securities Other than Shares, Included in Broad Money**	**65.3**	**73.9**	**77.3**	**79.1**	**84.1**	**88.2**	**92.4**	**65.3**	**101.1**	**105.7**	**110.4**	**115.8**	**139.5**
L5	**Securities Other than Shares, Excluded from Broad Money**	**6,933.6**	**7,131.1**	**7,584.2**	**7,466.0**	**7,240.7**	**7,457.7**	**4,867.1**	**6,933.6**	**4,593.3**	**4,666.3**	**4,649.8**	**4,868.7**	**4,826.0**
L6	**Loans**	**24,225.3**	**24,561.1**	**25,835.1**	**26,986.9**	**28,885.3**	**25,543.7**	**26,470.0**	**24,225.3**	**25,141.2**	**27,432.6**	**28,193.5**	**28,843.0**	**28,836.9**
L7	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L8	**Financial Derivatives**	**23,702.9**	**26,393.5**	**26,021.4**	**25,326.7**	**23,905.3**	**22,973.2**	**19,607.3**	**23,702.9**	**19,798.8**	**20,796.7**	**24,406.9**	**25,811.2**	**26,079.0**
L9	**Other Accounts Payable**	**14,006.4**	**13,042.9**	**14,268.7**	**15,037.0**	**14,796.4**	**15,302.0**	**14,852.9**	**14,006.4**	**13,940.2**	**19,565.0**	**20,178.1**	**20,597.9**	**21,017.6**
L10	**Shares and Other Equity**	**29,509.0**	**29,658.1**	**29,353.5**	**30,795.1**	**30,851.9**	**31,338.1**	**31,281.8**	**29,509.0**	**32,190.5**	**32,105.7**	**32,419.2**	**33,430.7**	**34,275.6**
	TOTAL LIABILITIES	**334,731.6**	**344,235.7**	**350,165.7**	**352,595.2**	**351,229.4**	**351,317.4**	**342,790.0**	**334,731.6**	**343,632.5**	**359,730.1**	**374,747.5**	**394,565.1**	**404,467.3**

Figures may not add up to totals due to rounding.

Table 2.21(a): Sectoral Balance Sheet of Category 1 Banks - Assets

(Rs million)

Code	Assets	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
A1	**Monetary Gold and SDRs**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A2	**Currency and Deposits**	**15,703.8**	**15,712.4**	**16,071.9**	**16,621.4**	**16,521.5**	**16,134.7**	**16,489.2**	**16,847.7**	**16,567.7**	**18,482.8**	**18,498.8**	**17,996.5**	**17,479.2**
A2.1	Currency	2,290.5	2,369.4	2,361.4	2,434.8	2,625.4	2,687.1	3,990.0	2,935.1	2,753.3	2,768.7	2,557.1	2,617.6	2,522.2
A2.2	Transferable deposits	6,911.9	6,879.6	6,442.9	6,213.1	6,277.6	6,108.5	5,036.1	6,534.0	7,272.2	8,206.2	8,084.1	7,362.3	7,909.5
A2.3	Savings deposits	39.4	45.2	46.2	45.6	48.0	49.9	47.7	47.7	44.9	63.3	53.0	85.0	135.6
A2.4	Time deposits	6,462.0	6,418.2	7,221.4	7,927.9	7,570.4	7,289.2	7,415.4	7,330.9	6,497.3	7,444.7	7,804.6	7,931.7	6,911.9
A3	**Securities other than Shares**	**47,533.9**	**47,381.8**	**49,100.1**	**49,465.5**	**49,377.2**	**50,463.3**	**51,125.1**	**50,878.6**	**51,550.0**	**52,375.0**	**53,618.5**	**55,826.6**	**57,335.9**
A4	**Loans**	**78,184.8**	**78,335.9**	**77,974.7**	**78,063.7**	**78,844.0**	**79,161.3**	**80,606.9**	**81,057.7**	**80,971.5**	**80,201.1**	**81,535.0**	**82,857.0**	**85,497.5**
A5	**Shares and Other Equity**	**2,735.6**	**2,747.0**	**2,823.1**	**3,941.2**	**3,950.0**	**4,004.1**	**4,188.0**	**4,250.6**	**4,311.7**	**4,231.2**	**4,301.6**	**4,324.1**	**4,517.7**
A6	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A7	**Financial Derivatives**	**13,534.8**	**13,278.0**	**13,544.9**	**12,239.4**	**10,951.8**	**9,740.4**	**5,650.8**	**6,072.2**	**6,443.8**	**7,307.5**	**10,404.4**	**11,251.2**	**10,303.0**
A8	**Other Accounts Receivable**	**3,121.4**	**2,496.9**	**2,687.3**	**2,940.1**	**2,823.9**	**2,889.4**	**4,504.1**	**4,576.2**	**4,513.6**	**4,465.3**	**5,096.9**	**5,487.9**	**5,583.9**
A9	**Nonfinancial Assets**	**7,926.4**	**7,768.7**	**7,770.0**	**7,766.4**	**7,788.6**	**7,749.5**	**7,646.6**	**7,676.5**	**7,703.5**	**7,761.9**	**7,921.6**	**8,009.5**	**8,082.0**
	TOTAL ASSETS	**168,740.7**	**167,720.7**	**169,972.0**	**171,037.8**	**170,257.0**	**170,142.8**	**170,210.8**	**171,359.5**	**172,061.7**	**174,825.0**	**181,376.9**	**185,752.7**	**188,799.2**

Figures may not add up to totals due to rounding.

Table 2.21(b): Sectoral Balance Sheet of Category 1 Banks - Liabilities

(Rs million)

Code	Liabilities	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
L1	**Currency in Circulation**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L2	**Deposits Included in Broad Money**	**110,057.4**	**110,302.3**	**112,308.9**	**113,132.5**	**113,432.3**	**114,544.9**	**116,984.8**	**118,784.8**	**119,130.9**	**119,849.9**	**121,695.6**	**122,377.5**	**125,218.0**
L2.1	Transferable deposits	21,992.1	21,921.8	21,900.2	22,466.5	22,406.4	22,998.3	24,218.8	24,105.3	24,546.4	24,996.0	25,585.8	26,148.9	27,150.3
L2.2	Savings deposits	41,284.0	42,247.7	43,040.4	43,366.3	43,442.1	44,212.6	46,012.6	46,677.6	47,129.9	46,994.3	48,102.7	48,094.3	48,965.2
L2.3	Time deposits	46,781.3	46,132.8	47,368.3	47,299.7	47,583.7	47,334.0	46,753.5	48,002.0	47,454.5	47,859.6	48,007.1	48,134.3	49,102.5
L3	**Deposits Excluded from Broad Money**	**7,312.2**	**7,133.7**	**7,148.3**	**6,813.8**	**6,918.8**	**7,136.1**	**6,661.1**	**6,904.3**	**7,407.1**	**7,867.0**	**8,014.9**	**8,906.7**	**8,961.7**
L3.1	Transferable deposits	2,324.0	1,921.8	1,875.1	1,973.4	1,941.0	1,943.6	2,123.8	2,112.6	2,136.0	2,736.8	2,609.6	2,836.1	2,789.1
L3.2	Savings deposits	2,516.2	2,581.7	2,495.8	2,227.9	2,513.2	2,648.2	1,999.4	2,394.8	2,589.1	2,468.8	2,604.9	2,885.6	2,905.9
L3.3	Time deposits	2,472.0	2,630.2	2,777.4	2,612.6	2,464.6	2,544.3	2,537.8	2,397.0	2,682.0	2,661.4	2,800.3	3,185.0	3,266.7
L4	**Securities Other than Shares, Included in Broad Money**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L5	**Securities Other than Shares, Excluded from Broad Money**	**479.2**	**507.0**	**718.5**	**923.1**	**821.7**	**810.7**	**857.7**	**763.3**	**725.7**	**756.1**	**873.5**	**909.2**	**955.7**
L6	**Loans**	**10,615.9**	**10,829.2**	**10,192.9**	**10,172.2**	**10,500.9**	**9,761.4**	**9,818.8**	**8,670.5**	**8,063.9**	**8,510.8**	**8,902.5**	**9,833.5**	**10,176.6**
L7	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L8	**Financial Derivatives**	**13,517.2**	**13,240.6**	**13,529.7**	**12,275.7**	**10,945.5**	**9,745.7**	**7,238.2**	**7,809.3**	**8,150.6**	**9,059.4**	**12,376.8**	**13,410.3**	**12,543.8**
L9	**Other Accounts Payable**	**10,586.3**	**9,751.3**	**10,527.4**	**11,089.2**	**11,090.3**	**11,389.0**	**11,626.5**	**11,251.7**	**11,066.3**	**10,723.1**	**11,110.1**	**11,420.2**	**11,750.8**
L10	**Shares and Other Equity**	**16,172.4**	**15,956.8**	**15,546.3**	**16,631.2**	**16,547.5**	**16,755.0**	**17,023.8**	**17,175.5**	**17,517.2**	**18,058.8**	**18,403.4**	**18,895.3**	**19,192.5**
	TOTAL LIABILITIES	**168,740.7**	**167,720.7**	**169,972.0**	**171,037.8**	**170,257.0**	**170,142.8**	**170,210.8**	**171,359.5**	**172,061.7**	**174,825.0**	**181,376.9**	**185,752.7**	**188,799.2**

Figures may not add up to totals due to rounding.

Table 2.22(a): Sectoral Balance Sheet of Category 2 Banks - Assets

(Rs million)

Code	Assets	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
A1	**Monetary Gold and SDRs**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A2	**Currency and Deposits**	**55,372.1**	**57,788.7**	**58,593.9**	**57,135.2**	**62,290.6**	**63,014.3**	**57,791.0**	**55,267.8**	**59,128.7**	**64,827.1**	**66,324.7**	**78,373.5**	**80,975.0**
A2.1	Currency	2.5	2.3	1.7	1.4	2.7	2.4	1.6	2.2	1.9	2.0	2.4	1.0	2.1
A2.2	Transferable deposits	10,799.5	22,466.3	23,233.1	6,728.2	11,781.4	13,445.5	11,598.3	13,659.5	12,491.6	9,623.9	14,124.1	19,767.0	10,205.2
A2.3	Savings deposits	77.0	67.8	132.0	1,327.7	172.4	105.2	66.6	140.3	128.0	527.9	160.9	119.3	86.1
A2.4	Time deposits	44,493.2	35,252.3	35,227.1	49,077.8	50,334.0	49,461.3	46,124.6	41,465.7	46,507.2	54,673.3	52,037.3	58,486.1	70,681.5
A3	**Securities other than Shares**	**7,028.0**	**7,292.6**	**7,135.6**	**6,782.1**	**6,857.6**	**6,778.9**	**6,498.4**	**6,327.1**	**6,696.8**	**13,125.4**	**13,678.3**	**13,451.8**	**11,160.3**
A4	**Loans**	**73,006.0**	**76,900.9**	**81,574.7**	**84,813.1**	**78,999.3**	**78,540.0**	**76,271.5**	**74,321.1**	**73,239.7**	**74,321.4**	**79,705.4**	**82,968.1**	**86,230.3**
A5	**Shares and Other Equity**	**35.8**	**561.7**	**557.6**	**555.3**	**558.9**	**556.9**	**523.1**	**513.2**	**514.9**	**594.4**	**614.9**	**635.9**	**641.1**
A6	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A7	**Financial Derivatives**	**9,140.6**	**12,225.1**	**11,908.5**	**11,960.1**	**11,705.3**	**11,578.9**	**10,947.0**	**11,435.9**	**10,423.6**	**10,229.8**	**10,682.9**	**10,785.0**	**12,255.2**
A8	**Other Accounts Receivable**	**346.5**	**592.3**	**771.5**	**659.2**	**720.1**	**664.0**	**489.1**	**415.3**	**393.2**	**432.5**	**557.5**	**450.8**	**2,079.9**
A9	**Nonfinancial Assets**	**165.6**	**166.4**	**163.0**	**157.8**	**157.5**	**153.8**	**123.6**	**117.7**	**114.5**	**118.8**	**120.0**	**119.4**	**126.0**
	TOTAL ASSETS	**145,094.6**	**155,527.7**	**160,704.8**	**162,062.7**	**161,289.3**	**161,286.9**	**152,643.7**	**148,397.9**	**150,511.4**	**163,649.3**	**171,683.6**	**186,784.5**	**193,467.7**

Figures may not add up to totals due to rounding.

Table 2.22(b): Sectoral Balance Sheet of Category 2 Banks - Liabilities

(Rs million)

Code	Liabilities	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
L1	**Currency in Circulation**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L2	**Deposits Included in Broad Money**	**44,828.8**	**48,873.5**	**48,877.8**	**47,836.8**	**49,965.0**	**51,961.5**	**49,698.6**	**48,621.1**	**48,753.2**	**51,718.7**	**55,652.8**	**61,031.9**	**62,456.0**
L2.1	Transferable deposits	17,266.4	19,829.8	18,991.9	21,705.2	21,933.0	22,447.0	22,244.6	20,852.5	22,190.5	22,521.4	26,887.1	31,116.3	28,573.3
L2.2	Savings deposits	0.2	0.2	0.2	0.2	0.2	0.2	0.2	338.7	357.6	788.4	443.6	415.3	298.8
L2.3	Time deposits	27,562.2	29,043.5	29,885.7	26,131.4	28,031.8	29,514.3	27,453.8	27,429.9	26,205.0	28,408.9	28,322.1	29,500.3	33,583.9
L3	**Deposits Excluded from Broad Money**	**63,243.5**	**65,952.3**	**69,124.5**	**69,180.6**	**64,924.5**	**64,478.0**	**61,233.9**	**58,407.4**	**60,549.7**	**63,210.4**	**66,541.8**	**75,425.8**	**79,362.6**
L3.1	Transferable deposits	8,120.8	6,453.3	6,735.8	7,868.9	6,771.4	6,409.4	6,474.5	5,334.0	6,553.5	6,427.7	6,396.6	9,456.5	8,590.1
L3.2	Savings deposits	0.0	0.0	0.1	0.0	0.0	0.0	82.3	101.2	55.0	150.3	138.3	148.2	154.7
L3.3	Time deposits	55,122.7	59,499.0	62,388.6	61,311.7	58,153.1	58,068.6	54,677.1	52,972.2	53,941.3	56,632.5	60,006.9	65,821.1	70,617.8
L4	**Securities Other than Shares, Included in Broad Money**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L5	**Securities Other than Shares, Excluded from Broad Money**	**4,027.8**	**4,205.9**	**4,426.6**	**4,516.7**	**4,519.6**	**4,772.4**	**2,864.1**	**2,561.4**	**2,706.6**	**2,941.1**	**2,826.9**	**3,010.9**	**3,148.0**
L6	**Loans**	**10,267.3**	**10,509.7**	**12,444.3**	**13,623.1**	**15,214.5**	**12,698.0**	**13,473.2**	**13,371.7**	**13,905.8**	**15,834.9**	**16,281.7**	**16,007.7**	**15,517.8**
L7	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L8	**Financial Derivatives**	**10,185.7**	**13,152.9**	**12,491.7**	**13,051.0**	**12,959.8**	**13,227.5**	**12,369.1**	**12,757.6**	**11,648.2**	**11,737.3**	**12,030.1**	**12,400.9**	**13,535.2**
L9	**Other Accounts Payable**	**2,588.8**	**2,583.3**	**2,975.4**	**3,168.4**	**2,907.4**	**3,113.8**	**2,288.5**	**2,139.8**	**1,923.0**	**7,858.0**	**8,089.7**	**8,143.9**	**8,309.9**
L10	**Shares and Other Equity**	**9,952.7**	**10,250.0**	**10,364.5**	**10,686.1**	**10,798.5**	**11,035.6**	**10,716.3**	**10,539.0**	**11,024.9**	**10,348.9**	**10,260.5**	**10,763.2**	**11,138.2**
	TOTAL LIABILITIES	**145,094.6**	**155,527.7**	**160,704.8**	**162,062.7**	**161,289.3**	**161,286.9**	**152,643.7**	**148,397.9**	**150,511.4**	**163,649.3**	**171,683.6**	**186,784.5**	**193,467.7**

Figures may not add up to totals due to rounding.

