ANNUAL REPORT

Year ended 30 June 2006

Statement from the Governor

The global economy continued to expand at a fairly robust rate of 4.9 per cent in 2005, after registering a growth rate of 5.3 per cent in 2004, and is projected to expand by 5.1 per cent in 2006 despite high and volatile oil prices. The world's largest economy, the United States posted a reasonably healthy performance. Signs that the recovery in the euro zone has been strengthening are evident. In the UK, where labour and product market reforms are relatively advanced, productivity growth has been stronger. Japan's economic expansion remains solidly on track. Economic activity in Emerging Asia remains buoyant. Nonetheless, persistent global imbalances and high oil prices represent some risks to global economic prospects. Globally, consumer price inflation has begun to edge up as excess capacity in product and labour markets has diminished, energy prices have risen and started to feed through to other prices and the restraining effect that globalisation has had on inflation in recent years has faded. In a move to pre-empt any resurgence of inflationary pressures, central banks have started to hike up their interest rates.

Faced with the triple shocks stemming from the erosion of trade preferences in the sugar and textile sectors and the surge in oil prices on the international market, Mauritius today has no choice but to embrace a strategy of bold reforms that the authorities have already embarked upon. The achievement of higher job-creating growth remains a central policy challenge for Mauritius in the years ahead. To make any significant dent in the unemployment problem, Mauritius needs to move to a higher growth path of at least 6 per cent per annum. While developing new growth poles, there is a clear need to consolidate all the existing pillars of the economy. As part of the reforms aimed at addressing issues relating to rigidities and mismatch of skills in the labour market, the Government has already announced its intention to review current labour laws and regulations and the setting up of a National Wages Council to replace the current centralized wage setting mechanism. The new economic strategy of the Government also places emphasis on the democratization of the economy while focusing on new opportunities for small and medium enterprises. Efforts at fiscal consolidation with a view to maintaining medium-term fiscal sustainability, the achievement of a stable macroeconomic environment and social consensus are key ingredients for ensuring the success of economic reforms.

Economic performance during fiscal year 2005-06 was characterized by a real GDP growth of 3.5 per cent, an increase in the budget deficit as a proportion of GDP to 5.3 per cent from 5.0 per cent in 2004-05, an increase in the unemployment rate to 9.6 per cent, a deficit on the current account balance and overall balance of payments as well as a drop in the level of gross foreign exchange reserves of the central bank. However, net international reserves increased, reflecting essentially the rise in the net foreign assets of banks. On the external front, the current account of the balance of payments posted a higher deficit, attributable mainly to the faster growth of imports relative to exports. Real GDP growth is estimated at 4.6 per cent in 2006.

The inflation rate declined from 5.6 per cent in 2004-05 to 5.1 per cent in 2005-06 but was higher than the target of 4.0 per cent set by the Bank of Mauritius at the beginning of the fiscal year. This departure from the target rate of inflation was to a large extent attributable to domestic adjustments to higher energy prices that have prevailed on the international market and higher administered prices in the consumption basket. Higher rates of inflation in our major trading partners and the depreciation of the rupee have also contributed to the inflation rate during the period under review.

International oil prices have been on a rising trend during the period under review and have amplified the imbalances on the current account of the balance of payments. Petroleum imports, which used to represent around 9 per cent of our total imports during the recent past, accounted for nearly 15.8 per cent of the total import bill for 2005-06. For the second consecutive year, the current account and overall balance of payments registered a deficit.

The current account of the balance of payments deteriorated significantly to record a higher deficit of Rs10,356 million in 2005-06 compared with Rs6,321 million registered in 2004-05. The deficit on the current account represented 5.3 per cent of GDP in 2005-06 compared to a deficit equivalent to 3.5 per cent of GDP in 2004-05. The deterioration largely reflected the worsening in the merchandise account, which was to a certain extent offset by the combined surpluses on the services, income and current transfers accounts.

During the period under review, the Bank of Mauritius raised the Lombard Rate on two occasions, by a total of 150 basis points, from 10.00 per cent to 10.50 per cent on 5 August 2005 and to 11.50 per cent on 7 December 2005. Banks adjusted their deposits and lending rates more or less in line with the changes in the Lombard Rate. These increases were deemed necessary to counteract the build-up of inflationary pressures in the economy, promote monetary conditions conducive to the reduction of the inflation differential with our major trading partners, maintain the attractiveness of key rupee-denominated financial instruments and contain emerging demand pressures on the foreign exchange market.

Effective mid-December 2006, the Bank of Mauritius will be introducing a new operational framework for the conduct of monetary policy. In this connexion, the Bank has already had discussions with the Heads of Treasury as well as with the Chief Executives of banks. Under the new operational framework, the Bank will use the Repo Rate, instead of the Lombard Rate, as the key policy rate to signal changes in the stance of monetary policy. The Bank will implement its monetary policy by influencing short-term money market rates via the key Repo Rate. The Bank will signal shifts in its monetary policy stance through announced changes in its key Repo Rate, which would also constitute the price of a major source of funds to the banking system. Banks are expected to adjust their interest rates on lending and deposits in the light of the changes in the key Repo rate. In addition to repurchase transactions, monetary policy procedures will also include the use of reserve requirements and a standing facility.

Prior to the promulgation of the Banking Act 2004, there were two categories of Banking Licences, namely a Category 1 Banking Licence and a Category 2 Banking Licence. Moreover, annual licence fees were payable only by banks holding a Category 2 Banking Licence. These banks were dealing solely in foreign currencies. The new Banking Act 2004 has eliminated the previous distinction and banks operate under a Single Banking Licence regime. The Banking Act 2004 further provides that an annual licence fee be levied on all banks. Similarly, every application for a Banking Licence or a Cash Dealer Licence will have to be accompanied by the payment of an appropriate processing fee.

The Bank is actively involved in the implementation of the Basel II Accord (the Accord) and intends to implement the Accord by 2008. At the implementation date of the New Accord, all banks will be required to maintain capital buffers for credit, operational and market risk using, as a minimum, the standardised frameworks set out in the Accord. It is to be noted that the Bank has had an advanced implementation schedule regarding the operational risk component of the Accord in the sense that banks were required to have sound practices for the management and measurement of operational risk since February 2005. Indeed, banks are already maintaining capital for operational risk using, as a minimum, the simplest available option under the Basel II framework namely the Basic Indicator Approach. Furthermore, the Bank has started compiling industry data on operational losses and is envisaging a similar framework for credit losses. Proposal papers have been issued to the industry on the scope of application for the Basel II framework, the standardised approach for credit risk and on the measurement and management of market risk.

Following the Mauritius Islamic Finance Forum held in July 2005, a Steering Committee on

Islamic Financial Services was set up. The Committee, which is Chaired by the Bank and comprising representatives from the Ministry of Finance and Economic Development, Ministry of Arts and Culture, State Law Office, Financial Services Commission and the Mauritius Bankers Association, aims at studying the prospect of an Islamic Financial Services sector in Mauritius and accordingly propose relevant amendments to the law for its promotion, regulation and supervision. The Committee has made significant progress and has prepared a research paper on the matter. It is currently endeavouring to obtain technical assistance from the Islamic Development Bank, which has demonstrated a keen interest in the project. It is expected that the provision of Islamic financial services will soon become a reality in Mauritius.

Regarding the financial performance of the central bank, it may be noted that the Bank of Mauritius realised a profit of Rs906.1 million for the year ended June 2006, which was slightly lower than the level of Rs967.3 million recorded in the year ended June 2005, reflecting mainly lower interest income on foreign investments. Expenses, however, declined mainly due to lower costs of servicing Bank of Mauritius Bills, which went down from Rs560.6 million in 2004-05 to Rs342.8 million in 2005-06.

The establishment of the Mauritius Credit Information Bureau (MCIB), as part of the Bank's objective to promote a sound financial system, has been another important development during the year under review. Eleven banks participate in the MCIB. As from 1 December 2005, it became mandatory for all banks to make the necessary enquiry from the MCIB before appraising or renewing any credit facility. The MCIB aims at facilitating credit decision making for banks by providing them with a summary of borrowers' overall indebtedness towards other participating institutions. The MCIB will be a useful instrument for the participating banks to reduce the level of non-performing advances in their loan portfolios.

Banks in Mauritius are increasingly engaging in cross-border banking transactions, and in this respect, the Bank of Mauritius initiated action with a view to adopting an International Bank Account Number (IBAN) format for Mauritius. Extensive consultations were held with banks during 2005-06 and a consensus was reached on the IBAN format, which was implemented by banks as from March 2006. Banks were requested to issue an IBAN to their clients as from 1 April 2006. The Bank of Mauritius has also made a request to the European Committee for Banking Standards (ECBS) to register the IBAN format for Mauritius. The Bank has also initiated work on a Cheque Truncation System, which is an image-based clearing system that will replace the physical cheque flow with electronic information flow throughout the clearing cycle and reduce delays associated with movements of cheques.

Reflecting tight liquidity conditions in the domestic foreign exchange market, the Bank of Mauritius sold a total amount of US$108.6 million through intervention on the inter-bank foreign exchange market during the financial year 2005-06. 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.

As part of its on-going dialogue with domestic financial markets, the Financial Markets Committee, comprising the Heads of Treasury from 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. The membership of the Banking Committee has also been extended to the Chief Executives of the former Category 2 banks in line with the change to a Single Banking Licence Regime, To date, the Committee has met on twenty four occasions.

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).

The construction of the Bank's New Headquarters Building is nearing completion and the Building will be officially inaugurated shortly.

Finally, I would like to express my deep appreciation for 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.

8 December 2006

1 Review of the Economy: 2005-06

Economic performance during fiscal year 2005-06[1] was characterized by a real GDP growth of 3.5 per cent, an increase in the budget deficit as a proportion of GDP to 5.3 per cent from 5.0 per cent in 2004-05, an increase in the unemployment rate to 9.6 per cent, a deficit on the current account balance and overall balance of payments as well as a drop in the level of gross foreign exchange reserves of the central bank. However, net international reserves increased, reflecting essentially the rise in the net foreign assets of banks. On the external front, the current account of the balance of payments posted a higher deficit, attributable mainly to the faster growth of imports relative to exports. Consumer price inflation declined from 5.6 per cent in 2004-05 to 5.1 per cent in 2005-06. Net credit to Government from the banking system expanded by 11.2 per cent. Broad money supply (M2) grew by 11.2 per cent during the period under review as a result of increases in both domestic credit and net foreign assets of banks.

Gross Domestic Product (GDP) at basic prices increased by 6.5 per cent, from Rs152,420 million in 2004 to Rs162,310 million in 2005. In real terms, the growth rate was 2.5 per cent in 2005, lower than the 4.7 per cent registered in 2004. The agricultural sector contracted in 2005, mainly as a result of a lower sugar output following adverse climatic conditions. The economy is expected to grow by 4.6 per cent in 2006.

The agricultural sector declined by 5.3 per cent in 2005, mainly on account of a fall of 9.2 per cent in sugar output to 519,816 tonnes. The "Manufacturing" sector registered a negative growth of 5.5 per cent in 2005. The EPZ sector contracted further by 12.3 per cent in 2005, with exports totalling Rs29.0 billion compared to Rs32.0 billion in 2004. It is forecast, however, that the EPZ sector will register a growth of 1.5 per cent in 2006 since the restructuring measures taken by several large firms will more than offset the impact of increased competition stemming from low-cost and high-volume textile producing economies. EPZ exports are estimated at around Rs33.0 billion in 2006. The tourism sector grew by 5.6 per cent, with tourist arrivals increasing from 718,861 in 2004 to 761,063 in 2005. Gross tourism earnings went up by 9.6 per cent, from Rs23,448 million in 2004 to Rs25,704 million in 2005, compared to a growth of 20.8 per cent in 2004. The construction sector registered a contraction of 5.2 per cent in 2005 as against a growth of 0.5 per cent in 2004. The "Financial Intermediation" sector grew by 7.0 per cent in 2005 compared to 4.3 per cent in 2004.

In nominal terms, aggregate consumption expenditure increased by 14.2 per cent in 2005 compared to 15.5 per cent in 2004. In real terms, it registered a growth of 7.1 per cent in 2005 compared to 7.2 per cent in 2004. Gross National Savings (GNS) decreased, in nominal terms, by 22.7 per cent in 2005. The savings rate, defined as the ratio of GNS to GDP at market prices, fell from 22.6 per cent in 2004 to 16.6 per cent in 2005, and is expected to decline further to 15.1 per cent in 2006.

Gross Domestic Fixed Capital Formation (GDFCF), exclusive of the acquisition of aircraft, expanded by 4.3 per cent in nominal terms in 2005. In real terms, it declined by 2.1 per cent in 2005 as against an expansion of 4.8 per cent in 2004. The ratio of GDFCF to GDP at market prices dropped from 21.6 per cent in 2004 to 21.3 per cent in 2005, but is estimated to increase to 23.8 per cent in 2006.

The population of the Republic of Mauritius, including Agalega and St Brandon, was estimated at 1,248,592 as at 31 December 2005.

According to the "Continuous Multi-Purpose Household Survey" (CMPHS), the total labour force stood at 559,100, with 358,500 males and 200,600 females, in 2005. The number of foreign workers declined from 17,500 in 2004 to 16,600, or 5.1 per

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

cent, in 2005. The total number of persons in employment, inclusive of foreign workers, stood at 507,000, comprising 338,200 males and 168,800 females in 2005. The unemployment rate reached 9.6 per cent in 2005 from 8.5 per cent in 2004. On a quarter-to-quarter basis, data released recently point to an acceleration in the unemployment rate to 9.9 per cent in the second quarter of 2006 from 9.3 per cent in the first quarter of 2006. However, it is forecast that the unemployment rate for 2006 will decline to 9.4 per cent.

The rate of consumer price inflation declined from 5.6 per cent in 2004-05 to 5.1 per cent in 2005-06 but was higher than the target of 4.0 per cent set by the Bank of Mauritius at the beginning of the fiscal year. This departure from the target rate of inflation was to a large extent attributable to domestic adjustments to higher energy prices that have prevailed on the international market and higher administered prices in the consumption basket. Higher rates of inflation in our major trading partners and the depreciation of the rupee have also contributed to the inflation rate during the period under review.

International oil prices have been on a rising trend during the period under review with adverse effect on the current account of the balance of payments. Petroleum imports, which used to represent around 9 per cent of our total imports during the recent past, accounted for nearly 15.8 per cent of the total import bill for 2005-06. Oil prices reached new record highs, with NYMEX WTI (New York Mercantile Exchange West Texas Intermediate benchmark crude oil) and IPE (International Petroleum Exchange) Brent futures moving from an average of US$48.8 and US$46.5 a barrel, respectively, in 2004-05 to an average of US$64.4 and US$63.2 a barrel, respectively, in 2005-06. NYMEX WTI and IPE Brent peaked at US$75.2 and US$74.7 a barrel, respectively, on 21 April 2006. In Mauritius, as per the recommendation of the Certification Committee of the Automatic Price Mechanism (APM), the prices of mogas and diesel oil were adjusted three times during 2005-06. Effective 3 October 2005, the prices of mogas and diesel oil were raised by 15 per cent, from Rs25.25 per litre and Rs17.25 per litre, respectively, to Rs29.00 per litre and Rs19.80 per litre, respectively. In January 2006, the government decided to raise the maximum permissible adjustment under the APM from 15 per cent to 20 per cent and, effective 4 January 2006, the prices of mogas and diesel oil were increased by 20 per cent to Rs34.80 per litre and Rs23.75 per litre, respectively. At the following quarterly meeting of the Certification Committee of the APM, the price of mogas was reduced by 10.1 per cent to Rs31.30 per litre while the price of diesel oil was increased by 20 per cent to Rs28.50 per litre, effective 3 April 2006. For the year 2005-06 as a whole, the prices of mogas and diesel oil registered increases of 24.0 per cent and 65.2 per cent, respectively.

During the period under review, the Bank of Mauritius raised the Lombard Rate on two occasions, by a total of 150 basis points, from 10.00 per cent to 10.50 per cent on 5 August 2005 and to 11.50 per cent on 7 December 2005. Banks adjusted their deposits and lending rates more or less in line with the changes in the Lombard Rate. These increases were deemed necessary to counteract the build-up of inflationary pressures in the economy, promote monetary conditions conducive to the reduction of the inflation differential with our major trading partners, maintain the attractiveness of key rupee-denominated financial instruments and contain emerging demand pressures on the foreign exchange market. The prime lending rate of banks rose from 8.00 per cent to 9.50 per cent. Their interest rate on savings deposits increased from 4.50 per cent to 6.00 per cent. The weighted average term deposits and weighted average lending rates of banks rose from 6.42 per cent and 10.89 per cent, respectively, at the end of June 2005 to 7.35 per cent and 11.41 per cent, respectively, at the end of June 2006.

Aggregate monetary resources, that is, money supply M2, expanded by 11.2 per cent in 2005-06, higher than the increase of 8.5 per cent in 2004-05, on account of increases in both of its components. Net foreign assets of the banking system went up by 16.0 per cent, from Rs52,951 million at the end of June 2005 to Rs61,435 million at the end of June 2006, mainly on account of the increase in the net foreign assets of banks. Domestic credit increased by 13.0 per cent in 2005-06, higher than the growth of 11.3 per cent in the preceding year. The rise in domestic credit was driven by increases in both credit to the private sector and net credit to Government. Credit to the private sector expanded by 13.7 per cent in 2005-06, compared to a growth of 9.6 per cent in 2004-05. Net credit to Government from the banking system grew by 11.2 per cent in 2005-06 compared to a rise of 15.7 per cent in 2004-05.

The budget deficit for 2005-06 was estimated at Rs10,393 million, higher than the original estimate of Rs9,546 million and the deficit of Rs9,025 million for 2004-05. As a percentage of GDP at market prices, the budget deficit stood at 5.3 per cent in 2005-06 as against 5.0 per cent in 2004-05. The budget deficit for 2005-06 was financed only from domestic sources. Domestic financing resulted mainly from the non-bank sector and banks to the extent of Rs7,040 million and Rs3,745 million, respectively. Financing from the central bank was also positive at Rs838 million. Net foreign financing was negative at Rs1,149 million in 2005-06. At the end of June 2006, total public debt was estimated at Rs113,477 million, representing an increase of 7.2 per cent on the end-June 2005 level of Rs105,816 million. As a percentage of GDP at market prices, total public debt fell from 58.2 per cent at the end of June 2005 to 57.9 per cent at the end of June 2006. The debt service ratio of the country increased from 6.5 per cent in 2004-05 to 8.4 per cent in 2005-06.

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 2005 and the 12-month period ended June 2006, the rupee, on an average basis, depreciated by 5.5 per cent against the US dollar, 2.7 per cent against the South African rand, 1.4 per cent against the Pound sterling, 1.5 per cent against the Euro, but appreciated by 1.2 per cent against the Japanese yen. Reflecting tight liquidity conditions in the domestic foreign exchange market, the Bank of Mauritius sold a total amount of US$108.7 million through intervention on the inter-bank foreign exchange market during 2005-06.

The current account of the balance of payments deteriorated significantly to record a higher deficit of Rs10,356 million in 2005-06 compared with Rs6,321 million registered in 2004-05. The deficit on the current account represented 5.3 per cent of GDP in 2005-06 compared to a deficit equivalent to 3.5 per cent of GDP in 2004-05. The deterioration largely reflected the worsening in the merchandise account, which was to a certain extent offset by the combined surpluses on the services, income and current transfers accounts. Total exports (f.o.b.) increased by 19.0 per cent to Rs68,849 million in 2005-06 while total imports (f.o.b.) increased by 20.9 per cent to Rs94,539 million. The capital and financial account, inclusive of reserve assets, recorded net inflows of Rs4,159 million in 2005-06 compared to net inflows of Rs3,380 million in 2004-05.

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 Rs53,932 million at the end of June 2005 to Rs61,974 million (US$2,004 million) at the end of June 2006. Net international reserves represented around 7.4 months of imports at the end of June 2006 compared to 7.7 months of imports at the end of June 2005.

The issue of Treasury/Bank of Mauritius Bills with a maturity of 728 days was discontinued in August 2005. With a view to lengthening the maturity profile of Government debt and offering investors a wider variety of investment instruments, Treasury Notes with maturities of 2, 3 and 4 years have been issued on a monthly basis as from the month of October 2005, in multiples of Rs100,000 with interest payable on a semi-annual basis. With a view to avoiding the bunching of payment stemming mainly from 3-Year Treasury Notes previously issued and with interest payable at maturity in fiscal year 2007-08, holders of these 3-Year Treasury Notes were allowed in June 2006 to convert part or the full amount of their holdings into 2, 3 and 4-Year Treasury Notes with interest payable on a semi-annual basis. The bulk of the 3-Year Treasury Notes with interest payable on maturity was in fact converted into Treasury Notes of varying maturities with interest payable on a semi-annual basis.

The Banking Act 2004 has provided for the integration of domestic and offshore banking business and eliminated the previous distinction between former Category 1 (domestic) banks and former Category 2 (offshore) banks. Both activities are covered under a single banking licence regime. Under the Bank of Mauritius Act 2004 and Banking Act 2004, the Bank is responsible for the regulation and supervision of banks, money-changers, foreign exchange dealers and the deposit-taking activity of non-bank financial institutions. The Bank devotes sizeable resources to ensure the soundness and stability of financial institutions under its purview. In this context, the Bank has issued a series of prudential guidelines to be observed by financial institutions and closely monitors their activities through on-site and off-site supervision. In addition to the sixteen guidelines already in force, the Bank issued an additional Guideline on Outsourcing by Financial Institutions during the year. This Guideline was deemed necessary following a growing trend in outsourcing activities that have given rise to new risks that have to be catered for. Another important development has been the establishment of the Mauritius Credit Information Bureau (MCIB) as part of the Bank's objective to promote a sound financial system. Eleven banks participate in the MCIB. As from 1 December 2005, it became mandatory for all banks to make the necessary enquiry from the MCIB before appraising or renewing any credit facility. The MCIB aims at facilitating credit decision making for banks by providing them with a summary of borrowers' overall indebtedness towards other participating institutions. The MCIB will be a useful instrument for the participating banks to reduce the level of non-performing advances in their loan portfolios.

Banks are required to maintain a minimum capital adequacy ratio of 10.0 per cent. As at end-June 2006, the whole banking sector reported risk weighted capital adequacy ratios, which were well above the prescribed minimum of 10.0 per cent. The overall risk weighted capital adequacy ratio for credit risk maintained by banks went up from 16.0 per cent as at end-June 2005 to 17.0 per cent as at end-June 2006. During 2005-06, the banking sector registered a strong financial performance. The aggregate pre-tax profits of banks for the year under review went up by Rs1,542 million, or 24.4 per cent, from Rs6,312 million in 2004-05 to Rs7,854 million in 2005-06. The growth in profits was mainly driven by higher revenue derived from interest and non-interest income as well as a lower charge for bad and doubtful debts.

The Bank of Mauritius has adopted a participative approach to Basel II implementation and eight Working Groups, comprising representatives of the Bank of Mauritius as well as banks, have been set up to look into issues relating to Scope of Application, Credit Risk (foundation), Market Risk, Credit Risk (Advanced), Operational Risk, External Credit Assessment Institutions (ECAI), Eligible Capital and Market Discipline. The target date for the implementation of Basel II has been tentatively set at early 2008.