Table 2.23(a): Sectoral Balance Sheet of Non-Bank Deposit-Taking Institutions - Assets

(Rs million)

Code	Assets	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
A1	**Monetary Gold and SDRs**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A2	**Currency and Deposits**	**1,020.5**	**1,045.9**	**1,011.6**	**815.3**	**878.1**	**857.8**	**735.7**	**794.0**	**1,199.9**	**1,043.5**	**1,116.4**	**1,255.8**	**1,243.5**
A2.1	Currency	3.7	3.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
A2.2	Transferable deposits	236.4	317.3	236.2	263.1	263.4	339.8	317.8	364.2	559.1	532.7	574.9	674.5	640.0
A2.3	Savings deposits	463.3	320.2	385.3	174.3	211.0	199.5	214.7	254.1	378.9	247.9	280.2	352.6	323.6
A2.4	Time deposits	317.1	405.4	390.0	377.7	403.5	318.4	203.2	175.5	261.7	262.7	261.2	228.6	279.8
A3	**Securities other than Shares**	**3,470.3**	**3,444.1**	**2,203.6**	**2,361.3**	**2,500.8**	**2,557.9**	**2,615.1**	**2,799.9**	**2,944.9**	**3,073.8**	**3,191.2**	**3,109.7**	**3,069.7**
A4	**Loans**	**14,706.0**	**14,753.9**	**14,420.1**	**14,456.2**	**14,426.9**	**14,538.8**	**14,641.0**	**14,734.5**	**14,901.3**	**15,065.4**	**15,304.7**	**15,493.1**	**15,816.3**
A5	**Shares and Other Equity**	**177.5**	**177.0**	**182.0**	**185.6**	**190.6**	**206.9**	**200.8**	**209.6**	**213.4**	**221.0**	**248.2**	**252.1**	**235.5**
A6	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A7	**Financial Derivatives**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
A8	**Other Accounts Receivable**	**948.0**	**993.0**	**1,089.1**	**1,077.2**	**1,082.0**	**1,125.0**	**1,136.9**	**1,258.1**	**1,186.0**	**1,230.8**	**1,199.0**	**1,289.4**	**1,205.0**
A9	**Nonfinancial Assets**	**574.0**	**573.4**	**582.5**	**599.0**	**604.7**	**601.3**	**606.1**	**607.0**	**613.8**	**621.4**	**627.6**	**627.8**	**630.4**
	TOTAL ASSETS	**20,896.3**	**20,987.3**	**19,488.9**	**19,494.7**	**19,683.1**	**19,887.8**	**19,935.6**	**20,403.2**	**21,059.3**	**21,255.8**	**21,687.0**	**22,027.9**	**22,200.4**

Figures may not add up to totals due to rounding.

Table 2.23(b): Sectoral Balance Sheet of Non-Bank Deposit-Taking Institutions - Liabilities

(Rs million)

Code	Liabilities	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
L1	**Currency in Circulation**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L2	**Deposits Included in Broad Money**	**10,346.8**	**10,608.4**	**9,073.8**	**9,428.3**	**9,712.7**	**9,981.4**	**10,479.6**	**11,063.0**	**11,487.9**	**11,872.1**	**12,351.8**	**12,620.1**	**12,736.4**
L2.1	Transferable deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L2.2	Savings deposits	1,699.2	1,710.5	917.3	913.3	908.9	902.2	906.6	937.7	958.9	963.9	988.8	982.7	981.8
L2.3	Time deposits	8,647.6	8,897.9	8,156.5	8,515.0	8,803.9	9,079.2	9,573.0	10,125.3	10,529.0	10,908.2	11,363.0	11,637.4	11,754.7
L3	**Deposits Excluded from Broad Money**	**500.2**	**505.0**	**492.1**	**512.3**	**512.4**	**512.6**	**560.5**	**537.6**	**538.4**	**540.0**	**532.5**	**535.7**	**557.9**
L3.1	Transferable deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L3.2	Savings deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L3.3	Time deposits	500.2	505.0	492.1	512.3	512.4	512.6	560.5	537.6	538.4	540.0	532.5	535.7	557.9
L4	**Securities Other than Shares, Included in Broad Money**	**65.3**	**73.9**	**77.3**	**79.1**	**84.1**	**88.2**	**92.4**	**96.9**	**101.1**	**105.7**	**110.4**	**115.8**	**139.5**
L5	**Securities Other than Shares, Excluded from Broad Money**	**2,426.6**	**2,418.2**	**2,439.0**	**2,026.2**	**1,899.4**	**1,874.6**	**1,145.4**	**1,151.8**	**1,161.1**	**969.1**	**949.4**	**948.6**	**722.3**
L6	**Loans**	**3,342.1**	**3,222.2**	**3,198.0**	**3,191.6**	**3,169.9**	**3,084.3**	**3,178.0**	**3,144.8**	**3,171.5**	**3,086.9**	**3,009.2**	**3,001.8**	**3,142.5**
L7	**Insurance Technical Reserves**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L8	**Financial Derivatives**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L9	**Other Accounts Payable**	**831.3**	**708.3**	**765.9**	**779.4**	**798.7**	**799.2**	**937.9**	**836.7**	**950.9**	**984.0**	**978.3**	**1,033.8**	**956.8**
L10	**Shares and Other Equity**	**3,383.9**	**3,451.4**	**3,442.7**	**3,477.8**	**3,505.8**	**3,547.4**	**3,541.7**	**3,572.3**	**3,648.4**	**3,698.1**	**3,755.3**	**3,772.2**	**3,944.9**
	TOTAL LIABILITIES	**20,896.3**	**20,987.3**	**19,488.9**	**19,494.7**	**19,683.1**	**19,887.8**	**19,935.6**	**20,403.2**	**21,059.3**	**21,255.8**	**21,687.0**	**22,027.9**	**22,200.4**

Figures may not add up to totals due to rounding.

Table 2.24: Transactions on The Stock Exchange of Mauritius Ltd

Period		Number of Sessions	Official Market					
				Average				
			SEMTRI[1] (in Rs terms)	SEMTRI[1] (in US$ terms)	SEM-7[2]	SEMDEX	Value of Transactions (Rs'000)	Volume of Transactions ('000)
2003	July	20	1013.62	537.32	105.19	480.96	20,172	1,026
	August	21	995.12	531.36	102.27	472.29	11,623	855
	September	21	1018.06	544.78	105.32	483.08	6,792	464
	October	23	1089.51	591.40	113.54	512.29	19,436	995
	November	19	1163.97	639.53	120.18	545.24	7,775	545
	December	22	1194.27	691.95	121.50	554.84	9,682	408
2004	January	19	1231.02	732.75	123.20	565.40	13,223	703
	February	18	1306.70	787.86	130.58	599.33	15,372	825
	March	22	1322.36	785.43	130.89	605.41	10,015	369
	April	22	1376.95	788.88	132.37	623.96	8,819	321
	May	21	1441.08	802.63	137.75	650.94	14,037	624
	June	22	1457.20	805.75	138.49	656.80	12,794	670

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

2 The SEM-7 started with an index value of 100 on 30 March 1998.

Source: The Stock Exchange of Mauritius Ltd.

Table 3.1: Exchange Rates [1]

(Rupees)

CURRENCY	Dec-02		Mar-03		Jun-03		Sep-03		Dec-03		Mar-04		Jun-04	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
Australian dollar	16.26	16.73	16.26	16.79	19.14	19.75	19.19	19.77	19.55	20.15	19.76	20.42	19.06	19.65
Euro [2]	30.31	30.86	28.98	30.01	32.61	33.68	32.62	33.64	32.54	33.69	31.61	32.84	33.15	34.42
Hong Kong dollar	3.69	3.81	3.47	3.59	3.70	3.82	3.66	3.78	3.39	3.50	3.37	3.48	3.57	3.68
Indian rupee (100)	60.00	63.00	57.00	60.00	62.00	65.00	62.00	64.00	58.00	60.00	60.00	62.00	61.00	63.00
Japanese yen (100)	24.36	24.87	22.63	23.26	23.97	24.66	25.37	26.15	24.45	25.21	24.96	25.83	25.42	26.24
Kenya shilling (100)	37.15	38.72	35.12	36.71	38.89	40.52	36.13	37.67	34.47	35.92	33.86	35.37	35.15	36.60
Malagasy franc (100)	0.45	0.47	0.44	0.46	0.49	0.51	0.47	0.49	0.45	0.47	0.43	0.44	0.29	0.31
Malawi kwacha	0.33	0.35	0.30	0.32	0.32	0.34	0.26	0.28	0.25	0.27	0.24	0.26	0.25	0.27
New Zealand dollar	15.09	15.62	14.93	15.48	16.69	17.29	16.77	17.38	17.12	17.74	17.30	17.95	17.37	18.02
Pakistan rupee (100)	50.34	52.80	47.68	50.01	49.91	52.36	48.95	51.35	45.96	48.22	46.26	48.45	48.22	50.51
Seychelles rupee	4.98	5.25	4.63	4.94	-	5.70	-	-	-	-	4.84	5.08	4.84	5.08
Singapore dollar	16.59	17.14	15.34	15.88	16.41	16.98	16.40	16.96	15.49	16.01	15.59	16.20	16.20	16.76
South African rand	3.35	3.46	3.40	3.52	3.86	4.00	3.99	4.13	3.96	4.12	4.14	4.33	4.43	4.63
Swiss franc	20.84	21.23	19.71	20.32	21.13	21.81	21.18	21.87	20.88	21.60	20.31	21.07	21.75	22.50
Tanzania shilling (100)	3.06	3.22	2.86	3.01	2.73	2.87	2.66	2.80	2.47	2.60	2.33	2.45	2.48	2.61
Uganda shilling (100)	1.56	1.64	1.36	1.43	1.42	1.49	1.40	1.47	1.37	1.44	1.35	1.42	1.54	1.62
US dollar	28.92	29.45	26.79	27.75	28.60	29.50	28.12	29.00	25.89	26.82	25.94	26.91	27.45	28.46
Pound sterling	46.39	47.22	42.34	43.69	47.20	48.69	46.85	48.32	46.06	47.73	47.46	49.32	49.63	51.55
Zambia kwacha (100)	0.63	0.67	0.55	0.58	0.60	0.64	0.58	0.62	0.59	0.63	0.60	0.59	0.58	0.61

[1] *End of month.*
[2] *Effective 1 January 2002, euro banknotes and coins have been introduced in replacement of the national currencies of the member states of the euro area.*

Table 3.2: Daily Average Exchange Rates [1]

(Rupees)

CURRENCY	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
Australian dollar	19.767	19.232	19.481	20.095	20.541	20.177	20.393	20.273	19.875	20.445	19.912	19.760
Hong Kong dollar	3.850	3.810	3.803	3.764	3.717	3.552	3.444	3.388	3.429	3.550	3.653	3.681
Indian rupee (100)	65.652	65.000	64.952	64.913	64.053	60.909	59.158	58.556	59.909	63.591	63.619	63.591
Japanese yen (100)	25.121	24.833	25.554	26.431	26.248	25.392	24.935	24.467	24.416	25.539	25.211	26.000
Kenya shilling (100)	40.590	39.489	38.350	37.883	37.969	36.564	35.357	34.877	35.030	35.975	36.397	36.656
New Zealand dollar	17.559	17.261	17.262	17.518	18.095	17.770	17.911	18.167	17.675	17.755	17.506	18.006
Singapore dollar	17.153	16.992	17.003	16.860	16.742	16.171	15.781	15.609	15.729	16.441	16.666	16.776
South African rand	4.005	4.047	4.063	4.208	4.306	4.264	3.896	3.915	4.066	4.273	4.229	4.500
Swiss franc	21.852	21.306	21.279	21.819	21.428	21.501	21.240	20.849	20.656	21.133	21.976	22.724
US dollar	29.770	29.466	29.351	28.904	28.624	27.272	26.442	26.079	26.469	27.406	28.221	28.420
Pound sterling	48.312	46.909	47.237	48.387	48.260	47.638	48.090	48.585	48.390	49.531	50.450	52.071
Euro [2]	33.813	32.809	32.930	33.767	33.418	33.419	33.227	32.749	32.326	32.841	33.852	34.516

1 *Selling Rates.*
2 *Effective 1 January 2002, euro banknotes and coins have been introduced in replacement of the national currencies of the member states of the euro area.*

Table 3.3: Exchange Rate Movements of Selected Currencies vis-à-vis the Euro[1]

	January 1999 (1)	June 2004 (2)	Appreciation/ (Depreciation) of Selected Currencies between (1) & (2) *(Per cent)* (3)
Hong Kong dollar	8.9689	9.4635	(5.2)
Indonesian rupiah	9,961.02	11,403.15	(12.6)
Korean won	1,358.76	1,405.92	(3.4)
Mauritian rupee	28.987	34.516	(16.0)
Philippines peso	44.395	67.969	(34.7)
Singapore dollar	1.9453	2.0777	(6.4)
South African rand	6.9690	7.7865	(10.5)
Taiwan dollar	37.3330	40.833	(8.6)
Thailand baht	42.3655	49.5001	(14.4)

1 Period average.
Note: The daily average exchange rate of the rupee against the euro is based on the average selling rates of all Category 1 Banks while the daily exchange rates of the other selected currencies against the euro are derived from Reuters.

Table 3.4: Gross Official International Reserves

End of Month		Gross Foreign Assets of Bank of Mauritius	Reserve Position in the IMF	Foreign Assets of the Government	Gross Official International Reserves	Gross Official International Reserves[1]
		(Rs million)				(US$ million)
2003	July	40,117	849	0.9	**40,966.9**	**1,409.5**
	August	39,770	835	0.7	**40,605.7**	**1,405.2**
	September	41,098	856	0.5	**41,954.5**	**1,470.6**
	October	42,346	847	1.0	**43,194.0**	**1,531.6**
	November	42,272	845	2.2	**43,119.2**	**1,551.3**
	December	40,848	848	0.8	**41,696.8**	**1,598.3**
2004	January	40,282	827	1.1	**41,110.1**	**1,611.6**
	February	40,689	821	1.0	**41,511.0**	**1,637.8**
	March	42,340	859	1.2	**43,200.2**	**1,629.8**
	April	42,606	875	0.6	**43,481.6**	**1,577.9**
	May	43,894	906	1.5	**44,801.5**	**1,594.0**
	June	43,342	900	1.2	**44,243.2**	**1,577.1**

[1] *Valued at end-of-period exchange rate.*

Table 3.5: Net International Reserves

(Rs million)

End of Month		Bank of Mauritius Net Foreign Assets	Government of Mauritius Foreign Assets	Reserve Position in IMF	Category 1 Banks Net Foreign Assets	Net International Reserves
2002	January	25,020.8	0.5	545.8	9,898.3	**35,465.4**
	February	26,104.8	1.2	545.6	10,463.4	**37,115.0**
	March	26,725.5	0.7	547.6	11,067.4	**38,341.2**
	April	27,185.8	2.7	555.2	10,552.8	**38,296.5**
	May	27,860.3	1.0	563.8	10,963.6	**39,388.7**
	June	29,911.6	0.8	576.3	10,062.4	**40,551.1**
	July	30,557.2	1.0	569.5	8,926.7	**40,054.4**
	August	31,589.9	1.3	569.6	8,874.9	**41,035.7**
	September	32,926.9	1.2	566.9	9,289.7	**42,784.7**
	October	33,311.0	1.2	565.8	7,401.0	**41,279.0**
	November	34,054.7	1.1	563.7	7,699.6	**42,319.1**
	December	35,616.6	0.9	573.9	7,849.9	**44,041.3**
2003	January	35,832.8	0.6	556.2	8,103.4	**44,493.0**
	February	35,121.1	1.0	546.1	8,337.0	**44,005.2**
	March	34,782.3	0.8	537.6	8,257.0	**43,577.7**
	April	35,372.6	0.8	538.8	7,337.1	**43,249.3**
	May	36,821.8	1.0	555.9	7,805.2	**45,183.9**
	June	39,583.5	1.1	844.8	7,984.4	**48,413.8**
	July	40,117.5	0.9	848.6	7,448.7	**48,415.7**
	August	39,769.9	0.7	834.9	7,199.5	**47,805.0**
	September	41,047.6	0.5	855.6	6,852.5	**48,756.2**
	October	42,299.9	1.0	847.0	6,421.7	**49,569.6**
	November	42,202.3	2.2	844.7	6,778.4	**49,827.6**
	December	40,804.6	0.8	848.1	7,247.5	**48,901.0**
2004	January	40,219.5	1.1	826.7	7,089.6	**48,136.9**
	February	40,636.6	1.0	820.8	6,760.0	**48,218.4**
	March	42,269.4	1.2	858.6	7,483.7	**50,612.9**
	April	42,535.4	0.6	875.3	6,694.7	**50,106.0**
	May	43,822.8	1.5	905.6	6,843.2	**51,573.1**
	June	43,261.7	1.2	900.0	5,858.5	**50,021.4**

Table 3.6: Exports [3] - Principal Countries of Destination

(f.o.b. value) (Rs million)

COUNTRY	2002	2003 [1]	2002				2003 [1]				2004 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Australia	**97**	**106**	17	25	32	23	23	24	29	30	31	43
Belgium	**873**	**925**	160	265	222	226	155	163	269	338	255	351
Canada	**244**	**192**	56	78	52	58	53	36	46	57	41	37
France	**9,983**	**9,403**	2,015	3,060	2,186	2,722	2,115	2,572	2,137	2,579	2,251	2,573
Germany	**1,558**	**1,525**	319	527	345	367	305	338	470	412	354	341
Italy	**1,915**	**1,900**	438	550	419	508	392	543	383	582	486	641
Malagasy, Republic of	**2,029**	**3,184**	338	333	570	788	643	781	794	966	641	739
Netherlands	**831**	**820**	203	188	175	265	181	164	242	233	222	181
Reunion	**1,166**	**1,489**	175	337	301	353	301	346	358	484	330	357
South Africa, Republic of	**576**	**773**	105	154	140	177	202	178	203	190	135	175
United States of America	**9,920**	**8,772**	2,027	2,347	2,797	2,749	2,002	2,447	2,338	1,985	1,792	1,950
United Kingdom	**15,680**	**15,915**	3,336	2,942	5,076	4,326	3,236	2,432	5,244	5,003	4,077	2,914
Other	**6,807**	**5,974**	1,340	1,733	2,094	1,640	1,453	1,241	1,909	1,371	1,273	1,700
TOTAL	**51,679**	**50,978**	**10,529**	**12,539**	**14,409**	**14,202**	**11,061**	**11,265**	**14,422**	**14,230**	**11,888**	**12,002**

1 Revised. *2 Provisional.* *3 Excluding Ship's Stores & Bunkers.*
Note: As from the first quarter of 2002, data on exports include transactions through the Mauritius Freeport.
Source: Central Statistics Office, Government of Mauritius.

Table 3.7: Direction of EPZ Exports

(f.o.b. value) (Rs million)

COUNTRY	2002	2003 [1]	2002				2003 [1]				2004 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Belgium	**727**	**646**	137	124	191	275	119	126	220	181	203	219
France	**7,637**	**7,253**	1,481	2,263	1,778	2,115	1,462	1,965	1,705	2,121	1,605	1,963
Germany	**1,132**	**1,176**	266	338	296	232	191	268	428	289	277	277
Hong Kong (S.A.R.)[3]	**109**	**66**	12	30	28	39	8	22	18	18	31	67
Italy	**1,420**	**1,196**	313	433	342	332	204	334	285	373	319	454
Malagasy, Republic of	**407**	**560**	114	63	87	143	103	146	133	178	134	234
Netherlands	**752**	**749**	186	163	162	241	164	152	213	220	218	167
Switzerland	**414**	**473**	93	106	110	105	117	125	122	109	117	148
Singapore	**30**	**18**	6	9	14	1	9	4	4	1	2	3
United Kingdom	**7,635**	**7,848**	1,597	1,968	2,078	1,992	1,780	1,810	2,120	2,138	2,241	2,351
United States of America	**9,481**	**8,474**	1,942	2,212	2,715	2,612	1,877	2,377	2,275	1,945	1,704	1,876
Other	**2,939**	**2,985**	544	881	833	681	682	676	840	787	700	792
TOTAL	**32,683**	**31,444**	**6,691**	**8,590**	**8,634**	**8,768**	**6,716**	**8,005**	**8,363**	**8,360**	**7,551**	**8,551**

1 Revised. *2 Provisional.* *3 Special Administrative Region of China.*
Source: Central Statistics Office, Government of Mauritius.

Table 3.8: EPZ Imports and Exports by Main Commodities

(Rs million)

	2002	2003 [1]	2002				2003 [1]				2004 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Total EPZ Imports (c.i.f.)	**16,909**	**15,579**	**3,831**	**4,330**	**4,628**	**4,120**	**3,779**	**3,726**	**4,005**	**4,069**	**3,952**	**4,784**
Raw Materials	**15,251**	**14,079**	3,572	4,036	3,925	3,718	3,411	3,316	3,693	3,659	3,110	4,096
Machinery	**1,658**	**1,500**	259	294	703	402	368	410	312	410	842	688
Total EPZ Exports (f.o.b.)	**32,683**	**31,444**	**6,691**	**8,590**	**8,634**	**8,768**	**6,716**	**8,005**	**8,363**	**8,360**	**7,551**	**8,551**
Fish and Fish Preparations	**2,018**	**1,995**	439	561	530	488	431	470	529	565	445	543
Textile Yarn, Fabrics, Made-up Articles	**1,225**	**1,100**	238	341	326	320	276	284	284	256	309	546
Pearls, Precious and Semi-precious Stones	**1,047**	**1,127**	206	279	300	262	247	273	303	304	241	295
Articles of Apparel and Clothing	**25,315**	**24,168**	5,141	6,517	6,738	6,919	5,127	6,255	6,476	6,310	5,731	6,174
Watches and Clocks	**333**	**393**	77	85	77	94	90	104	95	104	93	103
Toys, Games and Sporting Goods	**183**	**176**	36	55	51	41	37	42	50	47	38	47
Other	**2,562**	**2,485**	554	752	612	644	508	577	626	774	694	843
Net EPZ Exports	**15,774**	**15,865**	**2,860**	**4,260**	**4,006**	**4,648**	**2,937**	**4,279**	**4,358**	**4,291**	**3,599**	**3,767**

1 Revised. *2 Provisional.*
Source: Central Statistics Office, Government of Mauritius.

Table 3.9: Imports and Exports - Major Commodity Groups

(Rs million)

	2002	2003 [1]	2002				2003 [1]				2004 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Imports (c.i.f. value)												
Food and Live Animals	**11,289**	**10,308**	2,651	2,630	2,790	3,218	2,713	2,178	2,618	2,799	2,484	3,041
Beverages and Tobacco	**491**	**626**	73	115	115	188	134	125	163	204	142	139
Crude Materials, Inedible except Fuels	**1,813**	**1,542**	425	480	438	470	375	381	390	396	374	676
Mineral Fuels, Lubricants and Related Products	**6,634**	**7,290**	1,616	1,421	1,458	2,139	2,094	1,551	1,830	1,815	2,254	2,211
Animal and Vegetable Oils and Fats	**625**	**639**	96	104	219	206	122	213	171	133	177	171
Chemicals and Related Products	**5,012**	**5,770**	977	1,267	1,373	1,395	1,236	1,421	1,535	1,578	1,423	1,538
Manufactured Goods classified chiefly by Materials	**18,744**	**18,863**	3,873	4,932	4,976	4,963	4,094	4,744	5,028	4,997	4,109	5,294
Machinery and Transport Equipment	**13,543**	**14,241**	2,411	3,714	3,652	3,766	4,054	2,964	3,313	3,910	3,796	4,322
Miscellaneous Manufactured Articles	**6,317**	**6,521**	1,293	1,514	1,508	2,002	1,574	1,301	1,576	2,070	1,309	1,503
Commodities and Transactions not classified elsewhere in the SITC [3]	**140**	**142**	44	42	26	28	39	24	37	42	59	38
TOTAL	**64,608**	**65,942**	**13,459**	**16,219**	**16,555**	**18,375**	**16,435**	**14,902**	**16,661**	**17,944**	**16,127**	**18,933**
Exports (f.o.b. value)												
Cane Sugar	**8,869**	**8,775**	1,854	1,065	3,537	2,413	1,566	767	3,778	2,664	1,957	673
Cane Molasses	**57**	**74**	-	-	11	46	21	-	18	35	13	-
Export Processing Zone Products	**32,683**	**31,444**	6,691	8,590	8,634	8,768	6,716	8,005	8,363	8,360	7,551	8,551
Other	**1,413**	**1,845**	293	349	366	405	368	511	324	682	388	493
Re-exports	**8,657**	**8,840**	1,691	2,535	1,861	2,570	2,393	2,018	1,926	2,503	1,979	2,285
TOTAL	**51,679**	**50,978**	**10,529**	**12,539**	**14,409**	**14,202**	**11,061**	**11,265**	**14,422**	**14,230**	**11,888**	**12,002**
Ship's Stores and Bunkers (f.o.b. value)	**2,214**	**2,044**	524	470	682	538	718	372	448	506	485	518

[1] Revised. [2] Provisional. [3] Standard International Trade Classification.
Notes: (i) As from the first quarter of 2002, data on imports and exports include transactions through the Mauritius Freeport.
(ii) Export figures exclude Ship's Stores & Bunkers.
Source: Central Statistics Office, Government of Mauritius.