Regarding its financial performance, it may be noted that the Bank of Mauritius realised a profit of Rs906.1 million for the year ended June 2006, which was slightly lower than the level of Rs967.3 million recorded in the year ended June 2005, reflecting mainly lower interest income on foreign investments. Expenses, however, declined mainly due to lower costs of servicing Bank of Mauritius Bills, which went down from Rs560.6 million in 2004-05 to Rs342.8 million in 2005-06.

As banks in Mauritius are increasingly engaging in cross-border banking transactions, the Bank of Mauritius initiated action with a view to adopting an International Bank Account Number (IBAN) format for Mauritius. Extensive consultations were held with banks during 2005-06 and a consensus was reached on the IBAN format, which was implemented by banks as from March 2006. Banks were requested to issue an IBAN to their clients as from 1 April 2006. The Bank of Mauritius has made a request to the European Committee for Banking Standards (ECBS) to register the IBAN format for Mauritius and has already forwarded to the ECBS the information called for. The Bank has also initiated work on a Cheque Truncation System, which is an image-based clearing system that will replace the physical cheque flow with electronic information flow throughout the clearing cycle and reduce delays associated with movements of cheques.

Faced with the triple shocks stemming from the erosion of trade preferences in the sugar and textile sectors and the surge in oil prices on the international market, Mauritius today has no choice but to embrace a strategy of bold reforms that the authorities have already embarked upon. The achievement of higher job-creating growth remains a central policy challenge for Mauritius in the years ahead. To make any significant dent in the unemployment problem, Mauritius needs to move to a higher growth path of at least 6 per cent per annum. While developing new growth poles, there is a clear need to consolidate all the existing pillars of the economy. As part of the reforms aimed at addressing issues relating to rigidities and mismatch of skills in the labour market, the Government has already announced its intention to review current labour laws and regulations and set up a National Wages Council to replace the current centralized wage setting mechanism. The implementation of the National Wages Council will allow enterprises to put in place a flexible and competitive wage system which would be more responsive to the changing business environment and with a clear focus on cost reduction as well as enhanced productivity and competitiveness. The new economic strategy of the Government also places emphasis on the democratization of the economy while focusing on new opportunities for small and medium enterprises. Efforts at fiscal consolidation with a view to maintaining medium-term fiscal sustainability, the achievement of a stable macroeconomic environment and social consensus are key ingredients for ensuring the success of economic reforms.

The foregoing economic and financial developments during the year 2005-06 are reviewed in greater detail in the following chapters of the report.

I. NATIONAL INCOME AND PRODUCTION

Output

Gross Domestic Product (GDP) at basic prices went up by 6.5 per cent, in nominal terms, from Rs152,420 million in 2004 to Rs162,310 million in 2005. In real terms, the economy grew by 2.5 per cent in 2005, down from 4.7 per cent in 2004. Exclusive of sugar, the growth rate of the economy worked out to 3.0 per cent compared to 4.6 per cent in 2004. The drop in the real growth rate of the economy in 2005 is largely explained by the negative growth rates in the agricultural, EPZ and construction sectors. There was also a deceleration in the real growth rate of the 'Wholesale and retail trade', 'Transport, storage and communications', 'Electricity, gas and water' and 'Real estate, renting and business activities' sectors. In contrast, the 'Hotels and restaurants' and 'Financial intermediation' sectors recorded higher real growth rates than in 2004.

GDP at market prices increased by 5.6 per cent, from Rs175,592 million in 2004 to Rs185,487 million in 2005. Taxes on products amounted to Rs23,177 million, slightly up on the 2004 figure. Gross National Income (GNI) at market prices reached Rs185,251 million, up by 5.7 per cent, from Rs175,202 million in 2004. GNI per capita at market prices went up by 4.9 per cent, from Rs142,017 in 2004 to Rs148,971 in 2005. Per capita GDP at market prices increased by 4.8 per cent, from Rs142,333 in 2004 to Rs149,160 in 2005.

Table I.1 shows the main national accounting aggregates and ratios for the years 2003 through 2006. Chart I.1 shows per capita GNI at market prices and real growth rate of GDP for the years 1998 through 2005.

Income

Compensation of Employees

Compensation of employees, which includes wages and salaries and employer social contributions, grew by 6.7 per cent, from Rs63,790 million in 2004 to Rs68,064 million in 2005. As a percentage of GDP at basic prices, compensation of employees was 41.9 per cent in 2005, unchanged from 2004.

Net Taxes on Production and Imports

Taxes (net of subsidies) on production and imports increased by 0.7 per cent, from Rs24,733 million in 2004 to Rs24,900 million in 2005. Taxes on products went up by 1.2 per cent, from Rs23,785 million to Rs24,060 million, over the same period.

Gross Operating Surplus

Gross operating surplus, which is the excess of gross output over the sum of intermediate consumption, compensation of employees and net taxes on production and imports, increased by 6.3 per cent, from Rs87,069 million in 2004 to Rs92,524 million in 2005.

Transactions with Non-residents

Net primary income from the rest of the world went up by Rs154 million, from a negative figure of Rs390 million in 2004 to a negative figure of Rs236 million in 2005. Net transfer from the rest of the world went up by 30.9 per cent, from Rs1,374 million in 2004 to Rs1,798 million in 2005.

Gross National Disposable Income

Gross National Disposable Income (GNDI) went up, in nominal terms, by 5.9 per cent, from Rs176,576 million in 2004 to Rs187,049 million in 2005, compared to a growth of 11.7 per cent in 2004.

Gross National Savings

Gross National Savings (GNS), which is that part of GNDI that is not spent on consumption, fell by 22.7 per cent, from Rs39,713 million in 2004 to Rs30,713 million in 2005. The ratio of GNS to GDP at market prices declined from 22.6 per cent in 2004 to 16.6 per cent in 2005.

Expenditure on GDP

Final Consumption Expenditure

Aggregate final consumption expenditure of households and General Government went up by 14.2 per cent, from Rs136,863 million in 2004 to Rs156,336 million in 2005. In real terms, it grew by a lower rate of 7.1 per cent in 2005 compared to 7.2 per cent in 2004. Household consumption expenditure expanded, in real terms, by 7.3 per cent in 2005 compared to 7.8 per cent in 2004. General government consumption expenditure registered a real growth rate of 6.1 per cent in 2005 compared to 4.6 per cent in 2004. As a percentage of GDP at market prices, aggregate final consumption expenditure went up from 77.9 per cent in 2004 to 84.3 per cent in 2005. Household final consumption expenditure as a percentage of GDP at market prices rose from 63.6 per cent in 2004 to 69.5 per cent in 2005. General government final consumption expenditure to GDP at market prices increased from 14.3 per cent in 2004 to 14.8 per cent in 2005.

Gross Domestic Fixed Capital Formation (GDFCF)

Investment went up by 4.0 per cent, from Rs38,003 million in 2004 to Rs39,524 million in 2005. In real terms, it declined by 2.4 per cent in 2005 after registering a real growth rate of 2.2 per cent in 2004. As a percentage of GDP at market prices, the Resource Balance (defined as Savings minus Investment) fell from a negative figure of 2.4 per cent in 2004 to a negative figure of 6.0 per cent in 2005. Gross Domestic Fixed Capital Formation, exclusive of the purchase of aircraft, contracted, in real terms, by 2.1 per cent in 2005 as against a growth of 4.8 per cent in 2004. The ratio of GDFCF to GDP at market prices went down from 21.6 per cent in 2004 to 21.3 per cent in 2005.

Investment by the private sector increased by 5.4 per cent, from Rs26,345 million in 2004 to Rs27,767 million in 2005. In real terms, however, private sector GDFCF registered a decline of 1.1 per cent in 2005 after a high growth of 16.3 per cent in 2004. The negative growth in private sector GDFCF is mostly explained by a contraction in the construction of houses and lower investment in hotels and in machinery and equipment in the EPZ sector compared to 2004.

Table I.1: Main National Accounting Aggregates and Ratios: 2003 - 2006

	2003 [1]	2004 [1]	2005 [1]	2006 [2]
A. Aggregates (Rs million)				
1. GDP at basic prices	137,588	152,420	162,310	178,353
Annual Real Growth Rate (Per cent)	+4.4	+4.7	+2.5	+4.6
2. GDP at market prices	157,394	175,592	185,487	203,337
3. GNI at market prices	156,561	175,202	185,251	204,837
4. Per Capita GNI at market prices (Rupees)	128,004	142,017	148,971	163,479
5. Aggregate Consumption Expenditure	118,452	136,863	156,336	176,187
6. Compensation of Employees	58,675	63,790	68,064	73,390
7. Gross Domestic Fixed Capital Formation	35,554	38,003	39,524	48,376
8. Gross Capital Formation	36,922	42,894	40,216	47,610
9. Gross Domestic Savings	38,942	38,729	29,151	27,150
10. Resource Balance (9 - 8)	2,020	-4,165	-11,065	-20,460
11. Gross National Disposable Income	158,032	176,576	187,049	206,930
B. Ratios: As a Percentage of GDP at market prices				
1. Gross Domestic Savings	24.7	22.1	15.7	13.4
2. Aggregate Consumption Expenditure	75.3	77.9	84.3	86.7
3. Gross Domestic Fixed Capital Formation	22.6	21.6	21.3	23.8
4. Resource Balance	1.3	-2.4	-6.0	-10.1
C. Ratio: As a Percentage of GDP at basic prices				
1. Compensation of Employees	42.6	41.9	41.9	41.1

[1] Revised estimates. [2] Forecast.
Figures are based on the 2002 Census of Economic Activities.
Source: Central Statistics Office, Government of Mauritius.

Public sector investment increased by 0.8 per cent, in nominal terms, from Rs11,658 million in 2004 to Rs11,757 million in 2005. In real terms, public sector GDFCF registered a lower contraction of 5.4 per cent in 2005 compared to the negative growth of 19.8 per cent in 2004. That decline is essentially attributable to lower investment in public housing and health infrastructure and cyber towers, offset by higher investment in public sewerage works and machinery and equipment by some parastatal bodies. The share of private sector GDFCF in total GDFCF increased to 70.3 per cent in 2005 from 69.3 per cent in 2004 while the share of public sector investment went down to 29.7 per cent in 2005 from 30.7 per cent in 2004.

A breakdown of GDFCF by type of capital goods shows that, in real terms, investment in 'Building and construction work' declined by 6.2 per cent in 2005 compared to a contraction of 0.3 per cent in 2004. Capital formation in 'Residential Building' went down, in real terms, by 10.5 per cent in 2005 compared to a decline of 2.3 per cent in 2004. Investment in the non-residential sub-sector contracted by 12.1 per cent in 2005 after growing by 20.1 per cent in 2004. Investment in 'Other construction work' expanded, in real terms, by 13.0 per cent in 2005 as against a negative growth of 24.2 per cent in 2004. Real growth of GDFCF in 'Machinery and equipment' stood at 3.4 per cent in 2005, down from 6.2 per cent in 2004. Exclusive of aircraft, investment in 'Machinery and equipment' grew, in real terms, by 4.1 per cent in 2005 compared to 13.4 per cent in 2004. Investment in 'Passenger car' decreased by 14.1 per cent in 2005 after growing by 39.5 per cent in 2004. Investment in 'Other transport equipment', excluding aircraft, expanded by 9.2 per cent in 2005 as against a decline of 16.3 per cent in 2004. Investment in 'Other machinery and equipment' increased by 7.8 per cent in 2005 compared to 14.0 per cent in 2004.

An analysis of investment by industrial use shows that investment activities in several sectors were adversely affected in 2005. Investment in 'Manufacturing' contracted by 1.7 per cent in 2005, with investment in the EPZ declining by 10.0 per cent. Investment in 'Hotels and restaurants' registered a real negative growth of 24.6 per cent in 2005 after growing significantly by 52.2 per cent in 2004. Investment in the 'Health and social work' sector declined by 26.3 per cent in 2005 as against a growth of 15.2 per cent in 2004. Capital formation in the 'Real estate, renting and business activities' and 'Construction' sectors contracted by 11.5 per cent and 12.2 per cent, respectively, in 2005 after growing by 0.6 per cent and 19.5 per cent, respectively, in 2004.

In contrast, investment in the 'Agriculture, hunting, forestry and fishing' sector expanded, in real terms, by 42.9 per cent in 2005 compared to

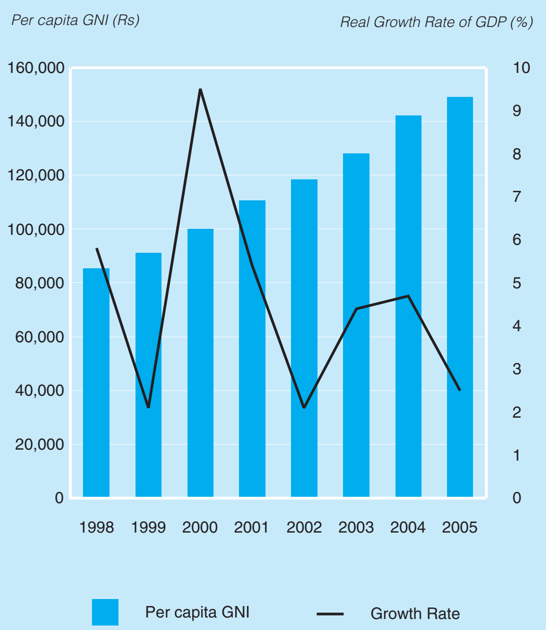
Table I.2: Real Growth Rates of GDFCF by Type of Capital Goods: 2003 - 2005

(Per cent)

	2003 [1]	2004 [1]	2005 [1]
A. Building and Construction Work	**+12.9**	**-0.3**	**-6.2**
Residential Building	+4.6	-2.3	-10.5
Non-residential Building	+7.6	+20.1	-12.1
Other Construction Work	+34.5	-24.2	+13.0
B. Machinery and Equipment	**+6.5**	**+6.2**	**+3.4**
Machinery and Equipment (excluding aircraft & marine vessel)	+1.1	+13.4	+4.1
Passenger Car	+12.2	+39.5	-14.1
Other Transport Equipment	+66.5	-40.3	+2.0
Other Transport Equipment (excluding aircraft & marine vessel)	+32.3	-16.3	+9.2
Other Machinery and Equipment	-5.2	+14.0	+7.8
GDFCF	**+10.3**	**+2.2**	**-2.4**
GDFCF (excluding aircraft & marine vessel)	**+8.1**	**+4.8**	**-2.1**

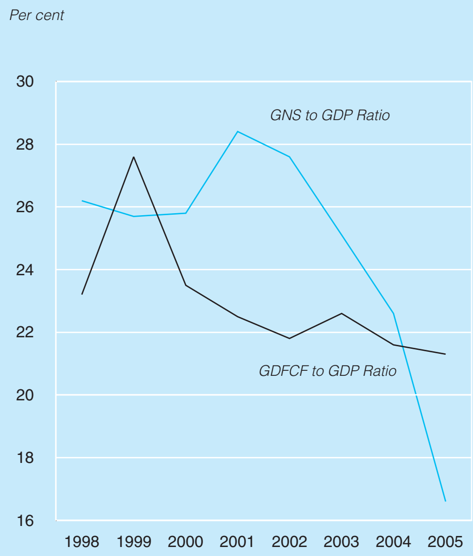
[1] *Revised estimates.*
Source: Central Statistics Office, Government of Mauritius.

Chart I.1: Per capita GNI and Growth Rate: 1998 - 2005



Source: Central Statistics Office, Government of Mauritius.

Chart I.2: Ratios of GDFCF and GNS to GDP at Market Prices: 1998 - 2005



Source: Central Statistics Office, Government of Mauritius.

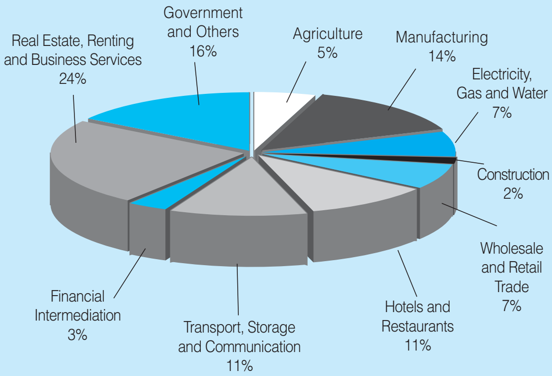
Table I.3: Real Growth Rates of GDFCF by Industrial Use: 2003 - 2005

(Per cent)

	2003 [1]	2004 [1]	2005 [1]
1. Agriculture, Hunting, Forestry and Fishing	+10.8	+33.8	+42.9
2. Mining and Quarrying	-	+150.8	-100.0
3. Manufacturing	-11.9	+26.5	-1.7
of which: EPZ	*-6.1*	*+71.6*	*-10.0*
4. Electricity, Gas and Water	+19.7	-4.8	+45.8
5. Construction	+323.6	+19.5	-12.2
6. Wholesale and Retail Trade; Repair of Motor Vehicles, Motor Cycles, Personal and Household Goods	-3.7	-3.7	+3.6
of which: Wholesale and Retail Trade	*-4.1*	*-4.3*	*+4.0*
7. Hotels and Restaurants	-20.2	+52.2	-24.6
8. Transport, Storage and Communication	+24.5	-30.3	+5.3
9. Financial Intermediation	-18.0	+15.8	+32.6
10. Real Estate, Renting, and Business Activities	+16.7	+0.6	-11.5
Owner occupied dwellings	*+4.6*	*-2.3*	*-10.5*
Other	*+128.3*	*+13.2*	*-15.4*
11. Public Administration and Defence; Compulsory Social Security	+24.4	+9.5	-26.0
12. Education	+14.3	-10.6	+6.1
13. Health and Social Work	-7.6	+15.2	-26.3
14. Other Services	+77.1	-34.6	+25.8
Gross Domestic Fixed Capital Formation	**+10.3**	**+2.2**	**-2.4**

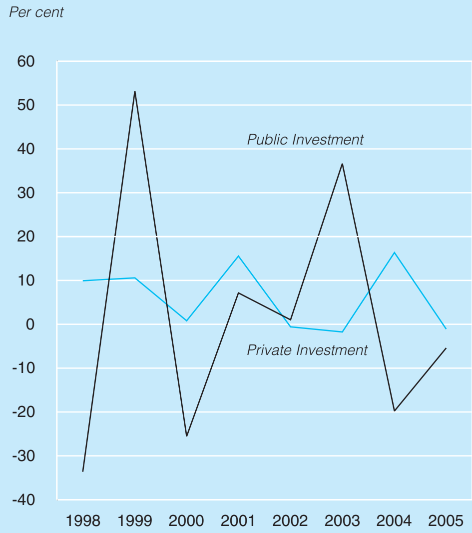
[1] *Revised estimates.*
Source: Central Statistics Office, Government of Mauritius.

Chart I.3: Investment by Sector in 2005



Source: Central Statistics Office, Government of Mauritius.

Chart I.4: Growth Rates of Public and Private Investment: 1998 - 2005



Source: Central Statistics Office, Government of Mauritius.

33.8 per cent in 2004. GDFCF in the 'Education' sector expanded, in real terms, by 6.1 per cent in 2005 following a contraction of 10.6 per cent in the previous year. Investment in 'Financial intermediation' increased, in real terms, by 32.6 per cent in 2005. Capital formation in the 'Electricity, gas and water supply' and 'Transport, storage and communications' sectors went up by 45.8 per cent and 5.3 per cent, respectively, in 2005. As a percentage of total GDFCF, investment in 'Manufacturing', 'Hotels and restaurants', 'Transport, storage and communications' and 'Real estate, renting and business activities' stood at 14.1 per cent, 10.6 per cent, 11.5 per cent and 24.1 per cent, respectively, in 2005.

Changes in Inventories

Inventories, which include the value of the physical change in inventories of raw materials, work in progress and finished goods held by producers, fell to Rs692 million in 2005 from Rs4,891 million in 2004.

Table I.4: Main Aggregates of the Agricultural Sector: 2003-2005

	2003 [1]	2004 [1]	2005 [2]
1. Value Added at current basic prices (Rs million)	8,727	9,663	9,624
of which: Sugarcane	*4,508*	*5,094*	*5,046*
2. Annual Real Growth Rate (Per cent)	+1.9	+6.0	-5.3
3. Share of Agriculture in GDP at basic prices (Per cent)	6.4	6.3	5.9
4. Investment at current prices (Rs million)	953	1,328	2,025
5. Share of Investment in Agriculture in total GDFCF (Per cent)	2.7	3.5	5.1
6. Sugar Exports (Rs million)	8,775	9,631	10,536
7. Agricultural Exports other than Sugar (Rs million)	185	290	273
8. Share of Agricultural Exports in total Domestic Exports (Per cent)	21.3	22.7	25.7

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

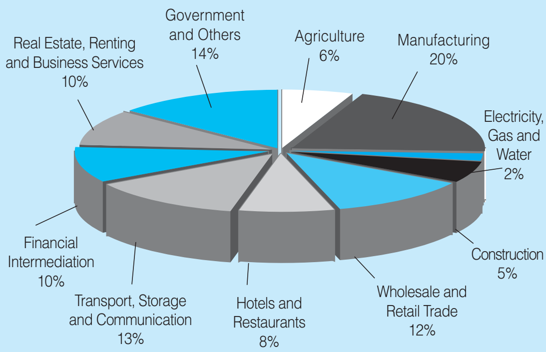
Imports and Exports of Goods and Services

In nominal terms, imports of goods and services went up by 23.4 per cent, from Rs99,024 million in 2004 to Rs122,156 million in 2005, reflecting mainly increased activities of the Freeport and the rise in the import bill of petroleum products. In real terms, imports of goods and services grew by 6.4 per cent, up from 2.8 per cent in 2004.

In nominal terms, exports of goods and services went up by 17.1 per cent, from Rs94,859 million in 2004 to Rs111,091 million in 2005, reflecting again the increase in Freeport activities, which was partly offset by a decline in EPZ exports. In real terms, exports of goods and services grew by 11.7 per cent in contrast to a fall of 0.3 per cent in 2004.

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 2003 through 2005. Chart I.2 depicts the movements in the ratios of GDFCF and Gross National Savings (GNS) to GDP at market prices for the years 1998 through 2005. Chart I.3 shows investment by sector in 2005 and Chart I.4 depicts the growth rates of public and private investment for the years 1998 through 2005.

Chart I.5: Sectoral Distribution of GDP at Basic Prices in 2005



Source: Central Statistics Office, Government of Mauritius.

Agriculture

The agricultural sector was adversely affected by unfavourable weather conditions prevailing in 2005. In real terms, it contracted by 5.3 per cent in 2005 as against a growth of 6.0 per cent in 2004. The sugar sector registered a negative real growth rate of 9.2 per cent in 2005 in contrast to a growth

Table I.5: Sugar Production and Exports: 2002-03 - 2005-06

(Tonnes Tel Quel)

	2002-03	2003-04	2004-05	2005-06
Opening Stock (1 July)	25,890	39,029	30,702	40,119
Opening ISA Special Stock	0	0	0	0
Production	539,264	530,920	574,029	511,628
Available supplies	595,367[1]	607,366[2]	643,774[3]	593,607[4]
Exports:	515,036	534,911	564,020	521,210
United Kingdom	*446,262*	*466,563*	*479,331*	*469,812*
Other European Union	*60,484*	*40,686*	*55,770*	*33,048*
United States	*1,852*	*2,681*	*21,983*	*7,041*
Canada	*143*	*186*	*386*	*165*
Other	*6,295*	*24,795*	*6,550*	*11,144*
Domestic Consumption	40,745	40,778	39,597	39,638
Surplus/(Loss) in Storage	556	973	38	255
Closing Stock (30 June)	39,029	30,702	40,119	32,505
Closing ISA Special Stock	0	0	0	0

1 Includes 30,213 tonnes of imported sugar. *2 Includes 37,417 tonnes of imported sugar.*
3 Includes 39,043 tonnes of imported sugar. *4 Includes 41,860 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.

of 6.5 per cent in 2004. The non-sugar agricultural sector declined by 1.0 per cent in 2005 as against a growth of 5.4 per cent in 2004.