Table 3.10: Merchandise Imports

(c.i.f. value) (Rs million)

SITC Code	Standard International Trade Classification	2000	2001	2002	2003[1]
00	**Food and Live Animals**	**6,948**	**8,287**	**11,289**	**10,308**
	Meat and Meat Preparations	697	741	813	860
	Dairy Products and Bird's Eggs	1,072	1,318	1,409	1,465
	Milk and Cream	*785*	*986*	*1,015*	*1,049*
	Fish and Fish Preparations	1,058	1,754	3,985	2,542
	Cereals and Cereal Preparations	1,638	1,890	2,090	2,051
	Wheat	*496*	*525*	*713*	*754*
	Rice	*660*	*620*	*688*	*658*
	Flour	*0*	*198*	*45*	*2*
	Other	*482*	*547*	*644*	*637*
	Vegetables and Fruits	932	991	1,122	1,282
	Vegetables	*427*	*485*	*552*	*659*
	Feeding Stuff for Animals	222	263	281	294
	Other	1,329	1,280	1,589	1,814
01	**Beverages and Tobacco**	**369**	**362**	**491**	**626**
	Alcoholic Beverages	265	268	306	365
	Unmanufactured Tobacco	3	1	10	5
	Other	101	141	175	256
02	**Crude Materials, Inedible except Fuels**	**1,654**	**1,787**	**1,813**	**1,542**
03	**Mineral Fuels, Lubricants and Related Products**	**6,450**	**6,504**	**6,634**	**7,290**
	Petroleum Products, Refined	5,634	5,532	5,673	6,391
	Other	816	972	961	899
04	**Animal and Vegetable Oils and Fats**	**455**	**472**	**625**	**639**
	Fixed Vegetable Oils and Fats	364	387	504	518
	Other	91	85	121	121
05	**Chemicals and Related Products**	**4,260**	**4,780**	**5,012**	**5,770**
	Organic Chemicals	262	268	317	404
	Inorganic Chemicals	365	453	356	494
	Dyeing and Tanning Materials	513	493	470	512
	Medical and Pharmaceutical Products	795	957	1,027	1,156
	Fertilisers	225	286	202	315
	Plastics in non-primary forms	334	372	413	476
	Other	1,766	1,951	2,227	2,413
06	**Manufactured Goods classified chiefly by Materials**	**17,570**	**17,611**	**18,744**	**18,863**
	Rubber, Wood, Cork, Paper and Paper Board Manufactures	1,708	1,087	1,937	1,968
	Textile Yarn, Fabrics, Made-up Articles and Related Products	10,843	4,709	10,364	9,950
	Lime, Cement and Fabricated Construction Materials	711	723	863	821
	Iron and Steel	1,041	1,127	1,360	1,564
	Manufactures of Metal, n.e.s.	1,193	1,230	1,679	1,767
	Other	2,074	8,735	2,541	2,793
07	**Machinery and Transport Equipment**	**12,427**	**13,004**	**13,543**	**14,241**
	Machinery Specialized for Particular Industries	2,255	2,049	2,583	2,237
	General Industrial Machinery & Equipment, n.e.s., & machine parts, n.e.s.	1,768	1,589	2,026	1,982
	Electric Machinery, Apparatus and Appliances, n.e.s. and Electrical Parts of Household Type	1,768	1,783	1,980	2,246
	Road Vehicles	2,916	2,753	2,718	2,805
	Other	3,720	4,830	4,236	4,971
08	**Miscellaneous Manufactured Articles**	**4,710**	**5,000**	**6,317**	**6,521**
	Articles of Apparel and Clothing	507	564	760	789
	Professional, Scientific and Controlling Instruments and Apparatus, n.e.s.	444	537	884	644
	Other	3,759	3,899	4,673	5,088
09	**Commodities and Transactions not elsewhere specified**	**85**	**133**	**140**	**142**
	TOTAL	**54,928**	**57,940**	**64,608**	**65,942**

[1] Revised. n.e.s.: not elsewhere specified.
Note: As from 2002, data on imports include transactions through the Mauritius Freeport.
Source: Central Statistics Office, Government of Mauritius.

Table 3.11: Imports - Main Sources of Supply

(f.o.b. value) (Rs million)

COUNTRY	2002	2003 [1]	2002				2003 [1]				2004 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Australia	**2,587**	**2,153**	596	625	635	731	658	456	414	625	686	766
Bahrain	**1,106**	**2,571**	2	173	200	731	671	429	761	710	849	1,035
Belgium	**930**	**945**	200	207	229	294	232	249	232	232	269	251
China	**5,434**	**5,539**	894	1,418	1,522	1,600	1,097	1,302	1,308	1,832	1,198	1,637
France	**7,131**	**7,841**	1,643	2,071	1,666	1,751	2,576	1,592	1,818	1,855	1,314	1,526
Germany	**2,217**	**2,148**	440	534	508	735	454	540	548	606	626	609
Hong Kong (S.A.R)[3]	**1,201**	**1,049**	255	316	333	297	251	231	243	324	153	259
India	**4,725**	**5,438**	1,127	1,150	1,168	1,280	1,196	1,355	1,472	1,415	1,266	2,092
Italy	**2,092**	**2,109**	393	528	575	596	438	561	505	605	546	620
Japan	**2,287**	**2,326**	402	558	689	638	508	501	568	749	797	714
Kenya	**76**	**103**	22	21	15	18	21	22	31	29	31	37
Malaysia	**1,838**	**2,026**	307	411	495	625	404	535	560	527	433	576
Netherlands	**737**	**492**	222	168	173	174	99	96	151	146	135	101
New Zealand	**398**	**558**	103	111	105	79	134	130	173	121	90	156
Pakistan	**812**	**1,022**	158	191	226	237	188	231	302	301	279	300
Republic of South Africa	**8,116**	**8,068**	2,155	1,980	1,893	2,088	1,957	1,932	2,122	2,057	1,956	2,128
Republic of Korea	**1,068**	**693**	203	353	310	202	138	167	180	208	138	204
Singapore	**1,418**	**1,684**	333	340	362	383	699	246	375	364	262	293
Taiwan	**1,549**	**1,163**	341	334	490	384	351	223	284	305	229	390
United States of America	**1,791**	**1,734**	361	462	517	451	456	413	479	386	373	404
United Kingdom	**2,371**	**2,175**	481	572	644	674	510	507	565	593	534	534
Other	**14,326**	**14,105**	2,718	3,585	3,695	4,328	3,397	3,184	3,570	3,954	3,963	4,301
TOTAL	**64,608**	**65,942**	**13,459**	**16,219**	**16,555**	**18,375**	**16,435**	**14,902**	**16,661**	**17,944**	**16,127**	**18,933**

1 Revised. 2 Provisional. 3 Special Administrative Region of China.
Note : As from the first quarter of 2002, data on imports include transactions through the Mauritius Freeport.
Source: Central Statistics Office, Government of Mauritius.

Table 3.12: Export and Import (Unit Value) Price Indices

Period	Price Indices		Terms of Trade [1]
	Export	Import	
	Base Year: 1982 = 100		
1985	136	121	113
1986	144	98	147
1987	161	102	158
1988	172	111	156
	Base Year: 1988 = 100		
1989	111	119	93
1990	125	127	98
1991	133	133	100
1992	142	135	105
	Base Year: 1992 = 100		
1993	109	111	98
1994	114	119	96
1995	121	126	96
1996	134	135	99
1997	140	138	101
	Base Year: 1997 = 100		
1998	114	106	108
1999	113	113	100
2000	112	117	96
2001	114	126	90
2002	124	132	94
	Base Year: 2002 = 100		
2003 [2]	109	112	97
1st Quarter	*102*	*109*	*94*
2nd Quarter	*110*	*112*	*98*
3rd Quarter	*113*	*113*	*100*
4th Quarter	*110*	*113*	*97*
2004 [2]			
1st Quarter	*106*	*111*	*95*
2nd Quarter	*117*	*118*	*99*

1 Ratio of Export Price Index to Import Price Index.
2 Provisional.
Source: Central Statistics Office, Government of Mauritius.

Table 3.13(a): Tourist Earnings

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Tourist Earnings (Rs million)	6,415	7,472	9,048	10,068	11,890	13,668	14,234	18,166	18,328	19,415

Table 3.13(b): Tourist Arrivals by Country of Residence

Country of Residence	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Reunion	77,035	78,431	82,272	82,628	83,966	83,749	86,945	91,140	96,375	95,679
Republic of South Africa	39,762	42,653	50,361	51,249	49,676	46,583	48,683	47,882	42,685	45,756
France	106,268	116,701	130,292	145,173	162,775	175,431	198,423	197,595	202,869	200,229
Madagascar	6,849	6,885	11,401	10,143	9,213	7,880	7,057	6,674	9,417	11,044
Germany	41,824	41,637	45,221	43,993	43,826	45,206	52,869	50,866	53,762	53,970
United Kingdom	33,295	31,324	35,271	46,022	52,299	58,683	74,488	77,888	80,667	91,210
Italy	18,149	17,384	21,848	35,255	36,614	36,675	39,000	37,343	38,263	39,774
Switzerland	11,453	13,815	15,692	16,105	16,178	16,281	20,473	18,427	17,371	17,929
Zimbabwe	3,539	2,965	3,402	4,248	3,796	2,606	3,435	3,860	3,185	2,343
India	10,449	11,225	13,075	13,220	12,629	13,583	17,241	18,890	20,898	25,367
Australia	4,162	5,558	7,762	9,460	8,913	8,076	8,771	8,790	8,387	9,103
United States of America	2,006	2,093	2,362	2,879	3,158	3,345	3,704	3,923	4,116	4,505
Zambia	337	443	391	437	423	321	445	422	354	456
Kenya	1,278	1,158	1,170	1,230	1,684	1,655	1,801	1,734	1,507	1,510
Seychelles	5,650	7,116	9,325	8,995	8,529	7,893	9,229	10,687	13,468	9,869
Singapore	3,247	2,601	3,153	3,404	3,515	3,661	4,104	3,431	3,114	2,102
Other Countries	35,223	40,474	53,869	61,684	61,001	66,457	79,785	80,766	85,210	91,172
All Countries	**400,526**	**422,463**	**486,867**	**536,125**	**558,195**	**578,085**	**656,453**	**660,318**	**681,648**	**702,018**

Table 3.13(c): Average Stay of Tourists

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Nights	10.9	10.5	10.2	10.5	10.4	9.9	9.8	9.9	9.9	9.9

Source: Central Statistics Office, Government of Mauritius.

Table 3.13(d): Tourist Arrivals and Tourist Earnings: January 2002 - June 2004

	2002		2003		2004	
	Tourist Arrivals*	Tourist Earnings (Rs million)	Tourist Arrivals*	Tourist Earnings (Rs million)	Tourist Arrivals*	Tourist Earnings (Rs million)
January	63,551	1,977	64,762	1,876	66,543	2,109
February	50,554	1,345	53,647	1,314	54,104	1,830
March	67,554	1,683	63,129	1,515	63,631	2,548
April	48,187	1,659	57,217	1,469	55,599	2,020
May	53,813	1,438	54,710	1,395	53,974	1,859
June	39,048	1,186	41,841	1,387	38,826	1,569
July	56,709	1,332	58,403	1,415		
August	53,395	1,488	56,844	1,401		
September	49,774	1,221	50,293	1,470		
October	65,291	1,525	64,917	1,886		
November	61,326	1,613	61,984	1,760		
December	72,446	1,861	74,271	2,527		
Total	**681,648**	**18,328**	**702,018**	**19,415**	**332,677** [1]	**11,935** [1]

1 The figures for 2004 relate to the period January to June only.
** Source: Ministry of Tourism and Leisure.*
Note: Data on tourist earnings from July 2003 to June 2004 have been revised on account of reclassification by a Category 1 bank.

Table 3.14(a): Foreign Direct Investment in Mauritius by Sector: 1990 - 2004

(Rs million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 [1]	2004 [1 2]
Export Processing Zone	270	130	203	92	41	245	51	0	27	300	8	3	41	77	60
Tourism	152	68	8	152	129	70	35	20	75	27	10	0	100	103	50
Banking	0	51	3	0	0	0	55	1,122	117	215	0	600	316	1,301	150
Telecommunications	0	0	0	0	0	0	0	0	0	0	7,204	0	0	0	24
Other	187	48	16	27	190	10	517	22	73	701	43	333	522	485	1,024
Total	**609**	**297**	**230**	**271**	**360**	**325**	**658**	**1,164**	**292**	**1,243**	**7,265**	**936**	**979**	**1,966**	**1,308**

Table 3.14(b): Direct Investment Abroad by Sector: 1990 - 2004

(Rs million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 [1]	2004 [1 2]
Tourism	0	165	0	0	0	0	3	0	30	8	68	0	0	137	100
Banking	0	0	613	443	0	0	0	0	114	68	180	47	0	440	0
Manufacturing	5	5	0	15	9	14	24	13	25	10	13	0	245	41	101
Other	3	0	61	129	10	49	21	54	160	76	72	36	33	538	211
Total	**8**	**170**	**674**	**587**	**19**	**63**	**48**	**67**	**329**	**162**	**333**	**83**	**278**	**1,156**	**412**

[1] Provisional. *[2] January to June 2004.*

Table 3.15: Balance of Payments: 2001 - 2003

(Rs million)

	2001	2002	2003[1]
I. CURRENT ACCOUNT	**8,038**	**7,472**	**2,755**
A. Goods and Services	**5,681**	**4,337**	**2,022**
Goods	**-6,336**	**-6,329**	**-8,389**
Exports	47,511	53,893	53,022
Imports	-53,847	-60,222	-61,411
General Merchandise	-7,439	-7,647	-9,419
Credit	45,574	51,679	50,978
Debit	-53,013	-59,326	-60,397
Goods procured in Ports by Carriers	1,103	1,318	1,030
Credit	1,937	2,214	2,044
Debit	-834	-896	-1,014
Non-monetary Gold	-33	-136	-142
Services	**12,017**	**10,666**	**10,411**
Credit	35,616	34,408	35,694
Transportation	6,852	8,231	9,351
Passenger	*5,740*	*6,498*	*7,348*
Freight	*367*	*528*	*669*
Other	*745*	*1,205*	*1,334*
Travel	18,166	18,328	19,415
Business	*4,541*	*6,797*	*6,813*
Personal	*13,625*	*11,531*	*12,602*
Other Services	10,598	7,849	6,928
Private	*10,476*	*7,770*	*6,749*
Government	*122*	*79*	*179*
Debit	-23,599	-23,742	-25,283
Transportation	-7,597	-9,190	-11,168
Passenger	*-524*	*-582*	*-553*
Freight	*-4,102*	*-4,325*	*-4,595*
Other	*-2,971*	*-4,283*	*-6,020*
Travel	-5,769	-6,114	-6,036
Business	*-435*	*-996*	*-730*
Personal	*-5,334*	*-5,118*	*-5,306*
Other Services	-10,233	-8,438	-8,079
Private	*-9,913*	*-7,914*	*-7,220*
Government	*-320*	*-524*	*-859*
B. Income	**393**	**396**	**-833**
Credit	2,172	2,396	1,303
Compensation of Employees	18	19	16
Direct Investment Income	67	154	75
Portfolio Investment Income	20	91	95
Other Investment Income	2,067	2,132	1,117
Monetary Authorities	*2,005*	*2,114*	*1,079*
General Government	*0*	*0*	*0*
Other	*62*	*18*	*38*

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Table 3.15: Balance of Payments: 2001 - 2003 (continued)

(Rs million)

	2001	2002	2003[1]
Debit	-1,779	-2,000	-2,136
Compensation to employees	-185	-242	-254
Direct Investment Income	-147	-297	-652
Portfolio Investment Income	-95	-348	-188
Other Investment Income	-1,352	-1,113	-1,042
Monetary Authorities	*-14*	*-6*	*-11*
General Government	*-297*	*-216*	*-212*
Other	*-1,041*	*-891*	*-819*
C. Current Transfers	**1,964**	**2,739**	**1,566**
Credit	5,641	5,847	4,646
Private	5,315	5,230	4,131
Government	326	617	515
Debit	-3,677	-3,108	-3,080
Private	-3,454	-2,901	-3,066
Government	-223	-207	-14
II. CAPITAL AND FINANCIAL ACCOUNT	**-5,569**	**-7,744**	**-3,742**
D. Capital Account	**-40**	**-58**	**-24**
Migrants' Transfers	*-40*	*-58*	*-24*
E. Financial Account	**-5,529**	**-7,686**	**-3,718**
Direct Investment	**-830**	**705**	**1,885**
Abroad	-83	-257	153
In Mauritius	-747	962	1,732
Portfolio Investment	**-563**	**-522**	**-499**
Assets	**-513**	**-547**	**-756**
Equity Securities	-513	-547	-756
Debt Securities	0	0	0
Liabilities	**-50**	**25**	**257**
Equity Securities	-258	-18	226
Debt Securities	208	43	31
Other Investment	**-5,450**	**2,329**	**1,101**
Assets	**-7,333**	**-3,202**	**-620**
General Government	0	0	0
Banks	-1,819	-613	466
Other Sectors: Long-term	0	0	0
Other Sectors: Short-term	-5,514	-2,589	-1,086
Liabilities	**1,883**	**5,531**	**1,721**
General Government	-3,341	1,047	-237
Banks	14	2,755	135
Other Sectors: Long-term	-1,473	-2,965	-2,274
Other Sectors: Short-term	6,683	4,694	4,097
Reserve Assets	**1,314**	**-10,198**	**-6,205**
Monetary Gold	0	0	0
Special Drawing Rights	-39	-6	-11
Reserve Position in the Fund	0	0	-297
Foreign Exchange	1,353	-10,192	-5,898
Other Claims	0	0	1
III. NET ERRORS AND OMISSIONS	**-2,469**	**272**	**987**

[1] Revised.
Notes: (i) This table has been recast with a view to providing a more detailed classification of the Balance of Payments.
In line with the methodology laid down in the Fifth Edition of the IMF's Balance of Payments Manual, valuation changes are excluded from reserve assets transactions.
(ii) As from 2002, data on imports and exports include transactions through the Mauritius Freeport.

Table 3.16: Quarterly Balance of Payments: 2003-04

(Rs million)

		2003		2004	
	2003-04 [1]	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
I. CURRENT ACCOUNT	**1,803**	**1,962**	**1,425**	**943**	**-2,527**
A. Goods and Services	**1,163**	**1,494**	**1,550**	**770**	**-2,651**
Goods	**-10,240**	**-567**	**-1,954**	**-2,677**	**-5,042**
Exports	54,499	14,870	14,736	12,373	12,520
Imports	-64,739	-15,437	-16,690	-15,050	-17,562
General Merchandise	-11,040	-793	-2,191	-2,837	-5,219
Credit	52,542	14,422	14,230	11,888	12,002
Debit	-63,582	-15,215	-16,421	-14,725	-17,221
Goods procured in Ports by Carriers	800	226	237	160	177
Credit	1,957	448	506	485	518
Debit	-1,157	-222	-269	-325	-341
Non-monetary Gold	-176	-37	-42	-59	-38
Services	**11,403**	**2,061**	**3,504**	**3,447**	**2,391**
Credit	38,147	8,475	10,400	10,395	8,877
Transportation	9,667	2,311	2,701	2,546	2,109
Passenger	7,651	*1,844*	*2,191*	*2,032*	*1,584*
Freight	712	*157*	*212*	*168*	*175*
Other	1,304	*310*	*298*	*346*	*350*
Travel	22,394	4,286	6,173	6,487	5,448
Business	8,108	*1,364*	*2,078*	*2,411*	*2,255*
Personal	14,286	*2,922*	*4,095*	*4,076*	*3,193*
Other Services	6,086	1,878	1,526	1,362	1,320
Private	5,888	*1,766*	*1,505*	*1,325*	*1,292*
Government	198	*112*	*21*	*37*	*28*
Debit	-26,744	-6,414	-6,896	-6,948	-6,486
Transportation	-11,746	-2,826	-2,957	-2,925	-3,038
Passenger	-535	*-159*	*-145*	*-111*	*-120*
Freight	-5,052	*-1,201*	*-1,241*	*-1,164*	*-1,446*
Other	-6,159	*-1,466*	*-1,571*	*-1,650*	*-1,472*
Travel	-6,591	-1,653	-1,758	-1,685	-1,495
Business	-605	*-214*	*-165*	*-156*	*-70*
Personal	-5,986	*-1,439*	*-1,593*	*-1,529*	*-1,425*
Other Services	-8,407	-1,935	-2,181	-2,338	-1,953
Private	-7,726	*-1,753*	*-2,042*	*-2,109*	*-1,822*
Government	-681	*-182*	*-139*	*-229*	*-131*
B. Income	**-1,026**	**-211**	**-327**	**79**	**-567**
Credit	1,074	77	519	452	26
Compensation of Employees	17	4	4	5	4
Direct Investment Income	99	4	57	7	31
Portfolio Investment Income	118	18	57	32	11
Other Investment Income	840	51	401	408	-20
Monetary Authorities	809	*46*	*382*	*405*	*-24*
General Government	0	*0*	*0*	*0*	*0*
Other	31	*5*	*19*	*3*	*4*

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Table 3.16: Quarterly Balance of Payments: 2003-04 (continued)

(Rs million)

	2003-04 [1]	2003		2004	
		3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
Debit	-2,100	-288	-846	-373	-593
Compensation to employees	-264	-59	-84	-56	-65
Direct Investment Income	-627	-37	-326	-132	-132
Portfolio Investment Income	-217	-32	-70	-53	-62
Other Investment Income	-993	-160	-366	-133	-334
Monetary Authorities	-11	*-2*	*-3*	*-3*	*-3*
General Government	-226	*-41*	*-82*	*-29*	*-74*
Other	-756	*-117*	*-281*	*-101*	*-257*
C. Current Transfers	**1,666**	**679**	**202**	**94**	**691**
Credit	4,789	1,319	1,074	964	1,432
Private	3,992	1,192	963	876	961
Government	797	127	111	88	471
Debit	-3,123	-640	-872	-870	-741
Private	-3,101	-637	-868	-862	-734
Government	-22	-3	-4	-8	-7
II. CAPITAL AND FINANCIAL ACCOUNT	**-986**	**-1,054**	**-2,074**	**288**	**1,854**
D. Capital Account	**-40**	**-2**	**-4**	**-14**	**-20**
Migrants' Transfers	*-40*	*-2*	*-4*	*-14*	*-20*
E. Financial Account	**-946**	**-1,052**	**-2,070**	**302**	**1,874**
Direct Investment	**964**	**56**	**211**	**458**	**239**
Abroad	-501	-98	-41	-263	-99
In Mauritius	1,465	154	252	721	338
Portfolio Investment	**-664**	**2**	**-175**	**74**	**-565**
Assets	**-877**	**-201**	**-188**	**-169**	**-319**
Equity Securities	-877	-201	-188	-169	-319
Debt Securities	0	0	0	0	0
Liabilities	**213**	**203**	**13**	**243**	**-246**
Equity Securities	464	69	118	188	89
Debt Securities	-251	134	-105	55	-335
Other Investment	**1,979**	**286**	**-517**	**644**	**1,566**
Assets	**2,337**	**-364**	**626**	**1,239**	**836**
General Government	0	0	0	0	0
Banks	2,434	1,195	430	615	194
Other Sectors: Long-term	0	0	0	0	0
Other Sectors: Short-term	-97	-1,559	196	624	642
Liabilities	**-358**	**650**	**-1,143**	**-595**	**730**
General Government	-55	-188	-129	-7	269
Banks	-309	-63	-826	-851	1,431
Other Sectors: Long-term	-2,901	-470	-810	-208	-1,413
Other Sectors: Short-term	2,907	1,371	622	471	443
Reserve Assets	**-3,225**	**-1,396**	**-1,589**	**-874**	**634**
Monetary Gold	0	0	0	0	0
Special Drawing Rights	-10	-2	-3	-2	-3
Reserve Position in the Fund	-35	0	-35	0	0
Foreign Exchange	-3,181	-1,395	-1,551	-872	637
Other Claims	1	1	0	0	0
III. NET ERRORS AND OMISSIONS	**-817**	**-908**	**649**	**-1,231**	**673**

[1] Estimates.
Note: This table has been recast with a view to providing a more detailed classification of the Balance of Payments.
In line with the methodology laid down in the Fifth Edition of the IMF's Balance of Payments Manual, valuation changes are excluded from reserve assets transactions.

Table 4.1: Gross Domestic Product by Industry Group at current basic prices

(Rs million)

INDUSTRY GROUP	2001	2002 [1]	2003 [1]	2004 [2]
1. Agriculture, Hunting, Forestry and Fishing	8,596	7,909	8,585	9,185
of which: Sugarcane	*(4,646)*	*(3,914)*	*(4,366)*	*(4,800)*
2. Mining and Quarrying	150	75	80	85
3. Manufacturing	27,423	28,279	29,755	31,375
of which: EPZ	*(13,681)*	*(13,600)*	*(13,447)*	*(13,710)*
4. Electricity, Gas and Water	2,634	3,012	3,434	3,520
5. Construction	6,540	7,319	8,448	9,090
6. Wholesale and Retail Trade, Repair of Motor Vehicles Motorcycles, Personal and Household goods	13,745	14,715	15,825	17,150
7. Hotels and Restaurants	7,430	7,550	7,990	9,700
8. Transport, Storage and Communication	15,124	16,966	18,931	21,165
9. Financial Intermediation	11,473	11,890	13,627	15,390
10. Real estate, Renting and Business Activities	10,499	11,727	13,118	14,700
11. Public Administration and Defence; Compulsory Social Security	7,455	8,118	9,348	10,590
12. Education	5,224	5,746	6,497	7,405
13. Health and Social Work	3,311	3,730	4,328	4,930
14. Other Services	4,407	4,966	5,574	6,270
15. Financial Intermediation Services Indirectly Measured (FISIM)	-6,290	-6,900	-7,650	-8,480
Gross Domestic Product at basic prices	**117,721**	**125,102**	**137,890**	**152,075**
Taxes on products (net of subsidies)	14,498	17,059	19,806	22,410
Gross Domestic Product at market prices	**132,219**	**142,161**	**157,696**	**174,485**
Net Primary Income from the rest of the world	393	396	-793	-810
Gross National Income at market prices	**132,612**	**142,557**	**156,903**	**173,675**

1 Revised estimates. *2 Revised forecast.*
Source: Central Statistics Office, Government of Mauritius.

Table 4.2: Distribution of Gross Domestic Product at current prices

(Rs million)

	2001	2002 [1]	2003 [1]	2004 [2]
Compensation of Employees	49,313	52,882	58,325	63,670
of which: General Government	*(12,066)*	*(13,008)*	*(14,758)*	*(16,650)*
Gross Operating Surplus	67,245	71,056	78,132	86,685
Gross Domestic Product at basic prices	**117,721**	**125,102**	**137,890**	**152,075**
Indirect Taxes (net of subsidies)	14,498	17,059	19,806	22,410
Gross Domestic Product at market prices	**132,219**	**142,161**	**157,696**	**174,485**

1 Revised estimates. *2 Revised forecast.*
Source: Central Statistics Office, Government of Mauritius.

Table 4.3: Expenditure on Gross Domestic Product at current prices

(Rs million)

	2001	2002 [1]	2003 [1]	2004 [2]
Private Consumption Expenditure on Goods and Services	80,147	88,155	96,315	105,965
General Government Consumption Expenditure on Goods and Services	16,751	18,292	20,365	22,820
Gross Domestic Fixed Capital Formation by Private Sector	20,463	21,590	22,031	25,095
Gross Domestic Fixed Capital Formation by Public Sector	9,335	9,779	13,715	13,680
Change in Stocks	-2,304	+8	+2,411	+2,620
Consumption and Gross Capital Formation	**124,392**	**137,824**	**154,837**	**170,180**
Net Export of Goods and Non-factor Services	7,827	4,337	2,859	4,305
Gross Domestic Product at market prices	**132,219**	**142,161**	**157,696**	**174,485**

1 Revised estimates. *2 Revised forecast.*
Source: Central Statistics Office, Government of Mauritius.

Table 4.4: Gross Domestic Fixed Capital Formation at current prices by Type and Use

(Rs million)

	2000	2001	2002 [1]	2003 [1]	2004 [2]
A. By Type of Capital Goods					
(a) Residential Building	6,035	6,525	6,408	7,515	7,510
(b) Non-residential Building	5,802	5,635	7,170	7,550	10,060
(c) Other Construction Work	3,330	3,774	4,371	6,113	5,280
(d) Transport Equipment					
(i) Passenger Car	1,316	1,330	1,601	1,792	2,095
(ii) Other Transport Equipment	1,476	3,181	1,696	2,731	1,900
(e) Other Machinery and Equipment	10,110	9,353	10,123	10,045	11,930
GROSS DOMESTIC FIXED CAPITAL FORMATION	**28,069**	**29,798**	**31,369**	**35,746**	**38,775**
B. By Industrial Use					
(a) Agriculture, Hunting, Forestry and Fishing	692	648	827	863	1,054
(b) Mining and Quarrying	0	0	0	0	0
(c) Manufacturing	4,464	4,372	4,872	4,929	5,633
(d) Electricity, Gas and Water	1,918	1,594	1,371	1,696	2,024
(e) Construction	606	509	260	703	678
(f) Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household goods	2,263	2,140	2,551	2,353	2,323
(g) Hotels and Restaurants	2,915	2,920	4,023	3,278	5,269
(h) Transport, Storage and Communication	4,533	6,547	4,640	5,572	4,529
(i) Financial Intermediation	544	684	942	829	760
(j) Real Estate, Renting and Business Services	6,941	7,162	7,159	9,202	9,626
of which: Ownership of Dwellings	*(6,035)*	*(6,525)*	*(6,408)*	*(7,515)*	*(7,510)*
(k) Public Administration and Defence; Compulsory Social Security	1,278	1,146	1,680	2,173	3,072
(l) Education	497	510	1,041	1,222	1,343
(m) Health and Social Work	353	334	607	614	635
(n) Other Services	1,065	1,232	1,396	2,312	1,829
GROSS DOMESTIC FIXED CAPITAL FORMATION	**28,069**	**29,798**	**31,369**	**35,746**	**38,775**

1 Revised estimates. *2 Revised forecast.*
Source: Central Statistics Office, Government of Mauritius.

Table 4.5: Labour Productivity and Unit Labour Cost

LABOUR PRODUCTIVITY INDEX (Base Year 1982 = 100)											
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Economy	**118.0**	**121.7**	**127.3**	**134.2**	**140.0**	**146.0**	**148.1**	**160.2**	**168.0**	**170.2**	**176.5**
Manufacturing Sector	113.7	118.6	125.6	132.4	135.5	138.4	142.2	155.9	164.3	165.7	172.7
EPZ Sector	136.5	146.7	157.6	168.3	170.5	173.0	180.2	190.3	203.3	203.8	209.1

UNIT LABOUR COST INDEX (Base Year 1982 = 100)											
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Economy	**253.4**	**276.7**	**283.6**	**294.4**	**302.6**	**323.6**	**346.1**	**340.4**	**346.0**	**364.5**	**384.3**
Manufacturing Sector	289.7	310.3	323.3	326.6	330.4	355.1	380.5	377.8	385.2	413.3	422.8
EPZ Sector	332.5	351.0	362.3	364.2	366.1	398.2	422.2	428.6	441.0	491.8	515.9

Note: Manufacturing Sector includes large establishments only.
Source: Central Statistics Office, Government of Mauritius.