Table I.4 shows the main aggregates of the agricultural sector for the years 2003 through 2005. Chart I.5 shows the sectoral distribution of GDP at basic prices in 2005.

Sugar

The adverse climatic conditions prevailing during the months of March, April and May, the excessive rainfall during September and the dry weather during the last months of 2005 affected sugar cane production. Sugar output fell by 9.2 per cent in 2005 and value added by the sugar sector accounted for approximately 52 per cent of total value added by the agricultural sector. Sugar production stood at 519,816 tonnes in 2005 compared to 572,316 tonnes in 2004. The total sugarcane area harvested decreased to 68,351 hectares in 2005 from 69,698 hectares in 2004. The average yield of sugarcane per hectare fell from 75.76 tonnes in 2004 to 72.92 tonnes in 2005. The rate of extraction of sugar dropped from 10.85 per cent in 2004 to 10.44 per cent in 2005.

Table I.5 shows sugar production and exports for the years 2002-03 through 2005-06.

Sugar production for fiscal year 2005-06 attained 511,628 tonnes compared to 574,029 tonnes for fiscal year 2004-05. For 2005-06, exports and imports of sugar reached 521,210 tonnes and 41,860 tonnes, respectively, compared to 564,020 tonnes and 39,043 tonnes, respectively, for 2004-05. Around 96 per cent of total sugar exports, that is, 502,860 tonnes, were directed to the European Union under the Sugar Protocol. Domestic consumption increased from 39,597 tonnes in 2004-05 to 39,638 tonnes in 2005-06.

In spite of a lower export volume, export proceeds of cane sugar increased from Rs9,631

Table I.6: Main Aggregates of the Manufacturing Sector: 2003 - 2005

		2003 [1]	2004 [1]	2005 [1]
1.	Value Added at current basic prices (Rs million)	29,581	31,799	32,040
2.	Annual Real Growth Rate (Per cent)	+0.0	+0.3	-5.5
3.	Share of Value Added in GDP at basic prices (Per cent)	21.5	20.8	19.7
4.	Investment at current prices (Rs million)	4,109	5,346	5,554
5.	Share of Investment in total GDFCF (Per cent)	11.6	14.1	14.1

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

Table I.7: Main Aggregates of the EPZ : 2003 - 2005

		2003 [1]	2004 [1]	2005 [2]
1.	Number of Enterprises (as at December)	506	501	506
2.	Value Added at current basic prices (Rs million)	13,171	13,134	12,100
3.	Annual Real Growth Rate (Per cent)	-6.0	-6.8	-12.3
4.	Share of EPZ in total GDP at basic prices (Per cent)	9.6	8.6	7.5
5.	Investment at current prices (Rs million)	1,418	2,508	2,391
6.	Share of EPZ Investment in total GDFCF (Per cent)	4.0	6.6	6.0
7.	Exports (f.o.b.) (Rs million)	31,444	32,046	28,954
8.	Imports (c.i.f.) (Rs million)	15,579	17,195	15,518
9.	Net Exports (Rs million)	15,865	14,851	13,436

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

million in 2004 to Rs10,536 million in 2005. The share of sugar exports in total domestic exports rose from 22.1 per cent in 2004 to 25.0 per cent in 2005. Export receipts from cane molasses declined from Rs190 million in 2004 to Rs173 million in 2005.

Non-Sugar Agricultural Sector

The non-sugar agricultural sector declined by 1.0 per cent in 2005 as against a growth of 5.4 per cent in 2004. In nominal terms, however, value added by this sector increased from Rs4,569 million in 2004 to Rs4,578 million in 2005. Its share in the agricultural sector rose from 47.3 per cent in 2004 to 47.6 per cent in 2005.

The total area under foodcrop production dropped from 7,553 hectares in 2004 to 6,971 hectares in 2005, with foodcrop production falling from 111,633 tonnes to 99,738 tonnes over the same period as a result of unfavourable climatic conditions prevailing in 2005. The production of tea fell from 7,229 tonnes in 2004 to 6,798 tonnes in 2005 while tobacco production went down from 357 tonnes in 2004 to 296 tonnes in 2005.

Manufacturing

The manufacturing sector, which comprises sugar milling, EPZ and 'other manufacturing', contracted, in real terms, by 5.5 per cent in 2005 as against a growth of 0.3 per cent in 2004. The manufacturing sector accounted for 19.7 per cent of total value added in the economy in 2005. The EPZ sub-sector registered a negative growth of 12.3 per cent in 2005 after a contraction of 6.8 per cent in 2004 due to the end of the textile trade quotas in January 2005 in addition to the fierce competition with low-cost textile-producing countries. Total output of the EPZ was Rs32.0 billion compared to Rs34.0 billion in 2004. The sugar milling sub-sector declined by 9.2 per cent in 2005 in contrast to a growth of 6.5 per cent in 2004. The non-sugar milling and non-EPZ sub-sectors registered zero growth in 2005 compared to the 6.0 per cent growth in 2004.

Table I.6 shows the main aggregates of the manufacturing sector for the years 2003 through 2005.

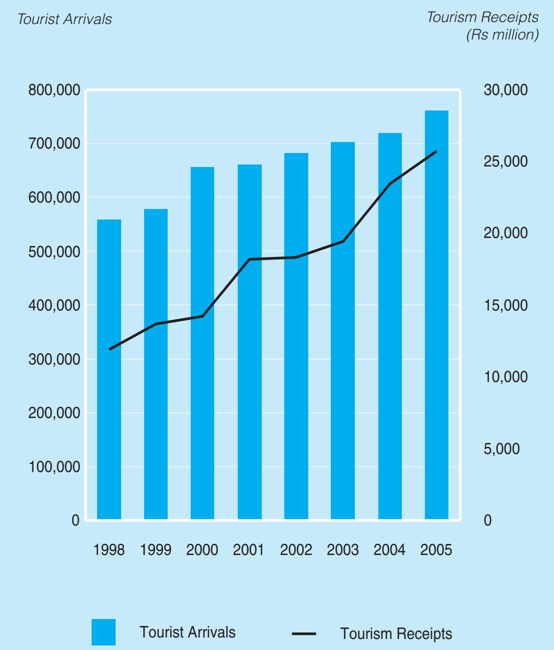
EPZ exports fell by 9.6 per cent, from Rs32,046 million in 2004 to Rs28,954 million in 2005, as against an increase of 1.9 per cent in 2004. EPZ imports also declined by 9.8 per cent, from Rs17,195 million in 2004 to Rs15,518,million in 2005, in contrast to a rise of 10.4 per cent in 2004. Net EPZ exports went down by 9.5 per cent, from Rs14,851 million in 2004 to Rs13,436 million in 2005.

In 2005, the main EPZ markets remained the United Kingdom, France and United States, which represented 31.8 per cent, 20.9 per cent and 17.7 per cent, respectively, of all EPZ export markets. The main countries of origin of EPZ imports in 2005 were India, China and France, with shares of 13.3 per cent, 13.0 per cent and 12.4 per cent, respectively. EPZ imports from European countries increased by 3.7 per cent, while those from Asian and African countries fell by 20.0 per cent and 14.0 per cent, respectively, in 2005.

Employment in the EPZ sector declined further by 1,091, or 1.6 per cent, from 68,022 as at December 2004 to 66,931 as at December 2005. This downward trend was the result of further closures and downsizing of firms in the wake of the elimination of textile trade quotas and the fierce competition with low-cost textile-producing economies.

Table I.7 shows some major aggregates of the EPZ for the years 2003 through 2005.

Chart I.6: Tourist Arrivals and Tourism Receipts: 1998 - 2005



Source: Central Statistics Office, Government of Mauritius.

Tourism

The tourism sector registered a real growth of 5.6 per cent in 2005 compared to 2.4 per cent in 2004. Gross tourism receipts went up by 9.6 per cent, from Rs23,448 million in 2004 to Rs25,704 million in 2005, compared to a growth of 20.8 per cent in 2004. Tourist arrivals increased from 718,861 in 2004 to 761,063 in 2005. Total tourist nights increased from 7,119,000 in 2004 to 7,498,000 in 2005. Around 90.9 per cent of foreign visitors came to Mauritius on holiday in 2005 while some 3.2 per cent came for business purposes.

Chart I.6 shows tourist arrivals and tourism receipts for the years 1998 through 2005.

Tourist arrivals from Europe increased by 5.4 per cent, from 477,041 in 2004 to 502,715 in 2005, up from 2.5 per cent in 2004. In 2005, tourists from European countries represented almost two thirds of total tourist arrivals. Tourist arrivals from France, United Kingdom, Germany and Italy went up by 4.8 per cent, 3.0 per cent, 7.1 per cent and 5.3 per cent, respectively, in 2005. Tourist arrivals from the African region rose by 5.4 per cent, from 175,649 in 2004 to 185,208 in 2005, compared to 0.7 per cent in 2004. The number of tourists from Asia, America and Australia increased by 8.6 per cent, 5.2 per cent and 18.6 per cent, respectively, in 2005. Tourist arrivals from Reunion Island and the Republic of South Africa rose by 2.6 per cent and 11.1 per cent, respectively, in 2005.

There were 99 hotels in operation at the end of December 2005 with the number of rooms and bed places standing at 10,497 and 21,072, respectively, compared to 10,640 and 21,355, respectively, at the end of December 2004. The average room occupancy rate for all hotels and that for "large" hotels remained unchanged at 63 per cent and 66 per cent, respectively, in 2005.

Direct employment in the tourism sector increased by 12.2 per cent, from 22,613 at the end of March 2004 to 25,377 at the end of March 2005, compared to 3.4 per cent in 2004.

Financial Intermediation

The 'Financial intermediation' sector, which includes insurance and banking services, expanded by 7.0 per cent in 2005, up from 4.3 per cent in 2004. The 'Insurance' sub-sector grew by 5.0 per cent in 2005, unchanged from 2004. Other financial intermediation activities registered a growth of 7.8 per cent in 2005, up from 4.0 per cent in 2004, reflecting the growth of 19.4 per cent by offshore banks, 2.3 per cent by commercial banks, and 10.2 per cent by other financial institutions.

Real Estate, Renting and Business Activities

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 by 6.5 per cent in 2005 compared to 6.7 per cent in 2004. The 'Owner occupied dwellings' sub-sector expanded by 4.8 per cent in 2005, lower than the 5.3 per cent in 2004, while activities other than 'Owner occupied dwellings' increased by 8.1 per cent in 2005 compared to 8.0 per cent in 2004.

Other Sectors

Value added in the 'Electricity, gas and water' sector increased, in real terms, by 3.8 per cent in 2005 compared to 4.0 per cent in 2004. The 'Construction' sector declined by 5.2 per cent in 2005 as against a growth of 0.5 per cent in 2004, reflecting the contraction of 6.2 per cent in investment in building and other construction work. The 'Transport, storage and communications' sector expanded by 7.8 per cent in 2005 compared to 8.3 per cent in 2004. The growth rate of 'Wholesale and retail trade' decelerated from 5.7 per cent in 2004 to 5.2 per cent in 2005, reflecting the fall in the growth of distributive trade from 5.5 per cent in 2004 to 5.0 per cent in 2005. The 'Public administration and defence and compulsory social security' sector grew by 5.3 per cent in 2005, higher than the 4.3 per cent in 2004. The 'Education' sector recorded a growth of 6.1 per cent in 2005 compared to 6.4 per cent in 2004. The 'Health and social work' sector expanded by 6.5 per cent in 2005 compared to 7.4 per cent in 2004, while 'Other services' grew by 7.9 per cent in 2005 compared to 7.6 per cent in 2004.

Growth Outlook

The strong upturn of the world economy during the past three years - notwithstanding the volatility in financial and commodity markets and the risks of inflation, posed mainly by the surge in the price of oil but so far held back by the benefits of globalization - points to a favourable external economic environment for the export sectors of the domestic economy. However, it is the loss of trade preferences for our two main exports, textiles and sugar, which poses the greatest challenge for the economy in the short to medium term and which has no doubt seriously hit these industries. The sugar industry, hit by a 36 per cent cut over the next four years in the price of sugar exported to the European Union, is facing an impending contraction and is set for a transformation in the medium to long term, with a process of diversification within the sector under way. From a macroeconomic management standpoint, the surge in oil prices has increased the risks of inflation and the high level of public debt, mainly domestic, continues to be an impediment.

The economy is projected to grow by 4.6 per cent in 2006. Exclusive of the sugar sector, the growth rate works out to 5.0 per cent. The tourism and financial services sectors are expected to grow by 4.8 per cent and 6.7 per cent, respectively, in 2006. The agricultural sector, which fell by 5.3 per cent in 2005, is expected to post a smaller contraction of 0.5 per cent in 2006. The textiles sector is believed to be nearing the end of its restructuring and contraction phase and the EPZ sector, comprising essentially the textiles and garments industry, is expected to expand by 1.5 per cent in 2006, after a decline of 12.3 per cent in 2005, the first post-preferential market access year. Aggregate consumption expenditure is projected to go up, in real terms, by 5.3 per cent. The savings rate is forecast to decrease to 15.1 per cent and the ratio of GDFCF to GDP at market prices is expected to rise to 23.8 per cent.

The government has come up with a restructuring plan for the sugar sector, which will cost Rs24.5 billion over a period of ten years, but this will yield results at best only in the medium term. The authorities are encouraging the production of refined (higher value added) sugar and the use of side products for the production of electricity and ethanol while, to reduce costs, they are putting in place a program to combine plantations into larger, more efficient units and to support investment in irrigation. The government is seeking funding for the program from various sources, as contributions from the fund set up by the European Union to support countries affected by the reform of its sugar regime are likely to be relatively small. The government has presented a Multi-Annual Adaptation Strategy – Action Plan 2006-15 to the European Union to seek increased financial support for the restructuring of the industry. The plan highlights actions to reduce cost, increase revenue, optimise use of by-products and alleviate debt burdens. The aim is to transform the industry into a cane cluster which includes different types of sugar, bagasse for electricity generation, and molasses for production of ethanol and value added spirits.

As regards the manufacturing sector, restructuring plans for the textiles sector include the strengthening of operations through improved business planning and market development and financial restructuring, the move to higher-end products and, in the context of bilateral trade negotiations with certain emerging market economies, access for Mauritian textile products to certain high-end segments of their markets. The integration of the EPZ and non-EPZ sectors will be accelerated. Customs duty will be eliminated on all inputs for the manufacturing sector as a whole. This measure is expected to facilitate outsourcing and the integration of EPZ firms with enterprises serving the domestic economy. The use of the National Equity Fund will be reviewed. Half of the Rs500 million available in the Fund will be accessed to provide equity and quasi-equity to assist re-engineering of firms under flexible terms. The remaining Rs250 million will be used to set up a Second Equity Fund with a minimum fifty percent participation of the private sector. This source of fund will give enterprises that are reengineering improved ease of access to some Rs750 million of finance. There is no limit on private sector participation in the Second Equity Fund in view of leaving the door open for raising more funds. To encourage the development of the financial market and to facilitate the mobilization of private financing for restructuring, Equity Funds will remain exempt from tax.

The tourism sector has been doing very well, contributing significantly to growth in recent years and there is much scope for expansion. The industry has relied on up-market tourism for this rapid growth. The authorities are now putting in place a strategy to rapidly expand the sector to more than double its present capacity. The objective is to attract two million tourists by the year 2015. Over the next ten years, the private sector is expected to invest in the equivalent of 25,000 rooms that will generate direct employment for about 50,000 people and indirect employment for about twice that figure. Air access is being liberalized so as to expand capacity on existing routes and establish new air-links in order to tap new markets. In the medium term, the sector will include shopping and conference activities. The Integrated Resort Scheme (IRS) for the construction and sale of luxury villas with attached amenities looks very promising as shown by the number and scale of projects approved and awaiting approval.

Alongside the tourism industry, other industries that could help put the economy back on the path of high and job-creating growth in the short to medium term are the financial services sector, the Information and Communication Technology (ICT) sector, and the seafood sector. Prospects for the expansion of the offshore financial sector also exist provided efforts are made to enhance the attractiveness of the sector, such as establishing bilateral tax agreements with emerging economies and also ensuring that the required human resource development takes place. The ICT sector, which focuses on business process outsourcing, software development and call centres, is expected to experience a steady expansion. To unlock the potential of the ICT sector to create well paid jobs, government is formulating a National ICT Strategic Plan to spell out its strategy to transform Mauritius into a Cyber Island. The sector may not contribute significantly to growth directly but indirectly by providing a boost to productivity generally in the economy.

Potential for growth also exists in the development of Mauritius into a regional platform for the storage, processing and distribution of seafood and for the repair and maintenance of fishing vessels. While the sector is a relatively new one, the scale and range of projects for which interest is being shown point to a huge potential for the sector.

Mauritius has the potential to become a duty-free shopping centre for the Indian Ocean Region. The elimination of customs duties and the rationalization of the incentive regime together with the movement to a low tax platform set the stage for the development of this sector. The free entry of high net worth IRS owners, investors, skilled professionals and retirees and the family and friends likely to visit them offers a large pool of demand for high end shopping. On the supply side, the freeing of access to land for investment purposes and improvements in the framework for doing business, facilitates the setting up by flagship commercial operators of a base in Mauritius.

The Empowerment Program is expected to play an important role in fostering small and medium-sized enterprises, which would contribute significantly to growth in the future. The objective is to unlock opportunities for the unemployed, for those recycled from their jobs, for women, for young people entering the labour force and for small and medium entrepreneurs. The Programme will also facilitate the transition from sugar, textiles and other activities hit by shocks, into higher value added activities with better paying jobs. It will have a life span of 5 years. An item has been created in the 2006-07 capital budget for the Empowerment Programme with a project value of Rs5 billion, with Rs750 million for the next financial year to kick off the Programme. The Empowerment Programme will undertake seven critical activities, including the provision of land for social housing and for small entrepreneurs; setting up a workfare programme emphasizing training and reskilling and special programmes for unemployed women; the creation of tourist villages; providing assistance for outsourcing; and supporting the development of new entrepreneurs and SMEs. Finance will be provided in the form of equity participation through an Empowerment Fund that will become operational in July 2006. The Empowerment Fund will provide equity of Rs300,000 to Rs3 million.

Government is also investing heavily in education infrastructure and in the education system to enhance training and address the skills needs of the economy.

II. LABOUR MARKET AND PRICE DEVELOPMENTS

The decline of the textiles and garments industry and the restructuring of the sugar industry have exacerbated the unemployment problem in recent years, the vast majority of the unemployed being unskilled and low-skill workers. The loss of trade preferences in the textiles and sugar industries coupled with the challenges of globalisation have brought on a sense of urgency in the restructuring of the economy. The labour market is one area that has long been resistant to reform. The government is now pushing ahead with labour market reforms in order to boost competitiveness and help job creation.

The government has announced a revision of labour laws that would give firms more flexibility in hiring and firing workers. It has also announced the setting up of a National Wages Council for the determination of wages, replacing the current centralized wage-settlement mechanism by a two tier system that would both take into consideration the overall performance of the economy and provide for firm-level bargaining to take into account firm/sector-specific productivity and performance.

Wage Developments

Average Monthly Earnings

According to the Survey on Employment and Earnings in "Large" establishments carried out by

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

Industrial Group	Mar-04[2] (Rs)	Mar-05[2] (Rs)	Mar-06[3] (Rs)	% Nominal Change between Mar-05 and Mar-06	% Change Adjusted for Increase in Price Level
1. Agriculture, Forestry and Fishing	9,334	9,825	10,019	2.0	-2.8
of which: Sugarcane	*8,580*	*9,054*	*9,202*	*1.6*	*-3.1*
2. Mining and Quarrying	5,496	5,588	5,744	2.8	-2.0
3. Manufacturing	7,299	7,798	8,202	5.2	0.3
of which: Sugar	*11,257*	*11,284*	*12,468*	*10.5*	*5.3*
EPZ products	*6,196*	*6,646*	*7,006*	*5.4*	*0.5*
4. Electricity, Gas and Water	18,456	19,457	22,056	13.4	8.1
5. Construction	11,465	12,042	13,047	8.3	3.3
6. Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	12,032	12,772	13,547	6.1	1.1
of which: Wholesale & Retail Trade	*12,044*	*12,776*	*13,500*	*5.7*	*0.7*
7. Hotels and Restaurants	8,947	9,881	10,560	6.9	1.9
8. Transport, Storage and Communication	15,189	15,982	16,664	4.3	-0.6
9. Financial Intermediation	20,225	21,478	22,692	5.7	0.7
of which: Insurance	*17,357*	*19,293*	*19,536*	*1.3*	*-3.5*
10. Real Estate, Renting and Business Activities	12,003	12,822	13,447	4.9	0.0
11. Public Administration and Defence; Compulsory Social Security	13,960	15,056	14,529	-3.5	-8.0
12. Education	13,993	15,096	16,216	7.4	2.4
13. Health and Social Work	15,134	16,628	17,283	3.9	-0.9
14. Other Services	10,846	11,427	12,298	7.6	2.6
Total	**11,103**	**12,061**	**12,625**	**4.7**	**-0.2**

[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 Rate Index by Industry Group

(Per cent)

Industry Group	Sep-04	Sep-05
1. Agriculture and Fishing	7.1	4.9
2. Manufacturing, Mining and Quarrying	6.0	5.5
3. Electricity and Water	5.4	6.2
4. Construction	2.7	7.1
5. Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	10.0	6.4
6. Hotels and Restaurants	2.1	5.8
7. Transport, Storage and Communications	8.1	5.2
8. Financial Intermediation	4.7	5.2
9. Real Estate, Renting and Business Activities	7.3	4.8
10. Public Administration and Defence; Compulsory Social Security	5.6	5.7
11. Education	6.9	1.1
12. Health and Social Work	6.7	2.7
13. Other Community, Social and Personal Services	7.2	4.6
All Sectors	**6.3**	**5.0**

Source: Central Statistics Office, Government of Mauritius.

the Central Statistics Office (CSO), the average monthly earnings for all industrial groups increased from Rs12,061 to Rs12,625, or 4.7 per cent, between March 2005 and March 2006 compared to 8.6 per cent between March 2004 and March 2005. Adjusted for the twelve-month running inflation rate, the average monthly earnings for all industrial groups registered a marginal contraction of 0.2 per cent between March 2005 and March 2006 as against a growth of 3.3 per cent rise between March 2004 and March 2005.