Table 4.6: Sugar Production and Yields

Crop Year	Total Area under Cultivation	Total Area Harvested	Cane Produced	Yield of Cane per arpent				Sugar Produced	Average Yield of Sugar per arpent	Sugar Recovered
				Miller Planters	Owner Planters	Tenant Planters	Average Island			
	(Thousands of arpents)		*(Thousands of metric tonnes)*	*(Metric tonnes)*				*(Thousands of metric tonnes)*	*(Metric tonnes)*	*(Per cent of cane)*
1976	206	192	6,402	37.6	28.5	23.5	33.4	690	3.60	10.8
1977	206	191	6,022	35.7	27.6	22.4	31.5	665	3.48	11.1
1978	205	190	6,260	36.9	28.3	22.5	32.9	665	3.50	10.6
1979	203	189	6,313	37.3	28.8	22.5	33.4	688	3.65	10.9
1980	188	188	4,564	27.0	21.1	16.2	24.3	475	2.54	10.4
1981	201	185	5,303	32.8	23.2	20.6	28.6	575	3.10	10.8
1982	201	189	6,582	38.4	30.8	24.2	34.8	688	3.63	10.5
1983	200	186	5,255	32.2	23.9	20.2	28.2	605	3.25	11.5
1984	199	185	5,009	31.7	22.1	18.4	27.1	576	3.11	11.5
1985	197	185	5,583	33.8	21.4	26.3	30.2	646	3.48	11.6
1986	197	184	6,025	36.4	29.2	22.5	32.7	707	3.84	11.7
1987	196	184	6,231	37.5	30.6	23.6	33.9	691	3.78	11.1
1988	196	182	5,517	35.8	24.9	20.4	30.3	634	3.76	11.5
1989	196	182	5,436	34.1	25.5	18.4	29.6	568	3.10	10.5
1990	196	181	5,548	36.3	25.2	18.1	30.7	624	3.46	11.3
1991	194	180	5,621	37.8	24.3	21.5	31.2	611	3.39	10.9
1992	192	179	5,780	37.4	27.0	20.3	32.3	643	3.59	11.1
1993	188	176	5,402	34.7	26.5	20.4	30.8	565	3.22	10.5
1994	184	173	4,813	31.5	24.1	15.6	27.8	500	2.89	10.4
1995	182	171	5,159	33.6	27.0	18.2	30.2	540	3.16	10.5
1996	182	170	5,260	34.7	27.4	20.0	30.9	588	3.46	11.2
1997	186	172	5,787	36.5	30.6	21.4	33.5	621	3.60	10.7
1998	185	175	5,781	36.4	29.6	23.6	33.0	629	3.59	10.9
1999	187	172	3,883	28.0	18.1	16.7	22.6	373	2.17	9.6
2000	182	173	5,109	33.9	25.5	21.5	29.5	569	3.29	11.15
2001	181	173	5,792	37.3	29.8	24.5	33.4	646	3.73	11.15
2002	179	171	4,874	32.6	26.0	19.8	28.5	521	3.04	10.7
2003 [1]	176	168	5,199	34.5	28.8	21.1	30.9	537	3.19	10.34

1 Provisional.
Source: Annual Reports, Mauritius Chamber of Agriculture.

Table 4.7: Sugar Production and Disposal

(Thousands of metric tonnes)

Calendar Year	Stock at Beginning of Year	Production	Total Availability [1]	Local Consumption	Exports	Stock at End of Year [2]	Average Price Ex-Syndicate [3] *(Rs per tonne)*
1976	133.6	689.9	823.6	36.4	551.1	237.1	1,621
1977	237.1	665.4	902.5	37.5	636.4	228.6	1,680
1978	228.6	665.2	887.0	37.9	578.6	278.7	1,747
1979	278.7	688.4	953.3	38.5	604.3	342.0	2,126
1980	324.0	475.5	799.5	36.7	617.3	141.2	2,305
1981	141.2	574.5	715.7	37.6	432.2	244.8	2,695
1982	244.8	687.9	907.3	35.4	596.8	275.0	2,848
1983	275.0	604.7	879.7	36.5	608.0	234.6	2,981
1984	234.6	575.6	810.2	38.0	530.7	267.3	3,556
1985	267.3	645.8	913.1	36.9	539.5	336.9	3,829
1986	336.9	706.8	1,043.7	37.7	624.9	380.6	4,169
1987	380.6	691.1	1,071.7	38.6	656.3	377.5	4,765
1988	377.5	634.2	1,011.7	38.1	652.5	320.9	5,354
1989	320.9	568.3	889.2	37.4	636.2	215.3	6,480
1990	215.3	624.3	839.6	38.7	578.0	223.0	6,686
1991	223.1	611.3	834.4	40.1	551.4	242.3	6,849
1992	242.3	643.2	885.5	38.8	598.0	247.8	7,019
1993	247.6	565.0	812.7	37.1	540.0	236.7	8,030
1994	234.4	500.2	734.6	36.9	518.8	177.7	9,306
1995	177.7	539.5	737.2 [4]	37.2	523.9	175.5	10,309
1996	175.5	588.5	795.0 [4]	38.1	612.5	143.1	11,133
1997	143.1	620.6	801.7 [5]	39.7	575.3	185.7	10,849
1998	185.7	628.6	852.4 [6]	40.2	602.1	209.6	12,087
1999	209.6	373.3	618.7 [7]	40.0	534.3	43.3	10,605
2000	43.3	569.3	651.1 [8]	39.2	424.3	187.3	10,551
2001	187.3	645.6	852.0 [9]	36.9	543.7	272.1	11,748
2002	272.1	520.9	756.1 [10]	40.1	570.8	144.9	12,561
2003	144.9	537.2	722.8 [11]	41.3	517.5	163.4	13,700

1 Figures for available supplies are net of closing special ISA stocks.
2 Figures for stocks include special ISA stocks (wherever applicable). The effects of loss or surplus in storage are also accounted for in closing stocks.
3 Relates to price received for export and domestic sales of sugar produced in the crop year, net of all marketing expenses, taxes and levies, and after deducting Sugar Insurance Fund premium.
4 Includes 31.0 thousand metric tonnes of imported sugar.
5 Includes 38.0 thousand metric tonnes of imported sugar.
6 Includes 38.2 thousand metric tonnes of imported sugar.
7 Includes 35.8 thousand metric tonnes of imported sugar.
8 Includes 38.5 thousand metric tonnes of imported sugar.
9 Includes 20.0 thousand metric tonnes of imported sugar.
10 Includes 23.2 thousand metric tonnes of imported sugar.
11 Includes 40.7 thousand metric tonnes of imported sugar.
Source: Mauritius Sugar News Bulletin and Annual Reports, Mauritius Chamber of Agriculture.

Table 4.8: Production of Selected Commodities

(Metric tonnes)

	1995	1996	1997	1998	1999	2000	2001	2002	2003[1]
Industrial Crops	**22,435**	**14,087**	**9,699**	**8,063**	**7,802**	**7,003**	**7,996**	**7,347**	**7,397**
Tea (production of green leaf)	21,419	13,209	9,026	7,393	7,134	6,440	7,440	6,870	6,973
Tobacco[3]	1,016	878	673	670	668	563	556	477	424
Foodcrop Production	**97,533**	**89,629**	**101,442**	**91,618**	**85,747**	**114,485**	**129,119**	**103,876**	**103,455**
Banana	9,437	9,387	9,557	9,343	7,550	8,500	11,000	7,200	12,090
Beans and Peas	1,635	1,876	2,406	1,896	1,301	1,715	2,006	2,242	2,022
Beet	688	853	490	332	658	1,794	2,304	1,736	911
Brinjal	1,956	2,458	2,107	2,237	1,713	2,160	2,721	2,359	2,097
Cabbage	6,868	7,595	7,898	6,283	8,206	10,823	11,663	8,252	6,279
Carrot	3,131	3,141	4,878	3,363	6,127	11,461	12,030	8,650	5,048
Cauliflower	2,285	3,425	3,261	4,260	1,274	2,045	1,846	1,796	1,662
Chillies	911	1,034	845	1,060	795	904	1,031	826	1,056
Cucumber	5,288	4,581	5,714	4,573	4,187	6,046	6,426	5,675	6,713
Garlic	212	235	82	131	38	46	40	25	63
Ginger	622	784	317	420	116	498	868	473	369
Groundnut	1,049	767	863	551	341	408	323	284	893
Leek	33	24	57	23	97	263	269	159	85
Lettuce	1,412	1,670	2,223	1,878	1,223	1,716	2,399	2,214	1,988
Maize	289	438	232	260	201	623	389	295	177
Onion	5,974	6,067	5,036	6,727	9,066	11,134	10,950	7,117	4,183
Pineapple	4,199	2,973	1,559	1,462	1,014	3,416	6,016	1,917	4,562
Potato	15,718	10,639	17,584	14,612	15,322	13,843	16,350	13,339	12,359
Pumpkin	7,638	7,021	6,455	5,429	4,040	5,113	5,439	4,997	6,151
Squash	1,498	758	1,468	1,056	2,136	2,683	2,490	1,883	1,827
Tomato	13,486	10,877	12,226	10,729	8,037	9,719	12,395	11,738	13,247
Other Foodcrops	13,204	13,206	16,184	14,993	12,305	19,575	20,164	20,699	19,673
Total	**119,968**	**103,716**	**111,141**	**99,681**	**93,549**	**121,488**	**137,115**	**111,223**	**110,852**
Total Area Under Production (Hectares)	**6,769**	**6,504**	**6,913**	**6,995**	**6,059**	**8,424**	**8,961**	**8,293**	**8,288**
Livestock and Fisheries									
Beef[2]	2,296	2,321	2,274	2,516	2,575	2,538	2,248	2,428	2,505
Goat Meat[2]	117	130	120	112	116	86	74	100	97
Mutton[2]	10	10	8	6	9	16	40	14	11
Pork[2]	1,038	1,112	948	752	678	891	882	756	784
Fish	15,181	11,010	12,362	9,835	10,572	7,842	8,794	9,136	8,246

1 Provisional. *2 Comprises abattoir slaughters only.* *3 Crop year.*
Source: Central Statistics Office, Government of Mauritius.

Table 4.9: Electricity - Production and Consumption

	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003
Plant Capacity	**Kilowatt**	**364,590**	**364,590**	**401,690**	**480,360**	**522,260**	**614,960**	**622,460**	**622,060**	**622,060**
of which:										
Hydro (CEB)	Kilowatt	59,440	59,440	69,440	59,440	59,440	59,440	59,440	59,440	59,440
Thermal (CEB)	Kilowatt	253,000	253,000	283,000	288,520	317,520	348,520	348,520	348,520	348,520
Energy Generated	**Gigawatthour**	**922.3**	**1,022.1**	**1,103.5**	**1,108.1**	**1,078.8**	**963.8**	**946.9**	**968.4**	**1,110.5**
Hydro	Gigawatthour	134.3	103.7	92.2	104.2	29.5	95.3	70.4	85.6	117.7
Thermal	Gigawatthour	788.0	918.4	1,011.3	1,003.9	1,049.3	868.5	876.5	882.8	992.8
Energy Purchased from Sugar and Other Factories	**Gigawatthour**	**125.3**	**128.9**	**148.3**	**257.0**	**343.7**	**601.2**	**710.2**	**746.7**	**729.4**
Sale of Energy	**Gigawatthour**	**895.1**	**985.0**	**1,075.1**	**1,176.4**	**1,229.2**	**1,358.5**	**1,449.8**	**1,491.7**	**1,607.1**
Number of Consumers		**266,767**	**276,178**	**284,576**	**293,887**	**304,029**	**313,963**	**323,213**	**330,005**	**338,563**
Domestic		237,209	245,769	253,518	261,971	271,061	279,886	288,324	294,666	302,387
Commercial		22,924	23,631	24,216	24,914	25,730	26,915	27,655	28,054	28,797
Industrial		6,163	6,269	6,308	6,342	6,419	6,531	6,624	6,662	6,681
Other		471	509	534	660	819	631	610	623	698

Source: Annual Reports and Accounts, Central Electricity Board; Digest of Industrial Statistics, Central Statistics Office, Government of Mauritius.