An analysis by industrial group shows that average monthly earnings grew in the range of 1.3 per cent to 13.4 per cent between March 2005 and March 2006. The highest increase in average monthly earnings occurred in "Electricity, Gas and Water" (13.4 per cent) followed by "Construction" (8.3 per cent), "Other Services" (7.6 per cent) and "Education" (7.4 per cent). Average monthly earnings in the "Public Administration and Defence; Compulsory Social Security" sector registered a contraction of 3.5 per cent between March 2005 and March 2006. The remaining sectors recorded increases in average earnings in the range of 1.3 per cent to 6.9 per cent.

Table II.1 shows the average monthly earnings in large establishments by industrial group over the period March 2004 through March 2006.

Compensation of Employees

Compensation of employees went up, in nominal terms, from Rs63,790 million in 2004 to Rs68,064 million in 2005, or by 6.7 per cent, compared to an increase of 8.7 per cent in 2004. Compensation of employees as a percentage of GDP at basic prices remained unchanged at 41.9 per cent in 2005. Compensation of employees in the General Government sector, which accounts for around 26 per cent of total compensation, grew, in nominal terms, by 7.0 per cent in 2005 compared to 12.9 per cent in 2004, while for the rest of the economy, it increased by 6.3 per cent in 2005 compared to 7.3 per cent in 2004.

Cost of Living Compensation

During the fiscal year 2005-06, a cost of living compensation of 5.0 per cent was awarded to employees receiving a monthly salary of up to Rs2,700 and Rs135 to those earning above Rs2,700. This wage increase is estimated to cost the public sector an amount of Rs590 million and the private sector a total of Rs855 million. Following an appeal by the Deputy Prime Minister, Minister of Finance and Economic Development, some companies that are financially profitable and operating in economic sectors such as the financial and hotel sectors were prepared to award their employees a compensation rate beyond that proposed by the government.

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 2004 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 2005 using a sample of large establishments, that is, those employing 10 or more persons.

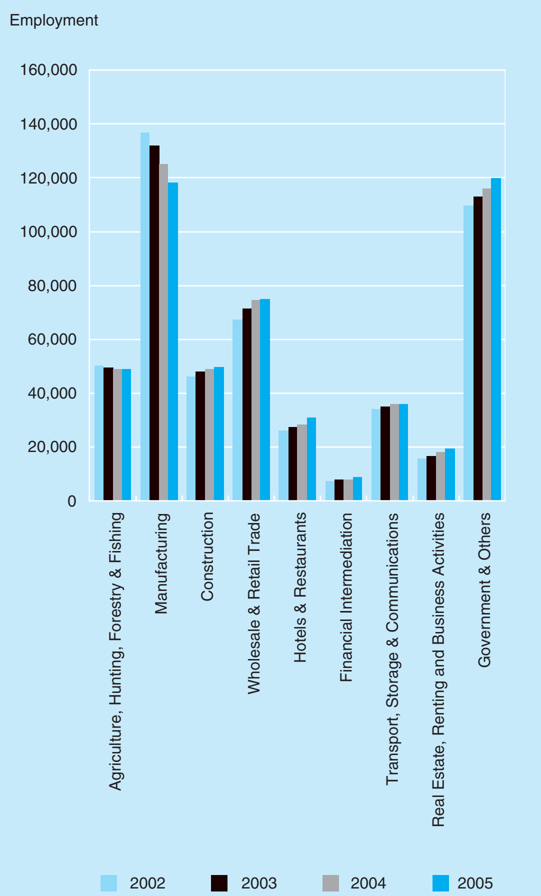
Over the period September 2004 to September 2005, a general upward movement was noted in the overall wage rate index as well as in the indices of all industry groups. The wage rate index rose by 6.5 points, or 5.0 per cent, between September 2004 and September 2005 compared to an increase of 6.3 per cent in the corresponding period of the preceding year. The increase in the period September 2004 to September 2005 was mainly driven by rises in the industry groups "Construction" (7.1 per cent), "Wholesale & Retail Trade, Repair of Motor Vehicles, Motorcycles, Personal and Household Goods" (6.4 per cent), "Electricity and Water" (6.2 per cent), "Hotels and Restaurants" (5.8 per cent), "Public Administration and defence, compulsory social security" (5.7 per cent), "Manufacturing, mining and quarrying" (5.5 per cent). Increases in the remaining industry groups ranged from 1.1 per cent to 5.2 per cent.

Adjusted for the twelve-month running inflation rate, the overall wage rate in the economy decreased by 0.1 per cent between September 2004 and September 2005 compared to a rise of 2.1 per cent between September 2003 and September 2004.

Table II.2 gives details on the annual percentage change in the wage rate index by industry group for September 2004 and September 2005.

Labour Force, Employment and

Chart II.1: Employment by Sector



Source: Central Statistics Office, Government of Mauritius.

Unemployment: 2005

Labour Force

The population of the Republic of Mauritius, including Agalega and St Brandon, was estimated at 1,248,592 as at 31 December 2005, of whom 617,448 were males and 631,144 females, giving a sex ratio of 97.8 males to 100 females. With an estimated population of 1,238,061 as at 1 January 2005, the population growth rate works out to 0.9 per cent for 2005.

With effect from the first quarter of 2004, the CSO has adopted a new methodology for collecting employment data and calculating the unemployment rate. 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, with the last week of each quarter as reference week, are now published. Furthermore, the estimates now refer to persons aged 15 years and above instead of 12 years and above previously. The data thus obtained from the CMPHS are not strictly comparable with previous years' data.

According to the CMPHS, the total labour force, inclusive of foreign workers, grew from 549,600 in 2004 to 559,100 in 2005, or 1.7 per cent, up from 1.6 per cent in 2004. The number of foreign workers declined from 17,500 in 2004 to 16,600 in 2005. The male labour force grew by 0.4 per cent while the female labour force registered a growth of 4.3 per cent in 2005 compared with increases of 1.4 per cent and 1.9 per cent, respectively, in 2004. For 2006, total labour force,

Table II.3: Labour Market Indicators

	2000	2001	2002	2003	2004	2005
Total Labour force	519,800	529,000	531,200	540,900	549,600	559,100
Employment	485,900	493,600	493,800	500,400	504,500	507,000
Unemployment	33,900	35,400	37,400	40,500	45,100	52,100
Unemployment rate (%)	6.7	6.9	7.3	7.7	8.5	9.6

Note: Data are based on the CMPHS. Estimates refer to population aged 15 years and over and include foreign workers.
[1] Provisional.

Table II.4: Employment [1] by Industrial Group

(Thousands)

Industrial Group	2004	2005
1. Agriculture, Forestry and Fishing	49.0	49.0
of which: Sugar cane	*19.1*	*18.6*
Non-Sugar cane	*29.9*	*30.4*
2. Mining and Quarrying	0.3	0.3
3. Manufacturing	125.2	118.2
of which: Sugar	*2.3*	*2.2*
EPZ	*71.6*	*65.5*
Non-sugar, Non-EPZ	*51.3*	*50.5*
4. Electricity, Gas and Water Supply	3.0	3.0
5. Construction	49.1	49.7
6. Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	74.8	75.0
7. Hotels and Restaurants	28.4	30.9
8. Transport, Storage and Communications	35.9	36.0
9. Financial Intermediation	7.9	8.8
10. Real Estate, Renting and Business Activities	18.1	19.6
11. Public Administration and Defence; Compulsory Social Security	39.0	39.4
12. Education	26.2	27.7
13. Health and Social Work	14.5	16.2
14. Other Services	33.1	33.2
All Sectors	**504.5**	**507.0**

[1] Employment figures for 2004 refer to population aged 15 years and over and include foreign workers.
Source: Central Statistics Office, Government of Mauritius.

inclusive of foreign workers, is estimated to reach 565,700, of which 360,700 males and 205,000 females.

Recent data released by the CSO showed that in the second quarter of 2006, total labour force, exclusive of foreign workers, stood at 546,200 with 350,800 males and 195,400 females.

Employment

The total number of persons in employment, inclusive of foreign workers, increased from 504,500 in 2004 to 507,000 in 2005, or by 0.5 per cent compared to 0.8 per cent in 2004. Male employment grew by 0.4 per cent and reached 338,200 while female employment grew by 0.7 per cent and stood at 168,800 in 2005.

An analysis of the sector-wise employment in 2005 shows that the "Manufacturing" sector employed the largest number of workers, around 118,200, which represented a share of 23.3 per cent of total employment compared to 24.8 per cent in 2004. "Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles, Personal and Household Goods" was the second largest employer with around 75,000 workers, or a share of 14.8 per cent unchanged from 2004. Each of the remaining sectors employed between 300 and 49,700 workers.

Data released by the CSO showed that in the second quarter of 2006, total employment exclusive of foreign workers reached 492,200. The primary, secondary and tertiary sectors of the economy accounted for about 10 per cent, 31 per cent and 59 per cent of total employment, respectively.

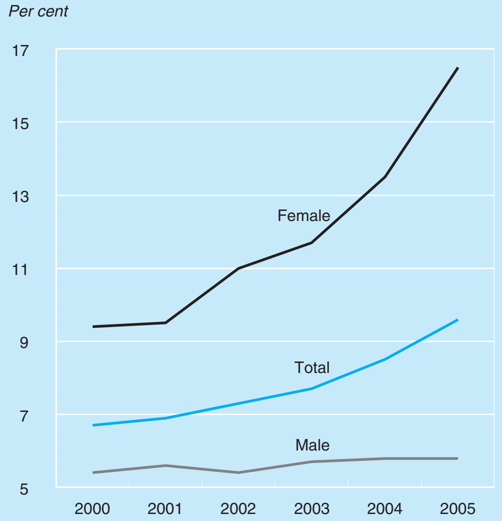
Chart II.1 shows the distribution of employment by sector for the period 2002 through 2005.

Table II.3 provides labour market indicators for 2000 through 2005 and Table II.4 shows employment by industrial group for 2004 and 2005.

Employment in the EPZ

The EPZ sector, comprising essentially the textiles and clothing industry, has been going through, in view of the expiration of quotas in world textile and clothing trade on 1 January 2005, a process of restructuring during the past few years, in order to enhance competitiveness. As at end-December 2005, the number of enterprises in the EPZ stood at 506 compared to 501 as at end-December 2004. During 2005, twenty-four new EPZ firms came into operation while nineteen EPZ enterprises closed down.

Chart II.2: Unemployment Rate



Source: Central Statistics Office, Government of Mauritius.

Employment in the EPZ fell by 1,091, from 68,022 at the end of December 2004 to 66,931 at the end of December 2005 compared to a drop of 9,601 in the corresponding previous period. Male employment increased by 1,172 while female employment went down by 2,263 in 2005. Employment creation in the EPZ during 2005 amounted to 8,994, with 6,456 new jobs created following expansion in 28 existing enterprises and 2,538 persons recruited in 24 new enterprises. During the same period, total job losses in the EPZ amounted to 10,085, of which 3,642 were due to job shedding in 33 existing enterprises and 6,443 due to the closure of 19 enterprises.

Unemployment

The rate of unemployment rose from 8.5 per cent in 2004 to 9.6 per cent in 2005. The number of unemployed persons went up from 45,100 (20,300 males and 24,800 females) in 2004 to around 52,100 (20,300 males and 31,800 females) in 2005. Male unemployment remained unchanged at 5.8 per cent while female unemployment went up from 13.5 per cent to 16.5 per cent over the same period. For 2006, the unemployment rate is forecast at 9.4 per cent.

In the second quarter of 2006, unemployment in the age group 25-39 years represented 43.7 per cent of total unemployment while that in the age group 20-24 years represented 25.9 per cent. The mean age of the unemployed was 28 for males and 31 for females. Among the unemployed, 37.1 per cent had studied up to the primary level while 59.3 per cent had studied up to the secondary level, with only 6.2 per cent having passed the Higher School Certificate. Regarding the duration of unemployment, some 69.2 per cent of the unemployed had been looking for a job for up to one year while 30.8 per cent had been searching for more than one year.

Chart II.2 shows the unemployment rate from 2000 to 2005.

Unit Labour Cost and Productivity

Unit labour cost maintained its increasing trend as the average compensation growth rate continued to outweigh growth in labour productivity. Labour productivity for the whole economy, which is defined as the ratio of real output to labour input, grew by 1.5 per cent in 2005 compared to 4.0 per cent in 2004 and to an average annual growth rate of 3.7 per cent for the period 1995-2005.

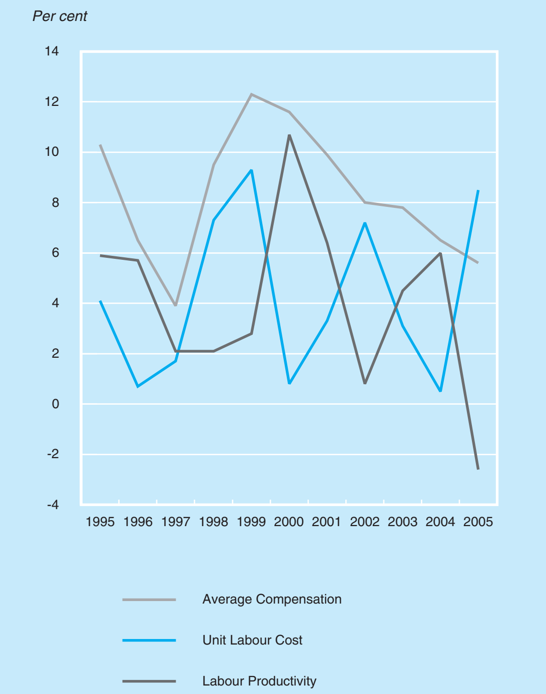
Unit labour cost, which is defined as the labour cost of producing one unit of output, is influenced by changes in average compensation and labour productivity. Unit labour cost grew by 4.1 per cent in 2005 compared to 3.8 per cent in 2004. Average compensation in the economy grew by 5.7 per cent in 2005 compared to 8.0 per cent in 2004. Over the period 1995 to 2005, average compensation in the total economy grew by an annual average rate of 7.9 per cent while labour productivity grew by an annual average rate of 3.7 per cent which resulted in an average annual growth of 4.0 per cent in unit labour cost.

In the manufacturing sector, unit labour cost grew by 8.5 per cent in 2005 compared to an increase of 0.5 per cent in 2004. Over the period 1995-2005, unit labour cost in the manufacturing sector grew at an average annual rate of 4.2 per cent, driven by higher growth in average compensation (8.1 per cent) relative to that of labour productivity (3.8 per cent). In US dollar

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

Source: Central Statistics Office, Government of Mauritius.

Chart II.4: Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity - Manufacturing sector



Source: Central Statistics Office, Government of Mauritius.

terms, unit labour cost for the total economy rose by 1.4 per cent in 2005 compared to 6.2 per cent in 2004. In the manufacturing sector, unit labour cost, in dollar terms, rose by 5.6 per cent compared to 2.8 per cent in 2004.

Labour productivity in the manufacturing sector contracted by 2.6 per cent in 2005 as against a growth of 6.0 per cent in 2004, while in the EPZ, it contracted by 7.9 per cent in 2005 in contrast to a growth of 3.1 per cent in 2004. Labour productivity in the textiles sub-sector of the EPZ contracted by 8.0 per cent in 2005 in contrast to a growth of 3.3 per cent in 2004 while in the non-textiles sub sector of the EPZ, it declined by 7.0 per cent in 2005 in contrast to a growth of 1.5 per cent in 2004.

Over the period 1995-2005, for the total economy, the annual rate of growth in multifactor productivity averaged 0.6 per cent while capital productivity contracted by an average annual rate of 0.5 per cent. In 2005, capital productivity declined by 1.6 per cent compared to a contraction of 0.4 per cent in 2004 while multifactor productivity contracted by 0.7 per cent against a rise of 0.3 per cent in 2004.

Chart II.2 and Chart II.3 show the growth rates of average compensation, unit labour cost and labour productivity for the total economy and the manufacturing sector, respectively, for the years 1995 through 2005.

Labour Market Outlook

One of the major policy challenges for the authorities is the high unemployment rate. Prospects for a stronger employment performance in the future will depend on the proposed changes in labour regulations, efforts to address the skills needs of the economy, and other government policy measures to promote job-creating growth. The revised labour laws need to strike an appropriate balance between ensuring workers' rights and economic efficiency, which requires flexibility in labour laws and decentralisation of the wage-settlement mechanism. The recent huge investments in education infrastructure and ongoing investments in the education system to enhance training should help to address the skills needs. In addition, initiatives such as the Empowerment Program could play an important role in reducing unemployment, particularly by fostering small and medium-sized enterprises, which tend to be labour intensive. Employment creation measures announced by the government also concern investment facilitation and include a series of measures to allow new businesses to start operations quickly as well as measures to open up the economy to foreign investment and expertise.

Recognizing that the unemployment problem is above all one of a lack of employment opportunities, the authorities have identified a number of industries that could contribute significantly to job-creating growth in the short to medium term. These include the tourism industry, the financial services sector, the information and communication technology sector, and the seafood sector. Prospects for the creation of significant job opportunities exist in the tourism sector, including for low-skilled workers as the industry is set to expand rapidly by tapping into new markets as well as including in the medium term duty free shopping. An expansion of the offshore financial sector holds out good prospects for skilled workers employment provided that the required human resource development accompanies it. The expansion of the Information and Communication Technology (ICT) sector, with a focus on business process outsourcing, software development and call centres, is also expected to provide some employment opportunities. The potential for significant employment creation also exists in the development of Mauritius into a regional seafood platform as growth prospects for the sector, namely for activities such as storage, processing and distribution of seafood are good.

Prices

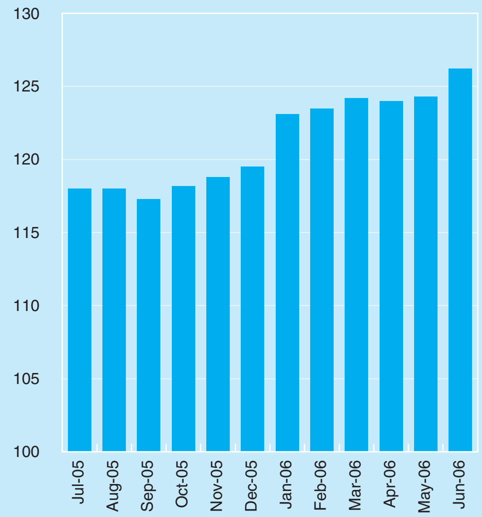
Inflation, which is measured by the percentage change in the yearly average Consumer Price Index (CPI) in Mauritius, dropped from 5.6 per cent in 2004-05 to 5.1 per cent in 2005-06 but was higher than the target of 4.0 per cent set by the Bank of Mauritius at the beginning of fiscal year 2005-06. This departure from the target rate of inflation is to a large extent attributable to the rise in energy prices and other administered prices in the consumption basket.

Supply side factors maintained inflationary pressures in the economy. Inflation was greatly affected by world energy prices globally and Mauritius, being a small open economy, was not shielded from this international phenomenon. A rise in energy prices impinges directly on consumer basket items such as expenditure on fuels, gas and electricity. Rising prices of energy indirectly affect business costs, thereby causing further inflationary effects on consumer prices.

Growing oil prices triggered the rise in energy prices. The average price per barrel of NYMEX WTI (West Texas Intermediate benchmark crude oil) went up from US$33.7 in 2003-04 to US$48.8 in 2004-05, that is, by 44.8 per cent and increased further by 32.0 per cent to US$64.4 in 2005-06. The average price per barrel of IPE Brent futures went up from US$31.0 to US$46.5 in 2004-05, or by 50.0 per cent and rose further by 35.9 per cent to US$63.2 in 2005-06. The rise in world oil prices was followed by similarly high growth in world prices of natural gas, which directly affected regulated prices (LPG for households).

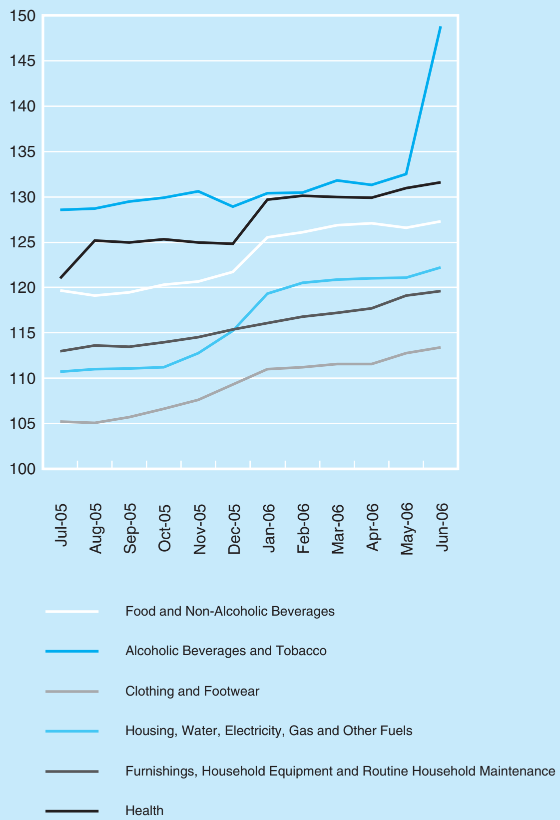
There has also been a pick-up in consumer price inflation worldwide. For instance, in the US,

Chart II.5: Monthly Consumer Price Index (Base year July 2001 - June 2002 = 100)



Source: Central Statistics Office, Government of Mauritius.