Table 5.1: Consumer Price Indices [1]

MONTH	1999	2000	2001	2002	2003	2004
January	114.6	120.0	125.9	133.5	105.5	109.7
February	114.9	120.6	126.5	134.7	105.7	110.1
March	115.1	121.0	126.3	135.4	105.6	110.1
April	115.6	120.9	126.5	135.7	105.8	110.4
May	115.8	121.0	126.8	135.9	106.5	110.7
June	117.4	121.0	127.8	135.9	106.9	111.3
July	117.8	121.3	129.7	103.1	107.5	
August	118.3	121.7	129.9	103.6	107.4	
September	118.5	121.9	130.1	104.0	107.9	
October	118.5	124.6	130.5	105.0	108.3	
November	118.9	124.8	131.1	104.9	108.4	
December	119.6	125.2	131.8	104.8	108.9	
Average	**117.1**	**122.0**	**128.6**	**136.8** [2]	**107.0**	
Yearly Change (Per cent)	+6.9	+4.2	+5.4	+6.4	+3.9	

1 From July 1997 to June 2002, the base period was July 1996 - June 1997=100. A new base period (July 2001 - June 2002=100) has been introduced as from July 2002.
2 Average computed after converting CPI data from July to December 2002 to previous base period July 1996 to June 1997=100.
Source: Central Statistics Office, Government of Mauritius.

Table 5.2: EPZ Enterprises - Employment by Product Group

PRODUCT GROUP	June 2001		December 2001		June 2002		December 2002		June 2003		December 2003	
	Number of Enterprises	Employment	Number of Enterprises	Employment	Number of Enterprises	Employment	Number of Enterprises	Employment	Number of Enterprises	Employment	Number of Enterprises	Employment
1.Food	10	1,938	9	1,857	9	1,991	9	2,075	10	2,121	10	2,222
2.Flowers	39	538	39	540	39	534	38	485	38	479	37	454
3.Textile Yarn and Fabrics	47	4,969	47	4,858	44	4,455	44	4,536	44	4,942	43	4,737
4.Wearing Apparels	242	77,111	239	72,145	231	71,337	230	72,034	236	68,099	229	62,514
Pullovers	*(37)*	*(18,971)*	*(38)*	*(18,447)*	*(37)*	*(18,146)*	*(36)*	*(18,138)*	*(35)*	*(15,521)*	*(34)*	*(12,975)*
Other Garments	*(205)*	*(58,140)*	*(201)*	*(53,698)*	*(194)*	*(53,191)*	*(194)*	*(53,896)*	*(201)*	*(52,578)*	*(195)*	*(49,539)*
5.Leather Products and Footwear	8	794	9	767	9	719	9	734	9	800	9	771
6.Wood, Furniture and Paper Products	32	809	32	798	32	813	30	792	29	773	30	791
7.Optical Goods	6	478	6	423	6	418	6	373	6	363	6	364
8.Electronic Watches and Clocks	6	857	6	787	6	760	6	691	6	676	6	652
9.Electric and Electronic Products	7	650	7	477	7	545	6	508	6	508	6	486
10.Jewellery and Related Articles	29	1,472	29	1,516	29	1,598	30	1,539	31	1,616	32	1,651
11.Toys and Carnival Articles	7	914	7	920	7	964	7	973	7	827	7	787
12.Other	91	2,436	92	2,519	90	2,853	91	2,464	91	2,405	91	2,194
TOTAL	**524**	**92,966**	**522**	**87,607**	**509**	**86,987**	**506**	**87,204**	**513**	**83,609**	**506**	**77,623**

Source: Central Statistics Office, Government of Mauritius.

Table 5.3(a): Employment in Large Establishments by Industry Group [1]

(Thousands)

End of Period	Agriculture and Fishing			Mining and Quarrying	Manufacturing	Electricity and Water	Construction	Wholesale and Retail Trade, Restaurants and Hotels	Transport, Storage and Communications	Community, Social and Personal Services [4]		Other	TOTAL
	Total	of which: Sugar [2]	of which: Tea [3]							Total	of which: Central Government		
March 1991	**45.4**	40.1	2.6	0.2	109.3	3.4	11.6	18.3	13.6	**71.3**	54.9	14.5	**287.6**
March 1992	**36.4**	32.0	1.6	0.2	118.7	3.5	13.0	19.4	13.9	**72.6**	54.9	14.2	**291.7**
March 1993	**35.1**	31.3	0.9	0.2	114.8	3.6	14.0	20.6	13.8	**74.5**	55.8	13.5	**290.1**
March 1994	**34.2**	30.2	0.6	0.2	112.2	3.5	13.4	23.3	14.2	**76.8**	56.1	14.7	**292.4**
March 1995	**33.1**	29.1	0.5	0.2	110.4	3.5	10.8	24.5	14.5	**77.1**	56.2	15.1	**289.2**
March 1996	**32.5**	29.1	0.4	0.2	107.4	3.4	10.2	25.0	14.6	**78.4**	56.8	15.7	**287.5**
March 1997	**31.4**	28.2	0.3	0.2	105.8	3.3	9.5	26.3	15.0	**78.8**	56.1	15.6	**286.1**
March 1998	**30.4**	27.5	0.3	0.2	111.2	3.2	8.9	27.8	15.1	**79.7**	56.1	16.3	**292.8**

1 Revised and classified according to the International Standard Industrial Classification, 1968 Edition.
2 Includes factories.
3 Includes factories and Tea Development Authority.
4 Includes Municipalities and District Councils.
Source: Central Statistics Office, Government of Mauritius.

Table 5.3(b): Employment in Large Establishments by Industrial Group[1]

(Thousands)

INDUSTRIAL GROUP	Mar-99	Mar-00	Mar-01	Mar-02	Mar-03	Mar-04
Agriculture, Forestry and Fishing	34.3	32.7	31.3	25.3	23.4	23.1
of which: Sugarcane	*25.9*	*24.8*	*23.5*	*17.6*	*15.5*	*14.8*
Other	*8.4*	*7.9*	*7.7*	*7.6*	*7.9*	*8.3*
Mining and Quarrying	0.2	0.2	0.2	0.2	0.2	0.2
Manufacturing	115.6	115.0	117.0	111.0	108.9	101.7
of which: Sugar	*3.9*	*3.4*	*3.2*	*3.1*	*2.2*	*2.3*
EPZ products	*88.9*	*88.2*	*90.8*	*84.5*	*82.5*	*74.7*
Other	*22.8*	*23.5*	*23.0*	*23.5*	*24.2*	*24.7*
Electricity, Gas and Water	3.1	3.0	3.0	3.0	3.0	2.9
Construction	13.6	13.5	13.3	13.0	14.6	15.3
Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles,	16.4	16.5	16.5	16.9	17.7	18.2
Personal and Household Goods						
of which: Wholesale & Retail Trade	*14.4*	*14.5*	*14.6*	*15.0*	*15.7*	*16.2*
Other	*2.0*	*1.9*	*1.9*	*1.9*	*2.0*	*2.0*
Hotels and Restaurants	13.0	14.5	16.3	16.8	17.8	18.5
Transport, Storage and Communications	16.4	16.1	16.6	17.4	17.8	17.8
Financial Intermediation	6.6	6.7	7.1	7.0	7.3	7.5
of which: Insurance	*2.0*	*2.0*	*2.1*	*2.1*	*2.2*	*2.2*
Other	*4.7*	*4.7*	*5.0*	*4.8*	*5.1*	*5.3*
Real Estate, Renting and Business Activities	8.3	8.9	8.9	9.9	11.1	12.4
Public Administration and Defence; Compulsory Social Security	34.8	34.9	35.7	37.8	38.8	38.7
Education	17.9	17.8	18.3	18.9	20.6	21.3
Health and Social Work	11.4	11.3	11.0	11.0	11.6	12.1
Other Services	6.2	6.0	6.2	6.1	5.7	5.6
All Sectors	**297.7**	**297.0**	**301.2**	**294.2**	**298.5**	**295.4**

[1] Based on the International Standard Industrial Classification (ISIC) Rev.3.
Tables 5.3(a) and 5.3(b) are not strictly comparable as the classification of sectors differs.
Source: Central Statistics Office, Government of Mauritius.

Table 5.4(a): Average Monthly Earnings in Large Establishments by Industry Group for Employees on Monthly Rates of Pay

(Rupees)

INDUSTRIAL GROUP	Mar-95	Mar-96	Mar-97	Mar-98
Agriculture and Fishing	3,981	4,396	5,116	5,289
Sugar [1]	*3,879*	*4,294*	*5,004*	*5,147*
Tea [2]	*6,400*	*6,971*	*n.a.*	*n.a.*
Other	*5,486*	*6,180*	*n.a.*	*n.a.*
Mining and Quarrying	7,583	8,207	8,524	10,060
Manufacturing	5,659	5,972	6,274	6,911
Electricity and Water	8,988	9,707	10,112	12,448
Construction	8,355	9,096	10,038	11,479
Wholesale and Retail Trade, Restaurants and Hotels	6,376	6,735	7,042	7,510
Transport, Storage and Communication	7,339	8,122	8,766	10,647
Financing, Insurance, Real Estate and Business Services	9,248	10,096	11,010	11,550
Community, Social and Personal Services	6,814	7,079	8,296	8,500
Government: (a) Central	6,931	7,176	8,612	8,643
(b) Local [3]	5,409	5,612	n.a.	n.a.
Other	6,872	7,224	n.a.	n.a.
Activities not elsewhere specified	4,905	4,704	5,623	6,313
All Sectors	**6,334**	**6,731**	**7,570**	**8,080**

1 Includes factories. *2 Includes factories and Tea Development Authority.* *3 Municipalities and District Councils.*

Source: Central Statistics Office, Government of Mauritius.

Table 5.4(b): Average Monthly Earnings[1] in Large Establishments by Industrial Group for Employees on Monthly Rates of Pay

(Rupees)

INDUSTRIAL GROUP	Mar-99	Mar-00	Mar-01	Mar-02	Mar-03
Agriculture, Forestry and Fishing	6,146	6,818	7,910	8,527	9,374
of which: Sugarcane	*5,625*	*6,268*	*7,116*	*7,753*	*8,826*
Mining and Quarrying	10,905	11,427	12,822	13,396	8,906
Manufacturing	7,105	7,703	8,127	8,566	9,430
of which: EPZ [3]	*6,423*	*6,944*	*7,194*	*7,821*	*8,542*
Electricity, Gas and Water	12,157	13,569	15,696	17,519	18,987
Construction	8,884	10,232	10,278	11,218	12,216
Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	9,098	9,787	10,780	10,958	11,486
Hotels and Restaurants	7,099	7,437	7,819	8,056	8,444
Transport, Storage and Communication	10,508	12,021	12,508	13,377	14,484
Financial Intermediation	13,515	14,814	16,538	17,230	17,817
Real Estate, Renting and Business Activities	9,937	11,321	12,301	12,499	13,682
Public Administration and Defence; Compulsory Social Security	9,608	10,208	10,684	11,022	11,256
Education	10,608	11,256	11,235	11,682	12,458
Health and Social Work	10,137	11,290	12,396	12,128	12,900
Other Community, Social and Personal Services	8,287	8,364	8,683	8,315	9,385
All Sectors	**8,777**	**9,579**	**10,216**	**10,686**	**11,439**

1 Tables 5.4(a) and 5.4(b) are not strictly comparable as the classification of sectors differs. Based on the International Standard Industrial Classification (ISIC) Rev.3.
Source: Central Statistics Office, Government of Mauritius.

2 Revised.

3 Excluding non-manufacturing EPZ establishments.

Table 6.1: Government Recurrent Budget

(Rs million)

	2001-02	2002-03	2003-04 Revised Estimates	2004-05 Estimates
REVENUE				
Tax Revenue	**21,519.3**	**25,879.2**	**28,814.0**	**32,669.0**
Taxes on Income, Profits and Capital Gains	**3,493.9**	**4,013.5**	**4,680.0**	**5,565.0**
Individual Income Tax	1,619.0	1,858.9	2,280.0	2,630.0
Corporate Tax	1,874.9	2,154.5	2,400.0	2,935.0
Taxes on Property	**1,298.9**	**1,374.6**	**1,456.0**	**1,629.0**
Land and Real Estate	249.6	306.3	340.0	375.0
Financial Transactions	1,049.3	1,068.3	1,116.0	1,254.0
Domestic Taxes on Goods and Services	**10,820.4**	**13,957.0**	**15,401.0**	**17,502.0**
of which:				
Excise Duties	*2,298.6*	*2,332.2*	*2,582.0*	*3,000.0*
Value-Added Tax	*7,053.4*	*9,812.2*	*10,901.0*	*12,150.0*
Taxes on Services	*978.5*	*1,069.0*	*1,108.0*	*1,480.0*
(i) Taxes on Gambling	*891.1*	*966.9*	*988.0*	*1,050.0*
(ii) Taxes on Hotel Bills	*86.8*	*101.4*	*120.0*	*130.0*
Taxes on Use of Goods	*489.9*	*743.6*	*810.0*	*872.0*
Taxes on International Trade and Transactions	**5,893.5**	**6,522.6**	**7,265.0**	**7,960.0**
Customs Duty	*3,287.9*	*3,497.4*	*3,975.0*	*4,340.0*
Excise Duty on Imports	*2,605.6*	*3,025.2*	*3,290.0*	*3,620.0*
Other Tax Revenue: Stamp Duty	**12.6**	**11.5**	**12.0**	**13.0**
Receipt from Public Utilities	**242.8**	**161.1**	**190.0**	**212.0**
Receipt from Public Services	**776.2**	**823.0**	**946.0**	**1,050.0**
Rental of Public Property	**88.5**	**107.4**	**130.0**	**245.0**
Other	**1,979.4**	**2,516.1**	**2,075.0**	**724.0**
TOTAL RECURRENT REVENUE	**24,606.1**	**29,486.8**	**32,155.0**	**34,900.0**
EXPENDITURE				
General Public Services	**2,564.5**	**2,597.0**	**2,835.0**	**3,235.0**
Defence	**269.3**	**298.3**	**303.0**	**345.0**
Public Order and Safety	**2,275.5**	**2,639.6**	**3,049.0**	**3,306.0**
Economic Services	**2,791.0**	**2,904.9**	**2,706.0**	**2,960.0**
Agriculture, Forestry, Fishing and Hunting	1,074.0	1,054.0	1,146.0	1,236.0
Transportation and Communication	315.0	350.9	384.0	445.0
Mining, Manufacturing and Construction	106.6	113.0	147.0	174.0
Fuel and Energy	33.0	30.2	37.0	44.0
Other Economic Affairs and Services	1,262.4	1,356.8	992.0	1,061.0
Social Services	**14,588.4**	**15,284.1**	**17,371.0**	**18,539.0**
Social Security and Welfare	6,619.0	6,917.7	7,614.0	8,008.0
Education	4,113.6	4,517.0	5,294.0	5,875.0
Health	2,647.2	2,826.9	3,291.0	3,427.0
Housing and Community Amenities	850.7	639.6	693.0	776.0
Recreational, Cultural and Religious Services	357.9	382.9	479.0	453.0
Local Authorities	**851.4**	**904.3**	**1,112.0**	**1,175.0**
Public Debt Interest	**4,541.1**	**6,390.4**	**6,591.0**	**6,882.0**
Other	**0.0**	**519.5**	**742.0**	**791.0**
TOTAL RECURRENT EXPENDITURE	**27,881.2**	**31,538.1**	**34,709.0**	**37,233.0**
SURPLUS (+) OR DEFICIT (-)	**-3,275.1**	**-2,051.3**	**-2,554.0**	**-2,333.0**

Source: Ministry of Finance and Economic Development, Government of Mauritius.

Table 6.2: Government Capital Budget

(Rs million)

	2001-02	2002-03	2003-04 (Revised Estimates)	2004-05 (Estimates)
RECEIPTS				
Domestic Revenue	**2,800.8**	**2,030.7**	**5,764.0**	**5,760.3**
Mauritius Development Loan Stocks	0.0	1,244.6	4,727.0	5,000.0
Dividends from Investments	195.9	457.4	698.1	750.3
Other	2,604.9	328.7	338.9	10.0
External Receipts	**2,094.4**	**1,122.6**	**1,429.0**	**1,643.0**
Grants	316.5	362.7	602.0	567.0
Loans	1,777.9	759.9	827.0	1,076.0
Government of the People's Republic of China	0.0	0.0	0.0	130.0
African Development Bank	0.0	0.0	0.0	24.0
Federal Republic of Germany	0.0	7.5	0.0	0.0
Government of France	*37.9*	*57.0*	*327.0*	*25.0*
Government of India	*0.0*	*146.0*	*220.0*	*410.0*
Government of Japan	*2.7*	*0.0*	*18.0*	*255.0*
Arab Bank for Economic Development in Africa	*106.9*	*235.9*	*212.0*	*69.0*
European Investment Bank	*124.5*	*196.8*	*0.0*	*18.0*
International Bank for Reconstruction and Development	*1,250.9*	*5.2*	*12.0*	*110.0*
International Fund for Agricultural Development	*17.5*	*26.7*	*20.0*	*15.0*
Kuwait Fund for Arab Economic Development	*237.5*	*85.0*	*18.0*	*20.0*
TOTAL CAPITAL REVENUE	**4,895.1**	**3,153.3**	**7,193.0**	**7,403.3**
EXPENDITURE				
General Public Services	**366.1**	**517.7**	**495.0**	**722.0**
Defence	**1.1**	**0.7**	**2.0**	**3.0**
Public Order and Safety	**241.9**	**265.5**	**507.0**	**379.0**
Economic Services	**875.3**	**1,325.9**	**1,516.0**	**1,411.0**
Agriculture, Forestry, Fishing and Hunting	202.1	221.3	398.0	392.0
Transportation and Communication	572.1	771.8	603.0	400.0
Mining, Manufacturing and Construction	50.7	41.7	43.0	43.0
Fuel and Energy	11.0	4.2	0.0	31.0
Other Economic Affairs and Services	39.4	286.9	472.0	545.0
Social Services	**3,496.0**	**4,572.0**	**4,127.0**	**4,351.0**
Social Security and Welfare	78.7	69.9	188.0	144.0
Education	641.4	1,060.9	1,003.0	1,125.0
Health	236.9	324.3	447.0	431.0
Housing and Community Amenities	2,404.6	2,682.9	2,184.0	2,543.0
Recreational, Cultural and Religious Services	134.4	434.0	305.0	108.0
Local Authorities	**63.0**	**64.8**	**78.0**	**65.0**
Rogrigues	**0.0**	**267.9**	**400.0**	**427.0**
TOTAL CAPITAL EXPENDITURE	**5,043.4**	**7,014.5**	**7,125.0**	**7,358.0**
SURPLUS (+) OR DEFICIT (-)	**-148.3**	**-3,861.2**	**68.0**	**45.3**

Source: *Ministry of Finance and Economic Development, Government of Mauritius.*

Table 6.3: External Debt

(Rs million)

End-June	Central Government	Financial Public Corporations	Non-Financial Public Enterprises	Private Sector	TOTAL
1993	5,712	699	6,503	3,113	**16,027**
1994	5,766	508	7,293	3,726	**17,292**
1995	5,778	405	8,952	4,433	**19,568**
1996	9,159	398	9,806	4,445	**23,808**
1997	9,619	329	11,216	4,208	**25,372**
1998	10,752	396	14,601	3,946	**29,695**
1999	10,193	351	16,550	3,516	**30,610**
2000	10,190	348	15,244	3,284	**29,066**
2001	7,168	524	17,508	3,208	**28,408**
2002	8,785	994	17,696	2,571	**30,046**
2003	9,074	1,090	16,539	2,271	**28,974**
2004 [1]	8,425	1,100	14,102	1,959	**25,586**

1 Revised estimates.
Note: As from end-June 1999, Central Government external debt includes Treasury Bills held by foreign investors.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

BANK OF MAURITIUS

Appendix II Board of Directors as at 30 June 2004

Chairman	Rameswurlall Basant Roi, G.C.S.K., Governor
Director	Baboo Rajendranathsing Gujadhur, Managing Director
Director	Prof. Donald Ah Chuen
Director	Hervé Duval, G.O.S.K.
Director	Rajkarrun Thumba Naik, O.B.E.
Director	Hambyrajen Narsinghen
Director	Assen Ally Abdool Raman Sohawon

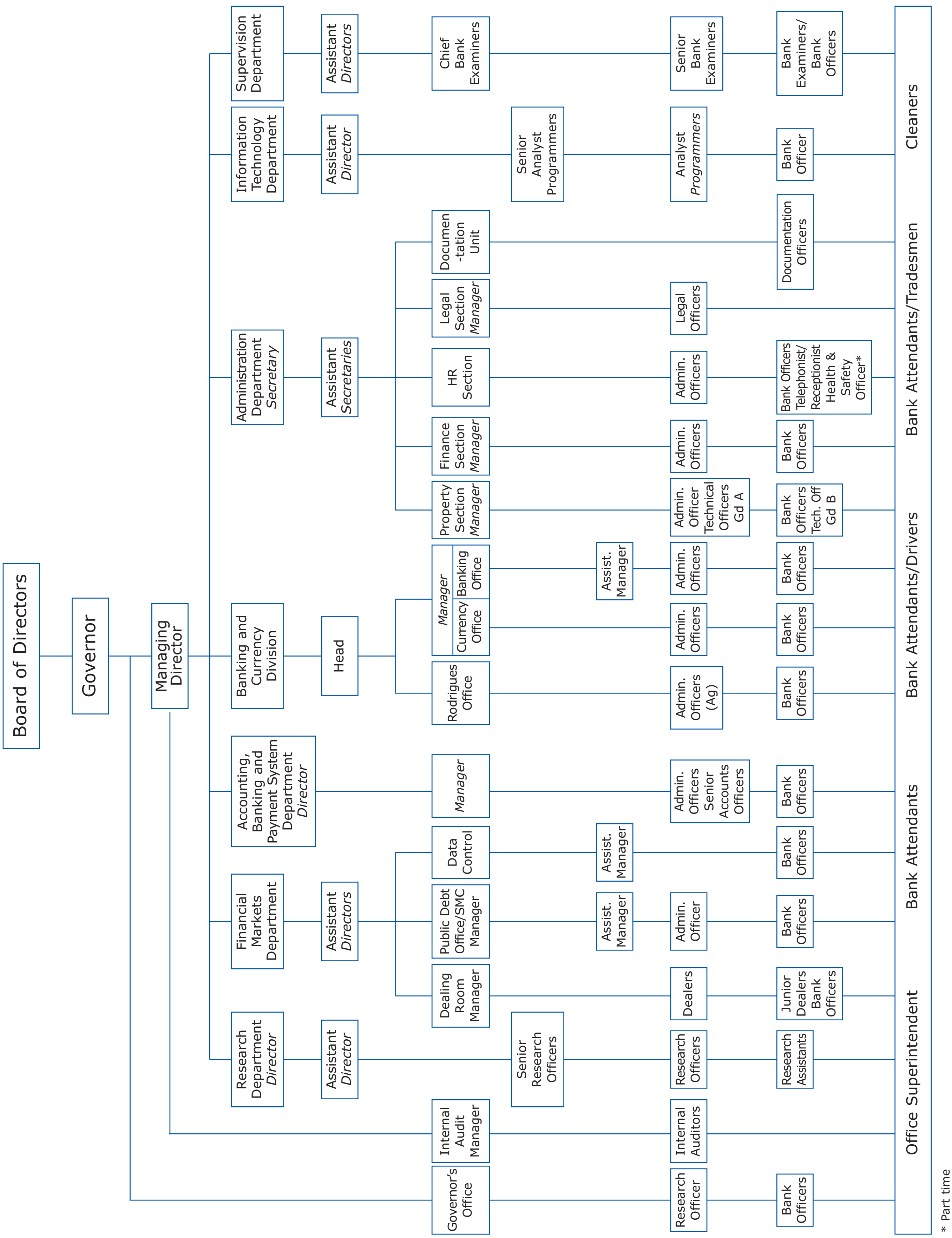
Appendix III Monetary Management and Financial Markets Committee

Governor	Rameswurlall Basant Roi, G.C.S.K.
Managing Director	Baboo Rajendranathsing Gujadhur
Secretary	Hemlata Sadhna Sewraj-Gopal (Mrs)
Director-Accounting, Budgeting and Payment System	Yandraduth Googoolye
Director-Research	Hemraz Oopuddhye Jankee
Assistant Director-Research	Radhakrishnan Sooben
Assistant Director-Supervision	Ramsamy Chinniah
Assistant Director-Supervision	Jayendra Kumar Ramtohul
Assistant Director-Financial Markets	Jaywant Pandoo
Assistant Director-Financial Markets	Marjorie Marie Agnès Heerah-Pampusa (Mrs)
Chief Bank Examiner-Supervision	Marie Roger Christian Noël
Secretaries to the Committee:	
Research Officer	Youssouf Waësh Khodabocus
Bank Officer Grade I	Pierre Yvan Mario Lebon

Appendix IV Senior Management Officials

Governor	Rameswurlall Basant Roi, G.C.S.K.
Managing Director	Baboo Rajendranathsing Gujadhur
ADMINISTRATION DEPARTMENT	
Secretary	Hemlata Sadhna Sewraj-Gopal (Mrs)
Assistant Secretary	Hasham Aboo Bakar Emritte
Assistant Secretary	Daneshwar Doobree
RESEARCH DEPARTMENT	
Director-Research	Hemraz Oopuddhye Jankee
Assistant Director-Research	Radhakrishnan Sooben
ACCOUNTING, BUDGETING AND PAYMENT SYSTEM DEPARTMENT	
Director-Accounting, Budgeting and Payment System	Yandraduth Googoolye
BANKING AND CURRENCY DIVISION	
Head-Banking and Currency Division	Vijay Kumar Sonah
FINANCIAL MARKETS DEPARTMENT	
Assistant Director	Jaywant Pandoo
Assistant Director	Marjorie Marie Agnès Heerah-Pampusa (Mrs)
INFORMATION TECHNOLOGY DEPARTMENT	
Assistant Director	Ng Cheong José Li Yun Fong
SUPERVISION DEPARTMENT	
Assistant Director	Ramsamy Chinniah
Assistant Director	Jayendra Kumar Ramtohul
AUDIT OFFICE	
Manager	Yuntat Chu Fung Leung
LEGAL SECTION	
Manager	Mardayah Kona Yerukunondu

Appendix V Organisation Chart



Appendix VI List of Authorised Banks, Non-Bank Deposit-Taking Institutions, Money-Changers and Foreign Exchange Dealers

The following is an official list of banks holding a Category 1 Banking Licence, banks holding a Category 2 Banking Licence, institutions other than banks which are authorised to transact deposit-taking business and authorised money-changers and foreign exchange dealers in Mauritius and Rodrigues as at 30 June 2004.

Banks holding a Category 1 Banking Licence

1. Bank of Baroda
2. Barclays Bank PLC
3. Banque des Mascareignes Ltée
4. First City Bank Ltd
5. Habib Bank Limited
6. Indian Ocean International Bank Limited
7. Mauritius Post and Co-operative Bank Ltd
8. South East Asian Bank Ltd
9. State Bank of Mauritius Ltd
10. The Hongkong and Shanghai Banking Corporation Limited
11. The Mauritius Commercial Bank Ltd

Banks holding a Category 2 Banking Licence

1. Bank of Baroda
2. Barclays Bank PLC
3. Deutsche Bank (Mauritius) Limited
4. Investec Bank (Mauritius) Limited
5. Mascareignes International Bank Ltd
6. P.T Bank Internasional Indonesia
7. RMB (Mauritius) Limited
8. SBI International (Mauritius) Ltd.
9. SBM Nedbank International Limited
10. Standard Bank (Mauritius) Offshore Banking Unit Limited
11. Standard Chartered Bank (Mauritius) Limited
12. The Hongkong and Shanghai Banking Corporation Limited

Non-Bank Financial Institutions Authorised to Transact Deposit-Taking Business

1. ABC Finance & Leasing Ltd.
2. Barclays Leasing Company Limited
3. Finlease Company Limited
4. General Leasing Co. Ltd.
5. Global Direct Leasing Ltd
6. GML Leasing Ltd
7. La Prudence Leasing Finance Co. Ltd
8. Mauritian Eagle Leasing Company Limited
9. Mauritius Housing Company Ltd
10. MUA Leasing Company Limited
11. SBM Lease Limited
12. SICOM Financial Services Ltd
13. The Mauritius Civil Service Mutual Aid Association Ltd
14. The Mauritius Leasing Company Limited

Money-Changers (Bureaux de Change)

1. Direct-Plus Ltd.
2. Grand Bay Helipad Co. Ltd
3. Max & Deep Co. Ltd
4. Gowtam Jootun Lotus Ltd

Foreign Exchange Dealers

1. British American Mortgage Finance House Co. Ltd
2. Rogers Investment Finance Ltd
3. Thomas Cook (Mauritius) Operations Company Limited
4. CIEL Finance Ltd
5. Shibani Finance Co. Ltd

BANK OF MAURITIUS

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Email address bomrd@bow.intnet.mu

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