Chart II.6 and II.7: Monthly Evolution of the Twelve Divisions of the CPI Basket of Goods and Services during 2005-06 (Base: July 2001 - June 2002 = 100)



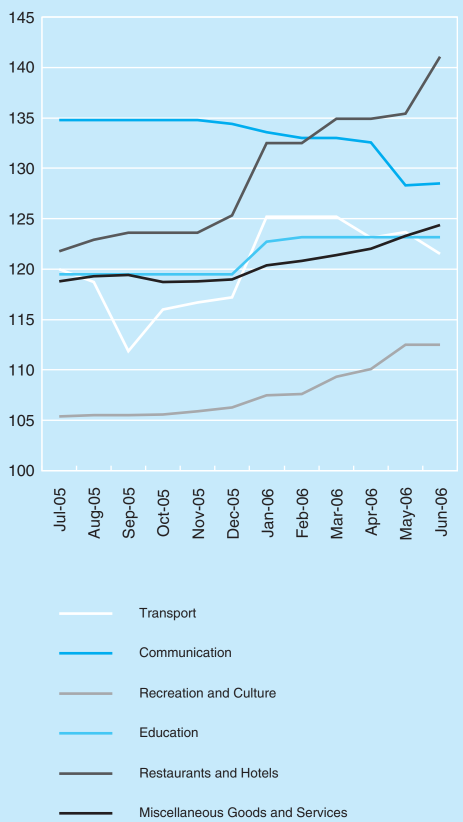


Table II.5: Quarterly Percentage Change in the Sub-indices of the CPI by Division

(Per cent)

DIVISIONS	Weights	Quarter ended				2005-06
		Sep-05	Dec-05	Mar-06	Jun-06	
1. Food and Non-Alcoholic Beverages	299	0.5	1.8	4.3	0.3	7.1
2. Alcoholic Beverages and Tobacco	86	2.9	-0.5	2.2	12.9	18.3
3. Clothing and Footwear	60	0.5	3.4	2.1	1.6	7.8
4. Housing, Water, Electricity, Gas and Other Fuels	96	1.0	3.7	4.9	1.1	11.1
5. Furnishings, Household Equipment and Routine Household Maintenance	80	1.6	1.7	1.6	2.0	7.1
6. Health	28	3.3	-0.2	4.2	1.2	8.8
7. Transport	139	-6.2	4.7	6.8	-3.0	1.8
8. Communication	31	0.0	-0.3	-1.0	-3.4	-4.7
9. Recreation and Culture	53	0.5	0.8	2.8	2.9	7.1
10. Education	24	0.0	0.0	3.1	0.0	3.1
11. Restaurants and Hotels	50	1.6	1.4	7.7	4.6	16.0
12. Miscellaneous Goods and Services	54	0.7	-0.3	2.0	2.5	4.9
ALL GROUPS	**1000**	**0.0**	**1.9**	**3.9**	**1.6**	**7.6**

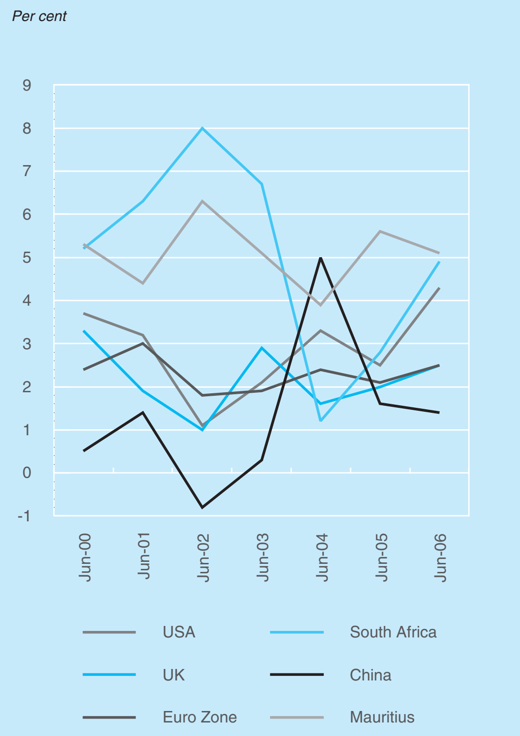
Source: Central Statistics Office, Government of Mauritius.

consumer price inflation has risen from 2.5 per cent in 2004-05 to 4.3 per cent in 2005-06 while in the UK, CPI inflation went up from 2.0 per cent to 2.5 per cent over the same period. Euro CPI inflation has also edged up from 2.1 per cent in 2004-05 to 2.5 per cent in 2005-06.

The CPI in Mauritius increased by 8.9 points, or 7.6 per cent, from 117.3 in June 2005 to 126.2 in June 2006 compared to an increase of 6.0 points, or 5.4 per cent recorded during 2004-05. All the divisions of the CPI basket of goods and services except "Communication", which registered a drop of 6.3 points (or 4.7 per cent), recorded increases during the period under review. The most significant rise of 23.0 points (or 18.3 per cent) was recorded in "Alcoholic Beverages and Tobacco", reflecting the increases in the prices of alcoholic beverages and cigarettes in the wake of the 2006-07 Budget, which imposed additional levies on these commodities. "Restaurants and Hotels" recorded the second largest rise of 19.5 points (or 16.0 per cent). The third largest increase was noted in "Housing, Water, Electricity, Gas and Other Fuels", which rose by 12.2 points (or 11.1 per cent), mainly attributable to the hike in the prices of cooking gas and kerosene and higher electricity tariffs. "Health" recorded an increase of 10.6 points or 8.8 per cent while the remaining seven divisions registered increases in their sub-indices, ranging from 2.2 to 8.4 points.

The CPI maintained its upward trend during fiscal year 2005-06 mainly on account of several supply-side factors. First, under the Automatic Price Mechanism (APM) of the State Trading Corporation (STC), which met only three times during 2005-06, the price of mogas was adjusted upward twice and downward once while that of diesel oil was increased on all three occasions. The price of mogas was raised by 14.9 per cent in October 2005 and further by 20.0 per cent in January 2006 but was brought down by 10.0 per cent in April 2006 while that of diesel oil was increased by 14.8 per cent in October 2005 and 20.0 per cent both in January and April 2006. In addition, the marked increase in fuel prices on the world market coupled with the rise in maritime charges and the depreciation of the rupee vis-à-vis the US dollar have also led to an increase in the prices of Liquefied Petroleum Gas (LPG), kerosene and fuel oil with effect from 19 November 2005. Then, in early January 2006, electricity tariffs were hiked in a range of 10-15 per cent. Fourth, the price of flour was hiked by around 29 per cent in January 2006, while the price of bread was raised in the range of 20-22 per cent in January 2006 and 3-6 per cent in May 2006. Further, the decision to review upwards the

Chart II.8: Inflation Rates



maximum mark-up on the price of milk in December 2005 contributed to offsetting the decline recorded in August and September 2005. Sixth, the price of bulk cement mainly sold to big construction sites and manufacturers of construction blocks was increased in February 2006. Seventh, cyclone 'Diwa', which hit Mauritius in the first week of March 2006, and the heavy rainfall associated with it, affected the domestic production of vegetables, the prices of which took an ascending trend thereafter. Finally, following the 2006-07 Budget, the prices of cigarettes and alcoholic beverages rose significantly on account of the upward revision of excise duty on those items.

The cascading impact of the hikes in energy prices contributed to further increasing the CPI in the economy. However, the upward pressures on the general price level for fiscal year 2005-06 were partially offset by the free transportation policy to pensioners and students as from 15 August 2005 and 1 September 2005, respectively, and the reduction in the price of milk powder under the mark-up regime during the third quarter of 2005.

On a quarterly basis, the CPI at the end of September 2005 stood at 117.3, the same level as the June 2005 figure. However, on a division wise basis, "Transport" fell by 6.2 per cent on account of the combined effect of free bus transport to elderly persons and to students. The index for "Alcoholic Beverages and Tobacco" rose by 2.9 per cent reflecting the increase in price of cigarettes following budgetary measures. The increase in the CPI in the second and third quarters of fiscal year 2005-06 reflected the rise in the price of petroleum products in October 2005 and January 2006 as well as the hike in electricity tariffs, prices of cooking gas, government subsidized flour and bread in January 2006. The 1.6 per cent rise in the CPI over the final quarter of fiscal year 2005-06 is attributed to the increase in prices of alcoholic beverages, cigarettes and diesel oil which were partly offset by the fall in the price of gasoline and telephone services.

The rate of inflation declined from 5.6 per cent in June 2005 to 5.5 per cent in September 2005 and gradually reached a trough of 4.9 per cent in December 2005. It then rose to 5.0 per cent in January 2006 before subsiding to 4.9 per cent in February 2006 and remained at this level till May 2006. It closed the fiscal year at 5.1 per cent. Thus, in 2005-06, the rate of inflation varied between 4.9 per cent and 5.6 per cent, whereas in 2004-05, it fluctuated within a wider band of 3.9 per cent to 5.6 per cent.

Of the 8.9 points increase in the CPI during fiscal year 2005-06, gasoline contributed 0.8 point, diesel oil 0.4 point, kerosene 0.3 point, cooking gas 0.4 point, electricity 0.3 point and taxi fares 0.3 point. Thus, exclusive of these increases, the CPI rose by 6.4 points, thereby giving an inflation rate of around 3.9 per cent.

Table II.5 shows the quarterly percentage change in the sub-indices of the 12 divisions in the CPI basket of goods and services. Chart II.5 shows the monthly evolution of CPI during fiscal year 2005-06. Charts II.6 and II.7 depict the monthly evolution of the twelve divisions of the CPI basket of goods and services during fiscal year 2005-06 and Chart II.8 shows the inflation rate of Mauritius and some of our major trading partner countries.

Core Inflation

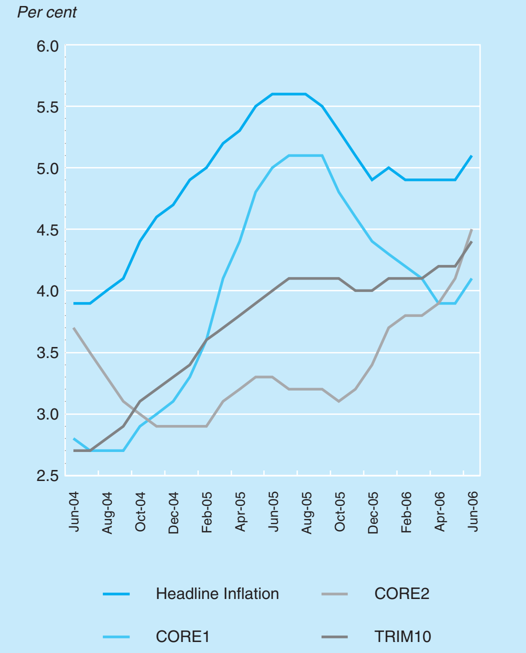
Price stability is often one of the most important objectives that the central bank is mandated to achieve. Many factors, some of which are persistent and others purely temporary affect any country's price level. It is universally accepted that the consumer price index reflects the impact of some factors that are beyond the control of the monetary authority such as the adjustments in administered prices, taxes, adverse weather conditions or oil market shocks. However, from a policy point of view, it is useful to decompose headline inflation into a transient component on the one hand, and a trend component on the other hand. This trend component is referred to as "core" inflation and reflects persisting sources of inflationary pressures. It is this latter component that contains the most relevant information from a central bank's perspective. If price fluctuations from non-monetary sources are effectively removed from the headline inflation, the resulting core inflation can be regarded as the outcome of monetary policy.

Core inflation is considered a good indicator of current and future trends in headline inflation and helps policymakers determine whether current movements in consumer prices represent short-lived disturbances or are part of a broader permanent trend. Core inflation excludes certain items in the overall CPI index whose price movements are generally characterized by short-term volatile movements and so, represents the long-term trend of inflation, which can be directly affected by monetary policy.

The most common approach used by many countries to calculate core inflation is the exclusion method, which computes the core inflation by taking out the prices of a fixed, pre-specified set of items from the CPI basket. The excluded components are considered to be either volatile or susceptible to supply disturbances and would typically consist of food and energy items. Another widely used measure of core inflation is the trimmed mean approach, which consists of trimming a certain percentage of the tail of the distribution of price changes.

The Bank of Mauritius calculates three measures of core inflation by using the (i) exclusion method (CORE1), which strips "Food, Beverages and Tobacco" from headline inflation, (ii) exclusion method (CORE2), which apart from excluding "Food, Beverages and Tobacco" also strips energy prices and administered prices and (iii) trimmed mean approach (TRIM10), which truncates 5 per cent of each tail of the distribution of price changes and estimates core inflation by taking the weighted average of price changes of the rest of the components.

Chart II.9: Headline and Core Inflation



During fiscal year 2005-06, while headline inflation varied between 4.9 per cent and 5.6 per cent, core inflation as measured by these three measures fluctuated between 3.1 per cent and 5.1 per cent, that is, indicating a deviation in the range of 0.4 to 2.4 percentage points. Specifically, while CORE 1 declined from 5.1 per cent at the end of July 2005 to 4.1 per cent at the end of June 2006, CORE2 rose from 3.2 per cent to 4.5 per cent and TRIM10 went up from 4.1 per cent to 4.4 per cent over the same period.

These core inflation rates nonetheless have to be interpreted with caution as both methods used to calculate core inflation rates have their limitations, the most obvious ones being that part of the information in the official measure is disregarded each month and that the derivation of these rates involves some degree of subjectivity.

Chart II.9 shows the movements of headline inflation and the three measures of core inflation over the period June 2004 through June 2006.

Producer Prices

There are two measures of producer prices in Mauritius: the Producer Price Index-Manufacturing

(PPI-M), which measures changes in the effective prices received by producers for that part of their output, which is sold on the domestic market and reflects the price trends of a constant basket of goods, representative of the output of the manufacturing industries; and Producer Price Index-Agriculture (PPI-A), which gives a measure of the average change in the selling prices which producers receive for their agricultural products.

The Producer Price Index-Agriculture (PPI-A) rose from 117.9 in June 2005 to 123.8 in June 2006, or 5.0 per cent as against an increase of 5.4 per cent in 2004-05. The PPI-A covers two sub-groups, namely "Crop Products" and "Animals and Animal Products". This rise is mainly attributable to an increase of 3.5 per cent in the index for "Crop Products" which accounts for 82.6 per cent of the total weight. PPI-A inflation, which is calculated as the percentage change in the annual average Producer Price Index-Agriculture (PPI-A), declined from 6.7 per cent during 2004-05 to 5.1 per cent for the 12-months period ended June 2006.

The Producer Price Index-Manufacturing (PPI-M) went up from 114.1 in June 2005 to 126.1 in June 2006, or 10.5 per cent higher than the rise of 5.8 per cent registered in the preceding fiscal year. The growth for 2005-06 reflects the increase in the sub-index for "Manufacture of Food Products, Beverages and Tobacco" which accounts for nearly 50 per cent of the overall weight. PPI-M inflation, which is calculated as the percentage change in the annual average Producer Price Index-Manufacturing (PPI-M), fell from 8.5 per cent during 2004-05 to 7.5 per cent for the 12-months period ended June 2006.

Table II.6 gives the annual percentage change in the Consumer Price Index, Producer Price Index-Agriculture and Producer Price Index-Manufacturing for fiscal years 2004-05 and 2005-06.

Inflation Outlook

Inflationary pressures have accentuated in the economy since the beginning of fiscal year 2006-07. Upside risks to inflation stemming from a number of developments in the economy continue to prevail, especially from the supply side. In the present environment of persistently high oil prices, the pass-through into domestic consumer prices is expected to reign.

Following the 2006-07 Budget, an increase in the price of several items in the consumer basket of goods and services was noted. The prices of cigarettes and alcoholic beverages registered a significant hike reflecting the upward revision of excise duty on them. With the reorientation of the subsidies on rice and flour towards the "vulnerable persons of the society" in the form of a monthly income support payment, an upward adjustment in the prices of "ration" rice and flour became effective as from 3 July 2006 whereby the prices of "ration" rice and flour went up from Rs3.50 per pound and Rs3.75 per pound to Rs5.30 per pound and Rs5.25 per pound, respectively. The increase in the price of flour had spillover effects on the price of consumables using flour as intermediate input such as bread, which registered a hike in the range of 21-23 per cent as from 3 July 2006. Moreover, the retail price of cement in 3 ply paper bags of 25kgs

Table II.6: Price Indicators

	Weights	2004-05	2005-06
		Annual Change (%)	
Consumer Price Index	**1000**	**5.4**	**7.6**
of which:			
Food	274	6.9	6.6
Beverages and Tobacco	111	3.6	16.9
Electricity, Gas, Water, Fuels and Transport	141	9.8	8.3
Other goods and services	474	3.6	5.7
Producer Price Index			
Agriculture		**5.4**	**5.0**
Manufacturing		**5.8**	**10.5**

Source: Central Statistics Office, Government of Mauritius.

and 50kgs registered an increase with the quantum varying between 10.6 per cent and 21.4 per cent, reflecting the transport cost which is included in the overall cost and which varies according to location.

The upward revision in the price of gasoline products, fuel oil and Liquefied Petroleum Gas (LPG) filled in cylinders of 5, 6 and 12 kilograms on 3 July 2006 have compounded the pressures on prices. The price of mogas went up by 20 per cent to Rs37.55 a litre and the price of diesel oil rose by 14.9 per cent to Rs32.75 a litre. The prices of LPG cylinders rose in the range of 8.7-10.0 percent on 3 July 2006. Though the weight of LPG in the consumer basket of goods and services is relatively small, the cascading impact on the prices of other goods and services in the economy is likely to have a much larger adverse effect on the general price level. It is also worth noting that, effective July 2006, the price of fuel oil sold on the local market, barring that sold to the Central Electricity Board (CEB), and LPG filled in cylinders of 5, 6 and 12 kilograms would be subject to adjustments under the APM although the maximum allowable adjustment in the retail price of LPG for any subsequent quarter would not exceed 5 per cent of the retail price of the preceding quarter.

In addition, the introduction of an environmental tax on plastic carry bags and Polyethylene Terephthalate (PET) bottles as from July 2006 and the hike in the price of edible oil on the local market would fan up additional pressures in the prices of a number of related products. The depreciation of the rupee vis-à-vis major currencies will also affect the general price level through the pass-through mechanism.

Between June 2006 and July 2006, the CPI increased from 126.2 to 129.9, with the main contributors to this increase being gasoline (+0.9 index point), bread (+0.6 index point), Government imported rice (+0.4 index point), cigarettes (+0.3 index point), catering services (+0.3 index point), cooking gas (+0.2 index point) and Government imported flour, meat, pastry products, cooking oil, soft drinks, kerosene, domestic services, diesel oil, airfare and other goods and services, each registering an increase of 0.1 index point.

With these upside risks to inflation, the Bank of Mauritius will maintain a monetary policy stance that is geared towards maintaining a low and stable rate of inflation over the medium term. The Bank will strive to narrow the inflation differential with our major trading partners, the more so that the Bank of Mauritius Act 2004 makes price stability an explicit objective of the Bank, together with the promotion of orderly and balanced economic development. In this respect, the Bank raised the Lombard Rate by 50 basis points, from 11.50 per cent to 12.00 per cent per annum on 10 July 2006. This hike in the Lombard Rate was effected against the background of an intensification of the upside risks to inflation stemming from the recent increases in the administered prices of a number of goods in the consumption basket, the worsening external sector outlook and monetary expansion. These coupled with the need to improve the relative attractiveness of rupee-denominated financial assets justify the pursuit of tighter demand management policies. For fiscal year 2006-07 the Bank of Mauritius is targeting an inflation rate of around 5 per cent.

III. MONEY AND BANKING

During 2005-06, monetary management was confronted with the following challenges. First, an increase in domestic prices driven largely by a sustained hike in energy prices posed concerns about price stability. Second, a worsening of the external sector outlook underlined the pursuit of tighter demand management policies. Third, the domestic situation was complicated by a large overhang of liquidity. Fourth, the state of public finances impacted on monetary management, with the Bank of Mauritius stepping in to finance part of the budget deficit. Fifth, with the expected upturn in the interest rate cycle, the Bank had to strike a fine balance between dampening inflationary expectations and encouraging the impulses of growth.

The primary objectives of the Bank of Mauritius as set out in the Bank of Mauritius Act 2004 are to maintain price stability and to promote orderly and balanced economic development. The Bank is also required to regulate credit and currency in the best interests of the economic development of Mauritius and to ensure the stability and soundness of the financial system of Mauritius. Consequently, the basic thrust of monetary policy during 2005-06 was geared towards containing inflationary pressures in the economy mainly arising from adjustments in the prices of petroleum products and creating an appropriate environment for sustained growth. Monetary policy actions were also taken to preserve the attractiveness of key rupee-denominated financial instruments.

The main operating instrument of monetary policy utilised by the Bank of Mauritius remains the weekly primary auction of Treasury/BoM Bills. Repurchase transactions (Reverse Repos and Repos) are also used as a supplement to influence liquidity in the market. The Bank of Mauritius auctions Treasury Bills and other Government securities to meet the borrowing needs of the Government and Bank of Mauritius Bills for monetary policy purposes. Banks can have recourse to overnight-collateralised advances under the Lombard Facility from the Bank of Mauritius and the interest rate payable for the use of this facility, known as the Lombard Rate, is the Bank's signalling mechanism of its monetary policy stance.

The Banking Act 2004 removed the distinction between Category 1 banks (commercial banks) and Category 2 banks (offshore banks) and provided for banking business to be conducted under a single banking licence regime. All banks are now free to transact in all currencies, including the Mauritian rupee. The Bank of Mauritius issued a Guideline on Segmental Reporting under a Single Banking Licence Regime to banks in June 2005, which provided among other things, for the reporting of banking activities under Segment A and Segment B and the treatment of specific deposit liabilities for the cash reserve ratio requirement. Segment B relates to the banking business that gives rise to "foreign source income". All other banking business is classified under Segment A. Banks reported their statement of assets and liabilities based on segmental reporting for July 2005 together with a comparative statement for June 2005.

Therefore, there is a new series of monetary and banking data starting with June 2005. These data are now based on the consolidation of the activities of the Bank of Mauritius and 19 banks, which comprise both former Category 1 and former Category 2 banks (20 banks for the period June 2005 through October 2005) and thus, are not strictly comparable with prior data, which reflect the consolidation of the activities of the Bank of Mauritius and 11 banks (former Category 1 banks). There is an expanded coverage of banks in the new series of monetary and banking data.

During fiscal year 2005-06, the following banking developments occurred. Mascareignes International Bank merged with Banque des Mascareignes Ltee with effect from 28 November 2005. RMB (Mauritius) Limited ceased all banking operations as from beginning June 2006 though it surrendered its banking licence on 17 July 2006. HSBC Bank (Mauritius) Limited was granted a banking licence on 8 June 2006, although the bank will start its operations as from 1 August 2006. Barclays bank issued bonds to the public in September 2005.

During 2005-06, monetary developments were, firstly, characterised by a further tightening of the Bank's monetary policy stance as the Lombard Rate was hiked twice, by 50 basis points in August 2005 and 100 basis points in December 2005, in the course of the fiscal year. Banks, consequently, increased their interest rates on rupee deposits and advances by more or less the same quantum.

Another feature of monetary developments related to money supply M2, which returned to a double-digit growth rate of 11.2 per cent in 2005-06, from a single-digit rate of increase of 8.5 per cent in 2004-05. Monetary growth was fairly balanced between the most and least liquid components of M2 and was associated, predominantly on the counterpart side, with an expansion in domestic credit. Moreover, average M2 represented around 86.2 per cent of GDP at market prices in 2005-06, up from 81.0 per cent in 2004-05, thereby highlighting further financial deepening in the economy.

Credit to the private sector by banks increased by 13.7 per cent in 2005-06 compared to 9.6 per cent in 2004-05. The demand for loans for housing purposes continued to be robust, while the growth rate of loans to public corporations accelerated. Financial and Business Services sector accounted for 21.6 per cent of the change in total credit, Public Nonfinancial Corporations 19.8 per cent, Housing sector 18.0 per cent and Traders 15.1 per cent. Credit to the household sector accounted for 26.6 per cent of the change in total credit in 2005-06, while average household debt from the banking sector as a percentage of GDP at market prices stood at 12.5 per cent, up from 11.3 per cent in 2004-05.

Fourth, the rate of growth of net credit to Government from the banking system fell from 15.7 per cent in 2004-05 to 11.2 per cent in 2005-06. Thus, the banking system financed around 43 per cent of the budget deficit in 2005-06, down from approximately 62 per cent in the preceding year. Net credit to Government from the Bank of Mauritius grew by 104.4 per cent in 2005-06 as the Bank purchased more Treasury Bills, which offset the drop in deposits maintained by the government at the Bank. Net credit to Government from banks rose by 9.3 per cent over the same period.

Average domestic credit as a percentage of GDP at market prices rose from 74.8 per cent in 2004-05 to 79.2 per cent in 2005-06. Average net credit to Government as a percentage of GDP at market prices also remained on an expansionary trend, rising from 20.7 per cent to 21.2 per cent while average private sector credit went up further from 54.1 per cent to 58.0 per cent.

Sixth, backed by the rise in foreign currency deposits, net foreign assets of banks expanded further during 2005-06 and drove the rise in net foreign assets of the banking system, which expanded by 16.0 per cent. Net foreign assets of banks grew by 85.1 per cent during 2005-06, up from 67.4 per cent during 2004-05. On the other hand, the net foreign assets of the Bank of Mauritius fell by Rs242 million reflecting the net effect of valuation changes and sale interventions by the Bank on the interbank foreign exchange market. The Bank sold a total amount of US$108.7 million to banks in 2005-06 compared to US$184.8 million in 2004-05.

Reserve money increased by 7.0 per cent in 2005-06, reflecting the build-up of deposits of banks at the Bank of Mauritius as against a decrease of 7.9 per cent registered in 2004-05. However, exclusive of BoM Bills held by banks, reserve money expanded by 19.4 per cent compared to a rise of 6.0 per cent in 2004-05.

Eighth, the money market remained flushed with liquidity in 2005-06. Following the implementation of the Guideline on Segmental Reporting under a Single Banking Licence Regime in July 2005, all banks were required to maintain the minimum cash reserve ratio of 5.5 per cent as from the week ended 7 July 2005. Prior to that week, only former Category 1 banks had to maintain the cash ratio. With effect from 12 January 2006, under section 49(3) of the Bank of Mauritius Act 2004, the Bank redefined minimum cash balances held by banks as comprising exclusively of balances held by banks with the Bank of Mauritius for the purpose of computing the Cash Ratio. The minimum cash reserve ratio was also reduced to 4.0 per cent. For the first half of fiscal year 2005-06, when banks had to maintain a minimum cash reserve ratio of 5.5 per cent, the average ratio maintained varied between 5.58 per cent and 6.94 per cent, with average level of weekly excess cash balances fluctuating between a low of Rs113 million and a high of Rs2,204 million. During the second half of 2005-06, the average minimum cash ratio ranged from 4.37 per cent to 5.36 per cent and the average weekly excess cash holdings varied between Rs576 million and Rs2,134 million.

Ninth, average daily turnover on the interbank money market during 2005-06 amounted to Rs296 million lower than Rs315 million for the preceding fiscal year, while interbank interest rates fluctuated between 1.40 per cent and 10.00 per cent compared to a range of 1.00 per cent to 9.75 per cent in 2004-05. Banks borrowed a total of Rs1,686 million under the Lombard Facility during 2005-06, down from total borrowings of Rs6,138 million in the preceding fiscal year. Compared to a total amount of

Rs2,041 million during 2004-05, banks redeemed Rs1,316 million of bills in 2005-06, of which Treasury Bills amounted to Rs1,248 million.

Reflecting excess liquidity in the money market, the Bank carried out mostly reverse repurchase transactions in a bid to mop the excess funds. The total value of bids received and accepted for reverse repurchase transactions during fiscal year 2005-06 amounted to Rs24,315 million and Rs4,600 million, respectively compared to Rs33,120 million and Rs15,600 million, respectively for fiscal year 2004-05. In the case of repurchase transactions both the value of bids received and accepted amounted to Rs1,370 compared to Rs2,695 million and Rs2,225 million, respectively for 2004-05.

The Bank, acting as agent of Government, issued 91-day, 182-day and 364-day Treasury Bills at weekly auctions, but discontinued the issue of 728-day Treasury Bills as from 19 August 2005. Further, the Bank of Mauritius issued Treasury Notes of 2, 3 and 4 years maturity through auction on a monthly basis as from 7 October 2005, Five-Year Government of Mauritius Bonds for an aggregate nominal amount of Rs3.0 billion and Mauritius Development Loan Stocks for an aggregate nominal amount of Rs2.8 billion during fiscal year 2005-06.

A total value of Rs58,450 million of Bills was put on tender in 2005-06. The value of bids received and accepted amounted to Rs110,104 million and Rs51,422 million, respectively while maturing Bills stood at Rs61,919 million yielding in a net redemption of Bills of Rs10,497 million, lower than that of Rs14,158 million in 2004-05. In 2005-06, the value of BoM Bills issued amounted to Rs5,600 million, same as in 2004-05, while the value of BoM Bills maturing stood at Rs10,772 million in 2005-06 compared to Rs7,105 million in the preceding year. The overall weighted monthly average yields on Treasury/BoM Bills rose from 6.37 per cent in June 2005 to 7.33 per cent in June 2006, reflecting the hike in the Lombard Rate

Finally, average reserve money fell by 0.8 per cent in 2005-06 as against an increase of 13.6 per cent in 2004-05, while average money supply M2 rose by 14.8 per cent in 2005-06, up from 11.8 per cent in 2004-05. The average money multiplier for broad money supply M2 rose from 6.17 in 2004-05 to 7.15 in 2005-06. Exclusive of BoM Bills, the money multiplier registered a marginal increase from 8.20 to 8.21.

Monetary Policy: 2005-06

The Bank of Mauritius Act (2004) stipulates that the primary object of the Bank shall be to maintain price stability and to promote orderly and balanced economic development.

Monetary policy in the year 2005-06 was geared towards the adoption of appropriate policies for maintaining price stability while at the same time supporting growth in output and employment. The economy faced greater uncertainties arising from developments in the external environment, including higher and more volatile energy prices. The upward trend in global oil prices led to increases in headline inflation around the world. Globally, monetary authorities increased interest rates in successive steps as high oil prices fed into higher inflation, thereby building up inflationary expectations. Oil importing countries also faced deterioration in their current account balances, while the growing burden of oil subsidies was reflected in their deteriorating fiscal positions.

The basic thrust of monetary policy in Mauritius during the year 2005-06 remained directed towards the creation of an appropriate environment for achieving the long-term objective of price stability and supporting medium term growth prospects of the economy. The Bank provided overnight collateralised advances to banks through the Lombard Facility and the interest rate payable for the use of this facility, the Lombard Rate, is used by the Bank to signal its monetary policy stance.

The Bank further tightened its monetary policy stance by raising the Lombard Rate on two occasions during fiscal year 2005-06 by a total of 150 basis points: from 10.00 per cent to 10.50 per cent on 5 August 2005 and by a further 100 basis points to 11.50 per cent on 7 December 2005. The hike of 150 basis points in the Lombard Rate during 2005-06 was taken as pre-emptive measures to stem inflationary pressures in the economy, so as to keep inflation within a narrow and stable range. Moreover, it was deemed necessary to maintain the attractiveness of key rupee-denominated financial instruments, besides containing emerging demand pressures on the foreign exchange market. Banks adjusted their rupee deposits and lending rates more or less in line with the changes in the Lombard Rate.

The Bank of Mauritius targeted an inflation rate of 4.0 per cent for the fiscal year 2005-06.

However, the rate of inflation for fiscal year 2005-06 turned out to be 5.1 per cent, down from 5.6 per cent for fiscal year 2004-05. The departure from the Bank's inflation target for fiscal year 2005-06 is largely attributable to the overall rise in energy prices, which reflected the upward adjustments in the price of petroleum products under the APM resulting from the increase in the world price of oil, the increase in the prices of LPG, kerosene and fuel oil and the rise in electricity tariffs and their cascading impact on a number of goods and services in the CPI basket. Exclusive of these price increases, the rate of inflation for fiscal year 2005-06 would have been around 3.9 per cent.

In terms of Section 49(1) of the Bank of Mauritius Act 2004, the cash ratio that banks are required to maintain was also reduced from 5.5 per cent to 4.0 per cent, with effect from the week ended 12 January 2006. However, the cash balances were redefined to consist exclusively of balances held by banks with the Bank of Mauritius while before they also included cash held in banks' vaults.

Monetary Aggregates

The Bank of Mauritius compiles a monetary survey, which is a consolidation of the activities of the Bank of Mauritius and banks based on the analytical framework of the International Monetary Fund's "Guide to Money and Banking Statistics in International Financial Statistics".

It may be recalled that with the Banking Act 2004, separate licensing of former Category 1 banks (Commercial Banks) and former Category 2 banks (Offshore Banks) was eliminated and a single banking licence was issued to banks to cover both activities. A Guideline on Segmental Reporting under a Single Banking Licence Regime was issued to banks in June 2005. Banks reported their statement of assets and liabilities based on

Table III.1: Monetary Survey *

(Rs million)

	Jun-05	Jun-06
1. Net Foreign Assets	**52,951.2**	**61,435.5**
(a) Bank of Mauritius	42,695.7	42,454.2
(b) Banks	10,255.6	18,981.3
2. Domestic Credit	**145,973.4**	**164,961.4**
(a) Net Credit to Government	40,906.9	45,489.9
(b) Claims on Private Sector [1]	105,066.4	119,471.4
3. Assets = Liabilities	**198,924.6**	**226,396.9**
4. Aggregate Monetary Resources	**159,625.2**	**177,526.9**
(a) Money Supply	22,240.0	25,068.7
(i) Currency with Public	9,728.5	10,511.6
(ii) Demand Deposits	12,511.5	14,557.1
(b) Quasi-Money	137,385.1	152,458.2
(i) Savings Deposits [2]	63,549.4	69,097.3
(ii) Time Deposits	43,277.5	49,361.2
(iii) Foreign Currency Deposits	30,558.3	33,999.6
5. Other Items, net	**39,299.4**	**48,870.0**

** Based on the consolidation of banks and Bank of Mauritius and adjusted for the transactions of Global Business Licence Holders.*
1 Include Claims on Public Corporations and State and Local Government.
2 Include margin deposits.
Figures may not add up to totals due to rounding.

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

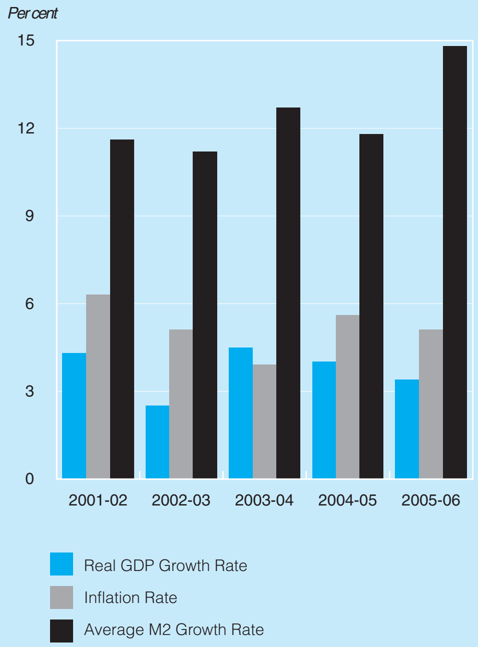
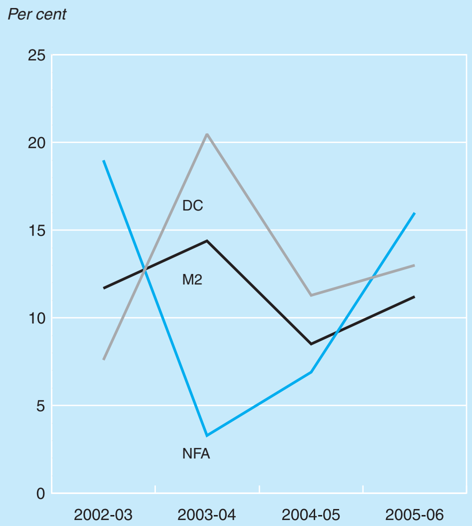


Chart III.2: Rates of Growth of Money Supply (M2), Net Foreign Assets (NFA) and Domestic Credit (DC)



segmental reporting as from June 2005. Consequently, monetary data as from June 2005 are not strictly comparable with prior data, as they consolidated the activities of the Bank of Mauritius and 19 banks (former Category 1 and former Category 2 banks taken together) as compared to the previous monetary survey that consolidated the activities of the Bank of Mauritius and 11 former Category 1 banks only.

From the monetary survey, the following main monetary aggregates are compiled and presented: net foreign assets (which is the banking system' net claims on nonresidents and which is disaggregated into the net foreign assets of the Bank of Mauritius and the net foreign assets of banks), domestic credit (which is the banking system claims on residents and which is disaggregated into net credit to Budgetary Central Government and credit to the private sector), broad money supply M2 (which

Table III.2: Changes in Monetary Aggregates

(Rs million)

	2002-03	2003-04	2004-05	2005-06
1. Money Supply	**2,303.3**	**3,882.8**	**1,325.2**	**2,828.7**
2. Quasi-Money	**10,634.0**	**13,845.0**	**10,670.2**	**15,073.1**
3. Aggregate Monetary Resources (a+b-c)	**12,937.3**	**17,727.8**	**11,995.4**	**17,901.7**
(a) Net Foreign Assets	7,593.8	1,552.4	3,385.0	8,484.3
(b) Domestic Credit	7,531.1	21,872.3	14,513.0	18,988.0
(i) Net Credit to Government	*2,496.1*	*13,870.0*	*5,560.7*	*4,583.0*
(ii) Claims on Private Sector	*5,104.4*	*8,039.5*	*8,949.7*	*14,405.0*
(iii) Claims on Former Category 2 Banks	*54.3*	*-8.5*	*6.5*	*0.0*
(iv) Claims on Non-Bank Financial Institutions	*-123.5*	*-28.8*	*-3.9*	*0.0*
(c) Other Items, net	2,187.6	5,696.9	5,902.6	9,570.6

Figures may not add up to totals due to rounding.

comprises narrow money supply M1 and quasi-money), and net other items.

Net foreign assets of the banking system rose for the eighth consecutive year, driven solely by the increase in the net foreign assets of banks for the second consecutive year. Net foreign assets of the banking system rose by Rs8,484 million, from Rs52,951 million at the end of June 2005 to Rs61,435 million at the end of June 2006, or 16.0 per cent, much higher than the increase of 6.9 per cent recorded in 2004-05. Net foreign assets of the Bank of Mauritius, which fell for the second consecutive fiscal year, dropped by Rs242 million, from Rs42,696 million at the end of June 2005 to Rs42,454 million at the end of June 2006, or 0.6 per cent, compared to a decrease of 1.3 per cent in 2004-05. Net foreign assets of banks rose for the second consecutive year by Rs8,725 million, from Rs10,256 million as at end-June 2005 to Rs18,981 million as at end-June 2006, or 85.1 per cent, as against the increase of 67.4 per cent recorded in 2004-05.

Domestic credit maintained its expansionary trend, rising by Rs18,988 million, from Rs145,973 million at the end of June 2005 to Rs164,961 million at the end of June 2006, or 13.0 per cent, higher than the increase of 11.3 per cent recorded in 2004-05. Both components of domestic credit, namely, net credit to budgetary central government and private sector credit contributed to the increase, with credit to the private sector accounting for nearly 76 per cent of the increase in 2005-06, up from around 62 per cent in 2004-05.

Net credit to Budgetary Central Government from the banking system expanded by Rs4,583 million from Rs40,907 million at the end of June 2005 to Rs45,490 million at the end of June 2006, or 11.2 per cent, down from 15.7 per cent recorded in 2004-05. Net credit to Government from the Bank of Mauritius doubled over the period under review, increasing by Rs838 million, from Rs803 million at the end of June 2005 to Rs1,641 million at the end of June 2006, or 104.4 per cent, compared to a much higher rise of 215.6 per cent in 2004-05. Net credit to Government from banks grew at a slower pace, by 9.3 per cent, compared to an increase of 11.3 per cent in 2004-05, that is, by Rs3,745 million, from Rs40,104 million at the end of June 2005 to Rs43,849 million at the end of June 2006.

Credit to the private sector from banks rose by Rs14,405 million, from Rs105,066 million at the end of June 2005 to Rs119,471 million at the end of June 2006, or 13.7 per cent, higher than the growth of 9.6 per cent registered in 2004-05. Loans and advances went up by Rs13,903 million, from Rs94,063 million at the end of June 2005 to Rs107,966 million at the end of June 2006, or 14.8 per cent, higher than the rise of 11.8 per cent recorded in 2004-05. Banks' investment in shares and debentures issued by the private sector rose by Rs520 million, or 6.9 per cent, from Rs7,527 million at the end of June 2005 to Rs8,047 million at the

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

(Per cent)

		2002-03	2003-04	2004-05	2005-06
1.	**Net Foreign Assets**	**6.9**	**1.3**	**2.4**	**5.3**
	(a) Bank of Mauritius	8.8	3.0	-0.4	-0.2
	(b) Banks [1]	-1.9	-1.7	2.8	5.5
2.	**Net Claims on Government**	**2.3**	**11.2**	**3.9**	**2.9**
	(a) Bank of Mauritius	-7.0	8.3	1.1	0.5
	(b) Banks [1]	9.3	2.9	2.9	2.3
3.	**Claims on Private Sector**	**4.6**	**6.5**	**6.3**	**9.0**
4.	**Claims on Former Category 2 Banks**	**0.0**	**0.0**	**0.0**	**0.0**
5.	**Claims on Non-Bank Financial Institutions**	**-0.1**	**0.0**	**0.0**	**0.0**
6.	**Other Items, net**	**2.0**	**4.6**	**4.2**	**6.0**
7.	**Percentage Change in Aggregate Monetary Resources (1+2+3+4+5-6)**	**11.7**	**14.4**	**8.5**	**11.2**

[1] Prior to June 2005, refer to former Category 1 banks only.
Figures may not add up to totals due to rounding.

end of June 2006, as against a decrease of 11.7 per cent in 2004-05, on account of an issue of debentures by a Public Nonfinancial Corporation and an Other Financial Corporation.

Broad money supply M2 went up by Rs17,902 million, from Rs159,625 million at the end of June 2005 to Rs177,527 million at the end of June 2006, or 11.2 per cent, compared to an increase of 8.5 per cent in 2004-05. Both components of M2, namely, narrow money supply M1 and quasi-money, contributed positively to its increase.

Narrow money supply M1 grew by Rs2,829 million, from Rs22,240 million at the end of June 2005 to Rs25,069 million at the end of June 2006, or 12.7 per cent, compared to an increase of 6.2 per cent registered in 2004-05. Demand deposits, one of the components of money supply M1, expanded by Rs2,046 million, from Rs12,511 million at the end of June 2005 to Rs14,557 million at the end of June 2006, or 16.3 per cent, compared to a rise of 0.6 per cent in 2004-05. Currency with public, the other component of money supply M1, went up by Rs783 million, from Rs9,729 million to Rs10,512 million, or 8.0 per cent, compared to an increase of 14.7 per cent recorded in 2004-05.

Quasi-money, the other component of money supply M2, expanded by Rs15,073 million, from Rs137,385 million at the end of June 2005 to Rs152,458 million at the end of June 2006, or 11.0 per cent, higher than the increase of 8.9 per cent registered in 2004-05. Of the components of quasi-money, savings deposits went up by Rs5,548 million, from Rs63,549 million to Rs69,097 million, or 8.7 per cent, recording more or less the same growth as the increase in 2004-05; time deposits rose by Rs6,084 million, from Rs43,277 million to Rs49,361 million, or 14.1 per cent, higher than the increase of 1.6 per cent noted in 2004-05; foreign currency deposits grew by Rs3,442 million, from Rs30,558 million to Rs34,000 million, or 11.3 per cent, compared to an increase of 28.3 per cent in 2004-05.

The 11.2 per cent increase in broad money supply M2 in 2005-06 was brought about by positive contributions of 11.9 percentage points in domestic credit, of which net credit to Government contributed 2.9 percentage points and credit to the private sector contributed 9.0 percentage points, as well as 5.3 percentage points contribution in the net foreign assets of the banking system. Net other items exerted a negative contribution of 6.0 percentage points. Domestic credit was largely responsible for the increase in money supply M2 in 2005-06, same as in 2004-05 when it contributed for 10.3 per cent of the increase in money supply M2.

Table III.4: Components and Sources of Reserve Money

(Rs million)

	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06
A. Reserve Money	**12,924.7**	**14,775.9**	**24,904.9**	**22,940.6**	**24,542.9**
B. Components of Reserve Money	**12,924.7**	**14,775.9**	**24,904.9**	**22,940.6**	**24,542.9**
(i) Currency with Public	6,466.4	7,487.9	8,479.6	9,728.5	10,511.6
(ii) Currency with Banks [1]	2,066.8	2,100.3	2,386.3	2,288.3	1,815.9
(iii) Deposits of Banks [1]	4,239.7	4,991.6	6,321.9	5,971.3	9,047.5
(iv) Other Deposits	151.7	196.0	225.0	476.2	668.9
(v) Bank of Mauritius Bills held by Banks [1]			7,492.1	4,476.3	2,499.0
C. Sources of Reserve Money	**12,924.7**	**14,775.9**	**24,904.9**	**22,940.6**	**24,542.9**
(i) Net Foreign Assets	29,911.6	39,583.5	43,261.7	42,695.7	42,454.2
(ii) Net Credit to Government	-3,169.2	-10,956.2	-694.8	803.2	1,640.9
(iii) Claims on Banks [1]	1,874.8	2,171.0	1,864.6	1,818.5	1,673.3
(iv) Claims on Non-Bank Deposit-Taking Institutions	156.2	32.7	3.9	0.0	0.0
(v) Other Liabilities, net	-15,848.8	-16,055.0	-19,530.5	-22,376.8	-21,225.5

Note: Effective 22 August 2003, the Bank of Mauritius started to issue Bank of Mauritius Bills in addition to Treasury Bills.
[1] Prior to June 2005, refer to former Category 1 banks only.
Figures may not add up to totals due to rounding.

Chart III.1 shows the evolution of real GDP growth rate, inflation rate and average growth rate of money supply M2 for fiscal years 2001-02 through 2005-06. Table III.1 provides details on the monetary survey at end-June 2005 and end-June 2006. Tables III.2 and III.3 give details on the evolution of monetary aggregates for the years 2002-03 through 2005-06. Chart III.2 shows the rates of growth of money supply M2, net foreign assets and domestic credit for the years 2002-03 through 2005-06.

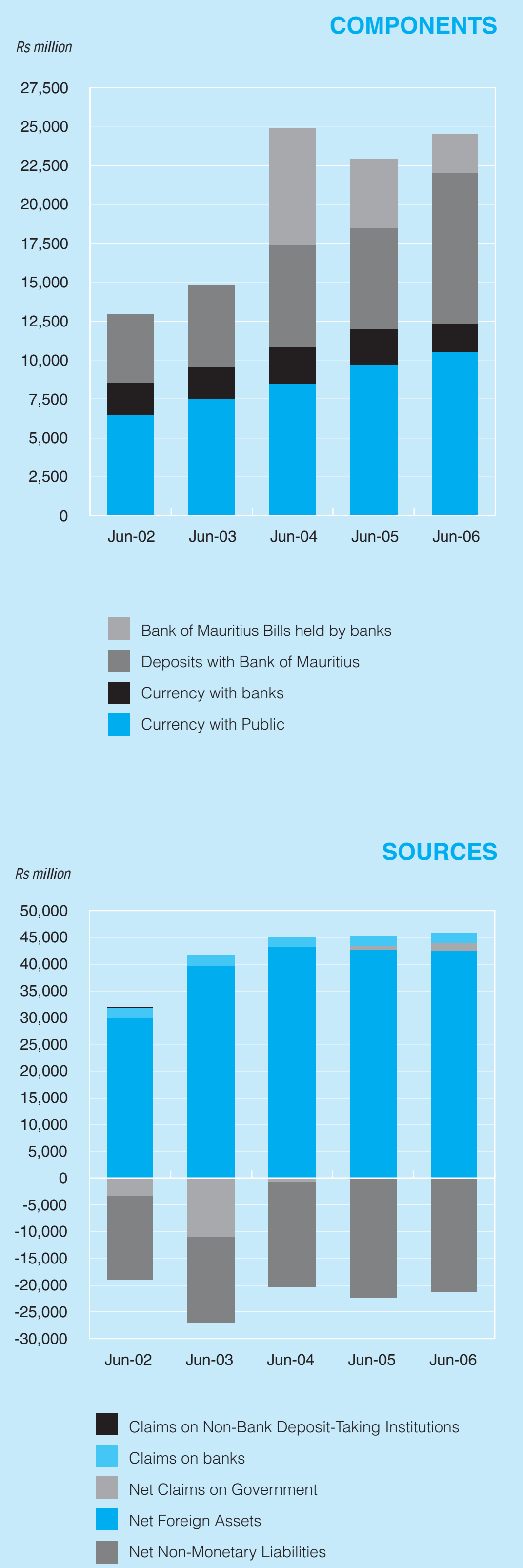
Reserve Money

Reserve money is also known as the monetary base or high-powered money and consists of central bank liabilities that form the basis of the expansion of broad money supply and credit in the economy. The components of reserve money are the notes and coins in circulation, deposit liabilities held by banks at the central bank and Bank of Mauritius Bills held by banks.

Reserve money increased by Rs1,602 million, from Rs22,941 million at the end of June 2005 to Rs24,543 million at the end of June 2006, or 7.0 per cent, as against a decrease of 7.9 per cent registered in 2004-05. This growth in reserve money is explained by the increase in deposits of banks and the private sector with the Bank of Mauritius offsetting the fall in currency in banks' vaults and holdings of Bank of Mauritius bills by banks. Exclusive of BoM Bills, reserve money rose by Rs3,580 million, from Rs18,464 million to Rs22,044 million, or 19.4 per cent, as against an increase of 6.0 per cent in 2004-05.

Currency with public went up by Rs783 million, from Rs9,729 million at the end of June 2005 to Rs10,512 million at the end of June 2006, or 8.0 per cent, lower than the increase of 14.7 per cent registered in 2004-05. Currency in the vaults of banks fell by Rs472 million, from Rs2,288 million in June 2005 to Rs1,816 million in June 2006, or 20.6 per cent, as against a decrease of 4.1 per cent recorded in the preceding fiscal year. Demand deposits held with the Bank of Mauritius rose by Rs3,269 million, from Rs6,447 million in June 2005 to Rs9,716 million in June 2006, or 50.7 per cent, as against a decrease of 1.5 per cent recorded in 2004-05. This increase in demand deposits can be partly explained by the fact that banks are required to maintain their minimum cash balances for cash ratio purposes exclusively in the form of balances

Chart III.3: Components and Sources of Reserve Money



with the Bank since January 2006. Banks' holdings of BoM Bills fell by Rs1,977 million, or 44.2 per cent, from Rs4,476 million in June 2005 to Rs2,499 million in June 2006.

On the sources side of reserve money, net foreign assets of the Bank of Mauritius fell by Rs242 million, from Rs42,696 million at the end of June 2005 to Rs42,454 million at the end of June 2006, or 0.6 per cent, lower than the fall of 1.3 per cent recorded in the previous fiscal year. Net credit to Government from the Bank of Mauritius grew significantly by Rs838 million, or 104.4 per cent, from Rs803 million at the end of June 2005 to Rs1,641 million at the end of June 2006 reflecting the increase in holdings of Treasury Bills by the Bank of Mauritius that offset the drop in Government deposits at the Bank. Bank of Mauritius claims on banks dropped by Rs145 million, from Rs1,818 million to Rs1,673 million, or 8.0 per cent, as compared to a fall of 2.5 per cent noted in the previous fiscal year.

Thus, in 2005-06, the 7.0 per cent increase in reserve money can be explained by a positive contribution of 3.7 percentage points in net credit to

Table III.5: Monetary Ratios

	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06
1. Monthly Average for year ended (Rs million)					
A. Reserve Money	**12,101.9**	**13,772.7**	**20,966.6**	**23,822.6**	**23,634.4**
	(+12.5)	*(+13.8)*	*(+52.2)*	*(+13.6)*	*(-0.8)*
B. Aggregate Monetary Resources (AMR) (M2)	**104,936.4**	**116,643.2**	**131,497.7**	**147,072.5**	**168,894.0**
	(+11.6)	*(+11.2)*	*(+12.7)*	*(+11.8)*	*(+14.8)*
(a) Money Supply (M1)	13,993.9	16,259.6	19,109.9	22,042.1	23,693.7
	(+17.1)	*(+16.2)*	*(+17.5)*	*(+15.3)*	*(+7.5)*
(i) Currency with Public	6,341.9	7,210.8	8,268.5	9,558.3	10,519.3
	(+12.7)	*(+13.7)*	*(+14.7)*	*(+15.6)*	*(+10.1)*
(ii) Demand Deposits	7,652.0	9,048.8	10,841.4	12,483.7	13,174.4
	(+21.1)	*(+18.3)*	*(+19.8)*	*(+15.1)*	*(+5.5)*
(b) Quasi-Money	90,942.5	100,383.6	112,387.8	125,030.5	145,200.4
	(+10.8)	(+10.4)	(+12.0)	(+11.2)	(+16.1)
2. Average Money Multiplier					
A. Money Supply (M1)	**1.16**	**1.18**	**0.91**	**0.93**	**1.00**
B. Aggregate Monetary Resources (M2)	**8.67**	**8.47**	**6.27**	**6.17**	**7.15**
3. Other Monetary Ratios (Per cent)					
A. Currency to Money Supply (M1)	**45.3**	**44.3**	**43.3**	**43.4**	**44.4**
B. Demand Deposits to Money Supply (M1)	**54.7**	**55.7**	**56.7**	**56.6**	**55.6**
C. Currency to AMR	**6.0**	**6.2**	**6.3**	**6.5**	**6.2**
D. Demand Deposits to AMR	**7.3**	**7.8**	**8.2**	**8.5**	**7.8**
E. Money Supply to AMR	**13.3**	**13.9**	**14.5**	**15.0**	**14.0**
F. Quasi-Money to AMR	**86.7**	**86.1**	**85.5**	**85.0**	**86.0**

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 and Bank of Mauritius bills held by banks.
(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.
(v) Figures prior to June 2006 refer to former Category 1 banks only and are not strictly comparable.

government and negative contributions of 1.1 percentage points in net foreign assets and 0.6 percentage point in claims on banks. Net non-monetary liabilities also exerted a negative contribution of 5.0 percentage points. In the preceding fiscal year the fall in both net foreign assets of the Bank and Bank of Mauritius' claims on banks had accounted for the decrease in reserve money.

Table III.4 and Chart III.3 give details on the components and sources of reserve money from end-June 2002 to end-June 2006.

Trends in Reserve Money and Monetary Ratios

The monthly average level of reserve money fell from Rs23,823 million in 2004-05 to Rs23,634 million in 2005-06, or 0.8 per cent, compared to an increase of 13.6 per cent recorded in 2004-05.

The monthly average level of broad money supply M2 rose from Rs147,073 million in 2004-05 to Rs168,894 million in 2005-06, or 14.8 per cent, compared to an increase of 11.8 per cent in the preceding fiscal year. The rate of growth of the monthly average level of narrow money supply M1 decelerated from 15.3 per cent in 2004-05 to 7.5 per cent in 2005-06 while that of the monthly average level of quasi-money went up from 11.2 per cent to 16.1 per cent over the same period. The monthly average level of currency with public rose by 10.1 per cent in 2005-06 compared to 15.6 per cent in 2004-05 while the growth rate of the monthly average level of demand deposits decelerated from 15.1 per cent to 5.5 per cent over the same period.

The average money multiplier for broad money supply M2 rose from 6.17 in 2004-05 to 7.15 in 2005-06. Exclusive of BoM bills, M2 multiplier was virtually unchanged, rising marginally from 8.20 to 8.21. Over the same period, the average money multiplier for narrow money supply M1 went up from 0.93 to 1.00 while exclusive of BoM bills, it declined from 1.23 to 1.15.

The ratio of currency with public to narrow money supply M1 rose from 43.4 per cent in 2004-05 to 44.4 per cent in 2005-06 where as that of demand deposits to narrow money supply M1 fell from 56.6 per cent to 55.6 per cent. The ratio of currency with public to broad money supply M2 decreased from 6.5 per cent in 2004-05 to 6.2 per cent in 2005-06, while the ratio of demand deposits to broad money supply M2 fell from 8.5 per cent in 2004-05 to 7.8 per cent in 2005-06.

The ratio of narrow money supply M1 to broad money supply M2 decreased from 15.0 per cent in 2004-05 to 14.0 per cent in 2005-06 and thus, the ratio of quasi-money to broad money supply M2 rose from 85.0 per cent to 86.0 per cent in 2005-06.

Table III.5 gives details on monetary ratios for the years ended June 2002 through June 2006.

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.

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
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	15.9	9.2	1.3
2003-04	15.4	8.7	1.3
2004-05	15.0	8.2	1.2
2005-06	15.1	8.3	1.2

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

The income velocity of broad money supply M2 for 2005-06 remained unchanged at 1.2 while the income velocity of narrow money supply M1 after declining for the past five fiscal years rose marginally from 8.2 in 2004-05 to 8.3 in 2005-06.

The income velocity of circulation of currency followed the same trend as income velocity of narrow money supply M1, increasing slightly from 15.0 to 15.1 in 2005-06.

Table III.6 gives details on the income velocity of circulation of money for the years 1998-99 through 2005-06. Chart III.4 shows the average money multiplier and the income velocity of circulation of money for the years 1999-00 through 2005-06.

Banking Sector

Main Features

The Banking Act 2004 removed the distinction between Category 1 banks and Category 2 banks and provided for banking business to be conducted under a single banking licence regime. The review of banking developments between June 2005 and June 2006 involves an analysis of 19 banks (20 banks up till October 2005) as against 11 former Category 1 banks prior to June 2005. In this respect, banking data are not strictly comparable prior to June 2005.

At the end of June 2006, the banking sector in Mauritius comprised nineteen banks, of which four are locally incorporated; ten are foreign-owned banks incorporated locally while five are branches of foreign banks. RMB (Mauritius) Limited ceased all banking operations as from beginning June 2006 although it surrendered its banking licence on 17 July 2006, thereby implying that there were eighteen active banks at the end of the fiscal year.

During fiscal year 2005-06, there was the merger of Mascareignes International Bank with Banque des Mascareignes Ltee with effect from 28 November 2005 and the granting of a banking licence to HSBC Bank (Mauritius) Limited on 8 June 2006, although the bank will start its operations as from 01 August 2006.

In total, banks were operating 173 branches, 13 counters, 1 mobile van and 321 Automated Teller Machines (ATMs) in Mauritius, and were employing 4,732 people at the end of June 2006. The number of inhabitants per branch went down

Table III.7: Banks' Selected Assets and Liabilities

(Rs million)

	Jun-05	Jun-06
1. TOTAL ASSETS	**416,712.0**	**491,291.2**
of which :		
A. Cash in Hand and Balances with Bank of Mauritius	**8,260.4**	**10,862.7**
B. Investments in Bank of Mauritius Bills	**4,734.9**	**2,552.4**
C. Investments in Treasury Bills and other Government Securities	**40,966.2**	**45,392.8**
D. Foreign Assets	**230,348.5**	**281,456.0**
E. Claims on Private Sector	**105,066.4**	**119,471.4**
F. Other	**27,335.6**	**31,555.8**
2. TOTAL LIABILITIES	**416,712.0**	**491,291.2**
of which :		
A. Capital and Reserves	**33,314.3**	**35,945.7**
B. Total Deposits	**310,003.7**	**344,440.6**
(i) Demand	12,541.5	14,240.4
(ii) Time	46,947.7	50,414.4
(iii) Savings [1]	64,689.8	70,504.2
(iv) Government	294.1	841.1
(v) Foreign Currency	185,530.6	208,440.6
C. Total Borrowing from Banks Abroad	**44,451.9**	**73,413.9**
D. Other	**28,942.1**	**37,491.0**

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

from 7,819 at the end of June 2005 to 7,216 at the end of June 2006, following an increase in the number of branches of banks in the economy and expanded coverage of the banking sector.

Besides traditional banking facilities, eleven banks offer card-based payment services such as credit and debit cards while five banks provide internet banking and four banks provide phone banking facilities. Between end June 2005 and end June 2006, the number of cards in circulation rose by 129,413, from 908,676 to 1,038,089, with the number of credit and debit cards rising by 8,621 and 120,792, respectively.

Between end-June 2005 and end-June 2006, total assets of banks went up by Rs74,579 million, from Rs416,712 million to Rs491,291 million, or 17.9 per cent.

Banks' reserves, defined as their cash in hand, balances with the Bank of Mauritius and holdings of Bank of Mauritius Bills, increased by Rs420 million, from Rs12,995 million at the end of June 2005 to Rs13,415 million at the end of June 2006, or 3.2 per cent.

Foreign assets of banks increased by Rs51,107 million, from Rs230,349 million at the end of June 2005 to Rs281,456 million at the end of June 2006, or 22.2 per cent. Balances with banks abroad increased by Rs45,430 million in 2005-06, from Rs129,367 million to Rs174,797 million, or 35.1 per cent. Loans and foreign financing outside Mauritius went up by Rs14,103 million, from Rs82,879 million to Rs96,982 million in 2005-06, or 17.0 per cent. Foreign bills purchased and discounted, fell by Rs200 million, from Rs2,813 million to Rs2,613 million, or 7.1 per cent.

Banks' investments in Treasury Bills and other Government securities went up by Rs4,427 million, from Rs40,966 million at the end of June 2005 to Rs45,393 million at the end of June 2006, or 10.8 per cent, compared to an increase of 9.9 per cent recorded in 2004-05.

Banks' credit to the private sector grew by

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

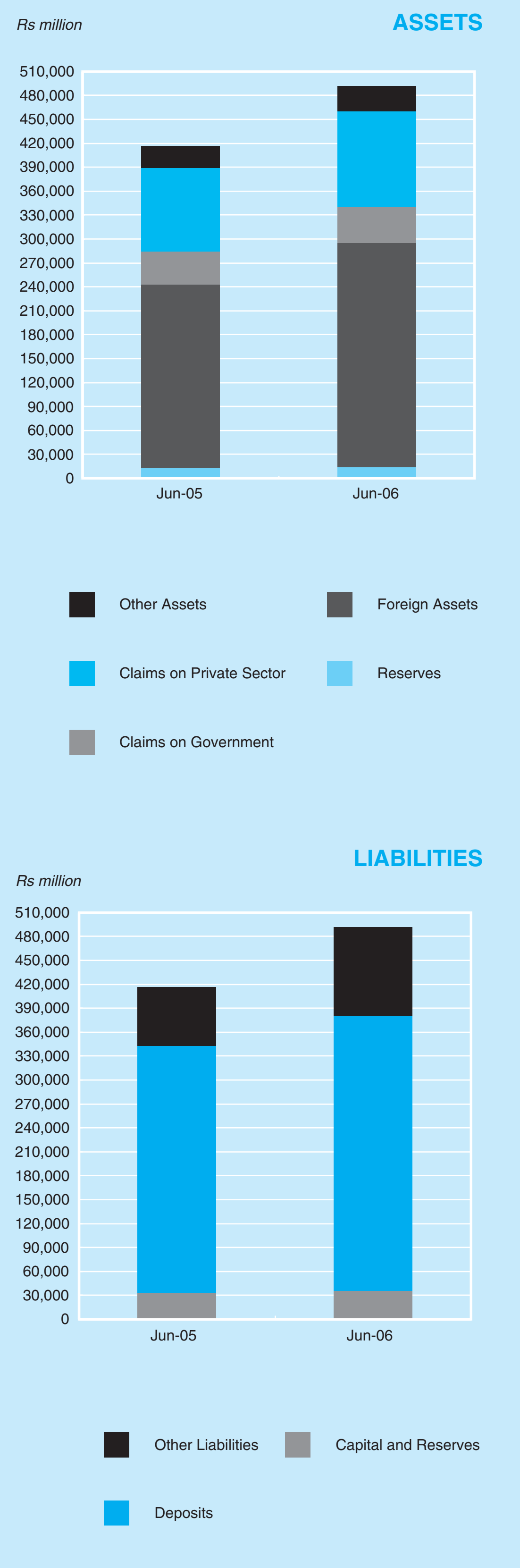
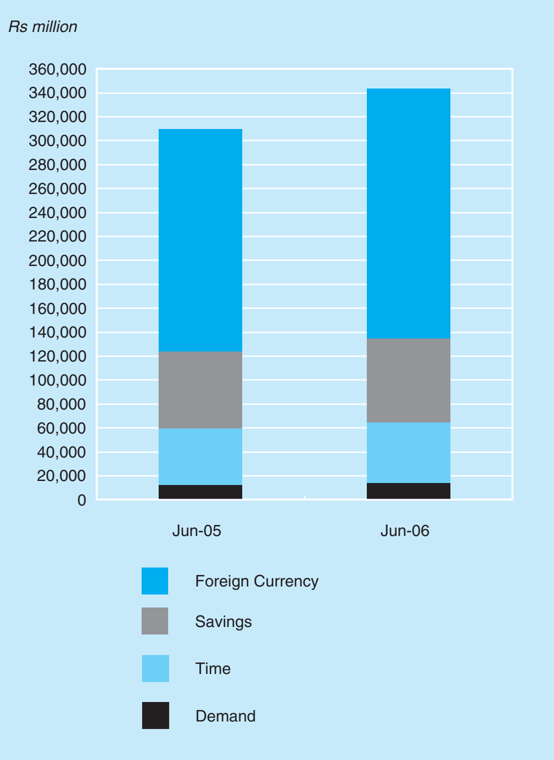


Chart III.6: Deposits with Banks



Rs14,405 million, from Rs105,066 million at the end of June 2005 to Rs119,471 million at the end of June 2006, or 13.7 per cent, higher than the increase of 9.6 per cent registered in 2004-05. The credit-deposit ratio of banks rose from 33.9 per cent at the end of June 2005 to 34.7 per cent at the end of June 2006.

Banks' claims on Global Business Licence Holders rose by Rs1,409 million, from Rs7,498 million at the end of June 2005 to Rs8,907 million at the end of June 2006, or 18.8 per cent.

Total deposits with banks went up by Rs34,437 million, from Rs310,004 million at the end of June 2005 to Rs344,441 million at the end of June 2006, or 11.1 per cent. Foreign currency deposits rose by Rs22,910 million, from Rs185,531 million to Rs208,441 million, or 12.3 per cent. Total rupee deposits increased by Rs11,527 million from Rs124,473 million at the end of June 2005 to Rs136,000 million at the end of June 2006, or 9.3 per cent compared to a growth of 4.9 per cent registered in 2004-05. Demand deposits rose by Rs1,698 million, from Rs12,542 million at the end of June 2005 to Rs14,240 million at the end of June 2006, or 13.5 per cent. Savings deposits expanded by Rs5,814 million, from Rs64,690 at the end of June 2005 million to Rs70,504 million at the end of June 2006, or 9.0 per cent. Time deposits went up by Rs3,466 million, from Rs46,948 million at the end of June 2005 to Rs50,414 million at the end of June 2006, or 7.4 per cent. Government deposits edged up by Rs547 million, from Rs294 million at the end of June 2005 to Rs841 million at the end of June 2006, or 186.1 per cent, compared to a fall of 2.6 per cent in 2004-05.

Total deposits held by residents rose by Rs11,629 million, from Rs135,148 million at the end of June 2005 to Rs146,777 million at the end of June 2006, or 8.6 per cent, while those of Public Corporations and State and Local Government increased by Rs5,297 million, or 37.1 per cent, over the same period. Deposits of Global Licence Holders with banks grew by Rs20,185 million, from Rs85,136 million at the end of June 2005 to Rs105,321 million at the end of June 2006, or 23.7 per cent, while deposits of non residents, including banks outside Mauritius, fell by Rs2,671 million, or 3.6 per cent, over the same period.

The share of savings deposits in total deposits decreased marginally from 20.9 per cent at the end of June 2005 to 20.5 per cent at the end of June 2006 while that of demand deposits remained unchanged at 4.1 per cent at the end of June 2006. The share of foreign currency deposits in total deposits rose from 59.9 per cent at the end of June 2005 to 60.5 per cent of total deposits at the end of June 2006. The share of time deposits in total deposits decreased from 15.1 per cent at the end of June 2005 to 14.6 per cent at the end of June 2006.

Foreign liabilities of banks went up by Rs34,461 million, from Rs44,466 million at the end of June 2005 to Rs78,927 million at the end of June 2006, or 77.5 per cent.

Capital and reserves of banks grew by Rs2,632 million, from Rs33,314 million at the end of June 2005 to Rs35,946 million at the end of June 2006, or 7.9 per cent, compared to an increase of 22.3 per cent in the preceding fiscal year.

The average balance per account for demand, savings, time and foreign currency deposits stood at Rs148,183, Rs41,532, Rs492,480 and Rs4,467,937 at the end of June 2006 compared to Rs136,550, Rs43,459, Rs415,355 and Rs1,120,202 at the end of June 2005.

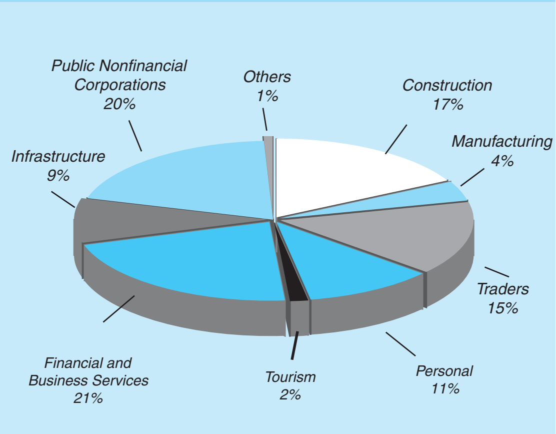
Table III.7 and Chart III.5 provide details on selected assets and liabilities of banks as at end-June 2005 and end-June 2006 and Chart III.6 shows deposits with banks.

Sectorwise Distribution of Credit to the Private Sector

Credit extended to the private sector by banks grew by Rs14,405 million, or 13.7 per cent, from Rs105,066 million at the end of June 2005 to Rs119,471 million at the end of June 2006, compared to an increase of 9.6 per cent registered over the preceding fiscal year. Average private sector credit as a percentage of GDP at market prices went up from 54.1 per cent in 2004-05 to 58.0 per cent in 2005-06. The "Public Corporations" sector' with a share of around 33.6 per cent of the additional credit extended in 2005-06, was the dominant source of growth. The "Financial and Business Services", "Traders" and "Construction" sectors were the other major recipients of additional credit with around 53.9 per cent of the increase channelled towards them. Credit to the household sector remained buoyant with an increase of Rs3,832 million or 17.2 per cent in 2005-06 and its share of average credit to GDP at market prices stood at 12.5 per cent over the same period, up from 11.3 per cent in 2004-05.

Loans and overdrafts facilities went up by Rs12,156 million, or 15.1 per cent, from Rs80,673 million at the end of June 2005 to Rs92,829 million at the end of June 2006, higher than the increase of 10.9 per cent noted in 2004-05. They represented 77.7 per cent of total credit at the end of June 2006, up from 76.8 per cent at the end of June 2005. Foreign currency financing of credit rose by Rs1,747

Chart III.7: Sectorwise Contribution to the Increase in Credit to the Private Sector by Banks in 2005-06



million, or 13.0 per cent, from Rs13,390 million at the end of June 2005 to Rs15,137 million at the end of June 2006, down from 19.0 per cent in 2004-05. The share of foreign currency lending out of total credit remained unchanged at 12.7 per cent at the end of June 2006. Local Bills Purchased and Discounted fell by Rs11 million, or 1.0 per cent, from Rs1,117 million to Rs1,106 million, compared to the rise of 26.4 per cent recorded in the previous fiscal year. As a share of total credit, they accounted for 0.9 per cent at the end of June 2006, down from 1.1 per cent at the end of June 2005. Bills Receivable declined by Rs7 million, or 0.3 per cent, from Rs2,360 million to Rs2,353 million, as against an expansion of 6.0 per cent registered in 2004-05. Their share of total credit was 2.0 per cent at the end of June 2006 compared to 2.2 per cent at the end of June 2005. Banks' investments in shares and debentures grew by Rs520 million, or 6.9 per cent, from Rs7,527 million at the end of June 2005 to Rs8,047 million at the end of June 2006, compared to a drop of 11.7 per cent in 2004-05. As a percentage of total credit, they represented 6.7 per cent in June 2006 lower than the share of 7.2 per cent in June 2005.

Credit to the Construction sector grew by 14.6 per cent in 2005-06. This represented an increase of Rs2,484 million, from Rs16,991 million at the end of June 2005 to Rs19,475 million at the end of June 2006. Its share in total private sector credit increased from 16.2 per cent at the end of June 2005 to 16.3 per cent at the end of June 2006. Around 104.2 per cent of the additional credit extended to the construction sector was directed towards the "Housing" sector. Its share in total private sector credit stood at 11.9 per cent in June 2006.

Credit to Traders went up by 14.0 per cent, from Rs15,535 million at the end of June 2005 to Rs17,713 million at the end of June 2006. While credit to Traders represented 14.8 per cent of total credit to the private sector at the end of June 2006, nearly the same share at the end of the previous fiscal year, it represented 15.1 per cent of the growth in private sector credit in 2005-06.

Credit to the Personal sector expanded by Rs1,552 million, or 15.9 per cent, from Rs9,790 million at the end of June 2005 to Rs11,342 million at the end of June 2006. Its share in total private sector credit increased from 9.3 per cent to 9.5 per cent over the same period and accounted for 10.8 per cent of the expansion in credit in 2005-06. The Professional sector registered a fall of Rs312 million in credit, or 34.2 per cent to Rs601 million as at the end of June 2006.

Although credit to the Manufacturing sector increased by 4.0 per cent, from Rs14,398 million at the end of June 2005 to Rs14,976 million at the end of June 2006, its share in total private sector credit fell from 13.7 per cent to 12.5 per cent. Around 69.0 per cent of the additional credit extended to the manufacturing sector was directed towards the "Export Enterprise Certificate Holders", which registered an increase of 6.2 per cent to stand at Rs6,821 million at the end of June 2006.

Credit allocated to the Tourism sector went up by Rs224 million, or 1.5 per cent, from Rs15,117 million at the end of June 2005 to Rs15,341 million at the end of June 2006. However, its share in total private sector credit decreased from 14.4 per cent at the end of June 2005 to 12.8 per cent at the end of June 2006.

Credit granted to Public Nonfinancial Corporations rose by Rs2,851 million, or 46.8 per cent, from Rs6,087 million at the end of June 2005 to Rs8,938 million at the end of June 2006 while its share in total credit to the private sector went up from 5.8 per cent to 7.5 per cent over the same period.

Credit to the sugar industry increased by Rs613 million, or 9.9 per cent, from Rs6,222 million at the end of June 2005 to Rs6,835 million at the end of June 2006. The share of the sugar industry in total private sector credit decreased from 5.9 per cent at the end of June 2005 to 5.7 per cent at the end of June 2006.

Credit extended to Information Communication and Technology sector fell by Rs796 million, or 61.8 per cent, from Rs1,288 million at the end of June 2005 to Rs492 million at the end of June 2006 with its share in total credit to the private sector declining from 1.2 per cent to 0.4 per cent.

Credit granted to the Financial and Business Services sector, inclusive of credit to Public Financial Corporations, expanded by Rs3,105 million, or 30.3 per cent, from Rs10,239 million at the end of June 2005 to Rs13,344 million at the end of June 2006. Its share in total private sector credit went up from 9.7 per cent at the end of June 2005 to 11.2 per cent at the end of June 2006. Claims on Public Financial Corporations went up by Rs1,958 million, or 513.7 per cent, from Rs381 million to Rs2,339

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

	Jun-05 (1)	Jun-06 (2)	Change between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per cent)*
Agriculture & Fishing	**7,345.5**	**7,844.4**	**498.9**	**6.8**
- of which				
Sugar Industry - Estates	*4,370.7*	*5,105.4*	*734.7*	*16.8*
Sugar Industry - Others	*947.7*	*706.2*	*-241.5*	*-25.5*
Agricultural Development Certificate Holders	*14.0*	*17.2*	*3.2*	*22.7*
Agro-based Industrial Certificate Holders	*19.4*	*14.1*	*-5.3*	*-27.3*
Sugarcane Planters	*680.7*	*626.0*	*-54.7*	*-8.0*
Other Plantation	*57.8*	*48.0*	*-9.8*	*-16.9*
Animal Breeding	*736.6*	*684.4*	*-52.2*	*-7.1*
Fishing	*125.0*	*84.3*	*-40.7*	*-32.5*
Other	*393.5*	*558.7*	*165.2*	*42.0*
Manufacturing	**14,397.7**	**14,975.8**	**578.1**	**4.0**
- of which				
Export Enterprise Certificate Holders	*6,421.6*	*6,820.5*	*399.0*	*6.2*
Export Service Certificate Holders	*138.9*	*252.0*	*113.1*	*81.5*
Pioneer Status Certificate Holders	*276.4*	*261.7*	*-14.8*	*-5.3*
Small and Medium Enterprise Certificate Holders	*104.4*	*89.0*	*-15.4*	*-14.7*
Strategic Local Enterprise Certificate Holders	*0.8*	*0.0*	*-0.8*	*-100.0*
Furniture & Wood Products	*397.4*	*406.8*	*9.4*	*2.4*
Printing & Publishing	*910.5*	*854.1*	*-56.4*	*-6.2*
Steel/Metal Products	*349.6*	*395.0*	*45.4*	*13.0*
Food & Beverages	*2,363.7*	*2,779.2*	*415.5*	*17.6*
Plastic Products	*176.6*	*172.6*	*-4.0*	*-2.3*
Pharmaceuticals & Health Care	*97.6*	*69.4*	*-28.2*	*-28.9*
Jewellery & Precision Engineering	*166.2*	*164.5*	*-1.7*	*-1.1*
Electronics	*107.1*	*89.5*	*-17.6*	*-16.4*
Leather Products & Footwear	*51.2*	*52.9*	*1.7*	*3.3*
Paints	*137.2*	*131.1*	*-6.1*	*-4.5*
Cement	*114.5*	*41.8*	*-72.6*	*-63.5*
Other	*2,584.1*	*2,395.8*	*-188.2*	*-7.3*
Tourism	**15,116.9**	**15,340.5**	**223.5**	**1.5**
- of which				
Hotels	*6,444.8*	*6,742.9*	*298.2*	*4.6*
Tour Operators & Travel Agents	*468.6*	*497.2*	*28.6*	*6.1*
Hotel Development Certificate Holders	*1,162.9*	*802.3*	*-360.6*	*-31.0*
Hotel Management Service Certificate Holders	*6,302.0*	*6,381.2*	*79.2*	*1.3*
Restaurants	*189.7*	*240.5*	*50.8*	*26.8*
Duty-Free Shops	*9.1*	*11.8*	*2.7*	*29.7*
Other	*539.8*	*664.5*	*124.7*	*23.1*
Transport	**1,507.9**	**1,681.5**	**173.6**	**11.5**
- of which				
Airlines	*121.2*	*126.4*	*5.3*	*4.3*
Buses, Lorries, Trucks & Cars	*507.5*	*530.1*	*22.5*	*4.4*
Shipping & Freight Forwarders	*800.7*	*908.9*	*108.2*	*13.5*
Other	*78.5*	*116.1*	*37.6*	*47.8*
Construction	**16,990.8**	**19,474.9**	**2,484.1**	**14.6**
- of which				
Building & Housing Contractors	*1,703.5*	*1,574.8*	*-128.7*	*-7.6*
Property Development - Commercial	*1,566.3*	*1,422.7*	*-143.5*	*-9.2*
Property Development - Residential	*365.3*	*373.3*	*8.1*	*2.2*
Property Development - Land Parcelling	*185.0*	*149.1*	*-35.9*	*-19.4*
Housing	*11,010.6*	*13,273.5*	*2,262.9*	*20.6*
Housing - Staff	*631.7*	*961.7*	*330.0*	*52.2*
Housing Development Certificate Holders	*10.0*	*5.3*	*-4.6*	*-46.5*
Industrial Building Enterprise Certificate Holders	*294.5*	*289.7*	*-4.8*	*-1.6*
Building Supplies & Materials	*0.0*	*0.4*	*0.4*	*0.0*
Stone Crushing and Concrete Products	*549.7*	*693.4*	*143.7*	*26.1*
Other	*674.2*	*730.8*	*56.6*	*8.4*

Continued on next page.

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

	Jun-05 (1)	Jun-06 (2)	Change between (1) and (2)	
	(Rs Mn)	*(Rs Mn)*	*(Rs Mn)*	*(Per cent)*
Traders	**15,534.7**	**17,712.5**	**2,177.8**	**14.0**
- *of which*				
Marketing Companies	*0.0*	*0.1*	*0.1*	*0.0*
Wholesalers	*4,801.9*	*4,963.6*	*161.7*	*3.4*
Retailers - Hypermarkets	*463.6*	*314.9*	*-148.7*	*-32.1*
Retailers - Supermarkets	*926.7*	*889.1*	*-37.6*	*-4.1*
Retailers - Shops & Snacks	*186.1*	*175.0*	*-11.2*	*-6.0*
Retailers - Pharmaceuticals and Chemists	*170.9*	*215.9*	*45.0*	*26.3*
Retailers - Others	*2,596.6*	*3,029.3*	*432.7*	*16.7*
Automobile Dealers & Garages	*980.2*	*1,340.6*	*360.3*	*36.8*
Petroleum and Energy Products	*413.8*	*620.2*	*206.3*	*49.9*
Tyre Dealers and Suppliers	*9.2*	*8.5*	*-0.7*	*-7.7*
Other	*4,985.6*	*6,155.4*	*1,169.8*	*23.5*
Information Communication and Technology	**1,288.4**	**492.2**	**-796.2**	**-61.8**
- *of which*				
Telecommunications	*1,003.4*	*179.8*	*-823.6*	*-82.1*
Internet	*0.7*	*93.6*	*92.9*	*13,409.8*
E-Commerce	*6.1*	*3.3*	*-2.7*	*-44.9*
Information Technology - Hardware	*64.3*	*76.0*	*11.7*	*18.1*
Information Technology - Software	*171.7*	*91.0*	*-80.7*	*-47.0*
Personal Computers	*7.9*	*13.9*	*6.0*	*76.5*
Other	*34.5*	*34.6*	*0.1*	*0.4*
Financial and Business Services	**10,239.2**	**13,343.7**	**3,104.4**	**30.3**
- *of which*				
Stockbrokers & Stockbroking Companies	*4.9*	*14.9*	*10.0*	*203.3*
Insurance Companies	*458.6*	*181.6*	*-277.0*	*-60.4*
Nonbank Deposit-Taking Institutions	*2,564.0*	*3,583.5*	*1,019.6*	*39.8*
Mutual Funds	*87.7*	*21.9*	*-65.8*	*-75.0*
Accounting & Consultancy Services	*185.2*	*282.0*	*96.8*	*52.3*
Investment Companies	*714.7*	*734.7*	*20.0*	*2.8*
Public Financial Corporations	*381.1*	*2,338.9*	*1,957.8*	*513.7*
Other	*5,843.1*	*6,186.1*	*343.1*	*5.9*
Infrastructure	**1,509.7**	**2,832.8**	**1,323.1**	**87.6**
- *of which*				
Airport Development	*119.5*	*0.4*	*-119.1*	*-99.6*
Port Development	*0.1*	*0.0*	*-0.1*	*-100.0*
Power Generation	*1,319.6*	*2,786.5*	*1,466.9*	*111.2*
Water Development	*0.8*	*7.2*	*6.4*	*786.4*
Road Development	*29.9*	*0.4*	*-29.5*	*-98.5*
Other	*39.8*	*38.2*	*-1.6*	*-4.1*
State and Local Government	**43.2**	**79.7**	**36.5**	**84.7**
Public Nonfinancial Corporations	**6,087.5**	**8,938.3**	**2,850.8**	**46.8**
Regional Development Certificate Holders	**0.0**	**0.0**	**0.0**	**0.0**
Regional Headquarters Certificate Holders	**0.0**	**0.0**	**0.0**	**0.0**
Freeport Enterprise Certificate Holders	**192.0**	**355.9**	**163.9**	**85.4**
Health Development Certificate Holders	**22.9**	**27.7**	**4.8**	**20.9**
Modernisation & Expansion Enterprise Cert Holders	**0.0**	**0.0**	**0.0**	**0.0**
Personal	**9,790.0**	**11,342.4**	**1,552.3**	**15.9**
Professional	**912.9**	**600.5**	**-312.4**	**-34.2**
Education	**304.4**	**393.2**	**88.9**	**29.2**
Human Resource Development Certificate Holders	**0.0**	**0.0**	**0.0**	**0.0**
Media, Entertainment and Recreational Activities	**287.2**	**255.8**	**-31.5**	**-11.0**
Other	**3,495.4**	**3,779.7**	**284.3**	**8.1**
TOTAL	**105,066.4**	**119,471.4**	**14,405.0**	**13.7**

million during fiscal year 2005-06.

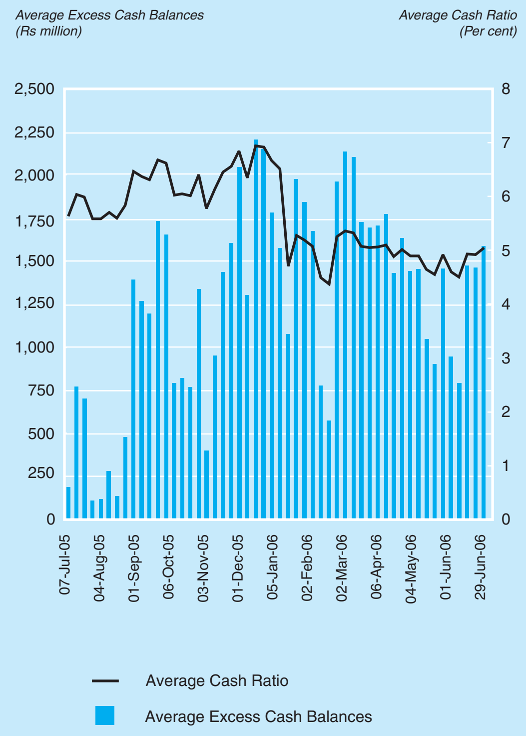
Credit allocated to the Infrastructure sector went up by Rs1,323 million, or 87.6 per cent, from Rs1,510 million at the end of June 2005 to Rs2,833 million at the end of June 2006. Around 110.9 per cent of the additional credit extended to the infrastructure sector was directed towards "Power Generation", which registered an increase of 111.2 per cent to stand at Rs2,787 million at the end of June 2006.

Chart III.7 shows the sectorwise contribution to the increase in credit to the private sector by banks in 2005-06. Table III.8 gives the breakdown of the sectorwise distribution of credit to the private sector by banks as at end-June 2005 and end-June 2006.

Maintenance of Cash Ratio by Banks

The Guideline on Segmental Reporting under a Single Banking Licence Regime required all banks to maintain the minimum cash reserve ratio of 5.5 per cent of deposits included in the deposit base for the maintenance of cash ratio as from the week ended 07 July 2005. Prior to that week only former Category 1 banks had to maintain the cash ratio. However, the Guideline provided a transition period for former Category 2 banks to maintain the cash ratio.

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



With effect from the week starting on 6 January 2006, the minimum cash balances held by

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

	Average Cash Balances Held	Average Excess/ (Shortfall) Cash Balances	Average Cash Ratio
	(Rs million)		(Per cent)
2004-05			
Jul-Sep	7,747-8,543	447-1,337	5.84-6.53
Oct-Dec	7,361-8,540	58-1,246	5.54-6.44
Jan-Mar	7,754-8,732	207-1,172	5.65-6.35
Apr-Jun	7,918-8,941	97-1,204	5.57-6.36
2004-05	**7,361 - 8,941**	**58 - 1,337**	**5.54 - 6.53**
2005-06			
Jul-Sep	7,978-9,805	113-1,731	5.58-6.68
Oct - 05 Jan	8,650-10,648	402-2,204	5.77-6.94
12 Jan#-Mar	6,892-8,480	576-2,134	4.37-5.36
Apr-Jun	7,155-8,216	791-1,772	4.50-5.10
2005-06	**6,892 - 10,648**	**113 - 2,204**	**4.37 - 6.94**

* Prior to fiscal year 2005-06, refer to former Category 1 banks only.
# With effect from the week ended 12 January 2006, the cash ratio that banks are required to maintain has been set at 4.0 per cent.

banks was to be maintained exclusively in the form of balances held by banks with the Bank of Mauritius and the minimum Cash Ratio was reduced to 4.0 per cent of banks' deposits included in the deposit base for the maintenance of cash ratio with effect from the same week.

During the first half of fiscal year 2005-06 when the required minimum cash ratio was 5.5 per cent, the average cash ratio maintained by banks varied between a low of 5.58 per cent in July 2005 to a peak of 6.94 per cent in December 2005. The weekly average cash balances of banks fluctuated between a minimum of Rs7,978 million in the last week of July 2005 and a maximum of Rs10,648 million in the third week of December 2005. Average excess cash balances held by banks varied between Rs113 million and Rs2,204 million over that period.

During the last six months of fiscal year 2005-06 when the required minimum cash ratio was 4.0 per cent, the average cash ratio fluctuated between a low of 4.37 per cent and a high of 5.36 per cent. The weekly average balances of banks with the Bank of Mauritius varied between Rs6,892 million in the third week of February 2006 and Rs8,480 million in the second week of March 2006 while average excess cash balances stood within a range of Rs576 million and Rs2,134 million.

In the preceding fiscal year, average cash ratio maintained by former Category 1 banks fluctuated between 5.54 per cent and 6.53 per cent while the average excess cash balances ranged from Rs58 million to Rs1,337 million.

Table III.9 gives details of the average cash ratio maintained by former Category 1 banks in 2004-05 and banks in 2005-06. Chart III.8 gives details on the average excess cash balances and average cash ratio maintained by banks in 2005-06.

Interest Rates

The Bank of Mauritius uses the Lombard Rate to signal its monetary policy stance. The Lombard Rate is the rate payable for the use of the Lombard facility, through which banks can avail of overnight collateralised advances. Changes in the Lombard Rate are reflected in other interest rates in the economy.

During the course of fiscal year 2005-06, the Lombard Rate was hiked twice by a total of 150 basis points. On 5 August 2005, the Lombard Rate was increased by 50 basis points from 10.00 per cent per annum to 10.50 per cent per annum and on 7 December 2005, it was again raised by 100 basis points to 11.50 per cent per annum. On both occasions, the increase was aimed at taking pre-

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

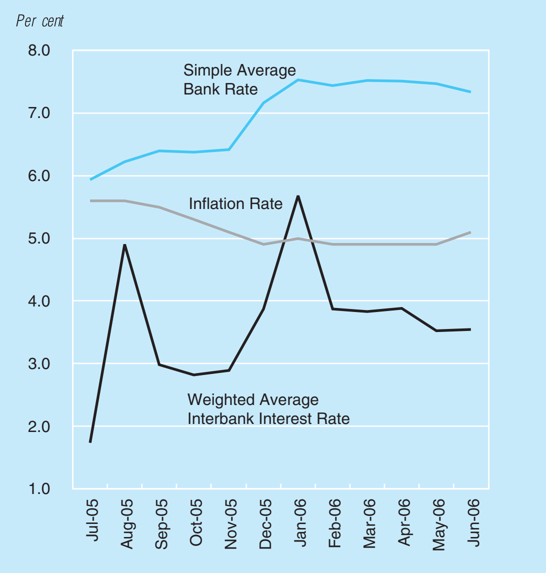


Chart III.10 : Weighted Average Lending and Term Deposits Rates

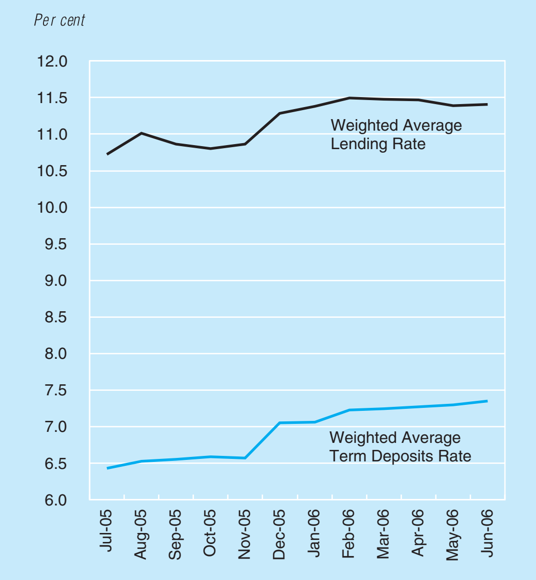


Table III.10: Other Interest Rates

(Per cent per annum)

	Weighted Average Yield on Bills Accepted at Primary Auctions	Simple Average Bank Rate	Weighted Average Interbank Interest Rate	Prime Lending Rate	Interest Rate on Savings Deposits with Banks[1]	Interest Rate on Term Deposits with Banks[1]	Interest Rate on Loans and Advances by Banks[1]	Weighted Average Term Deposits Rate of Banks[1]	Weighted Average Lending Rate of Banks[1]
2005									
Jul	6.60	5.94	1.74	8.00-8.75	4.50 - 4.625	3.00 - 13.00	6.20 - 21.25	6.43	10.72
Aug	6.66	6.22	4.90	8.50-9.25	5.00	4.00 - 13.00	6.20 - 21.50	6.53	11.01
Sep	6.39	6.40	2.98	8.50-9.25	5.00	4.00 - 13.00	6.20 - 21.50	6.55	10.86
Oct	6.42	6.38	2.82	8.50-9.25	5.00	4.00 - 13.00	6.20 - 21.50	6.59	10.80
Nov	6.38	6.42	2.89	8.50-9.25	5.00	4.00 - 13.00	6.20 - 21.50	6.57	10.86
Dec	7.45	7.16	3.87	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.05	11.28
2006									
Jan	7.52	7.53	5.68	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.06	11.38
Feb	7.49	7.44	3.87	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.23	11.49
Mar	7.53	7.52	3.83	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.25	11.48
Apr	7.49	7.51	3.88	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.27	11.47
May	7.47	7.47	3.52	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.30	11.39
Jun	7.33	7.34	3.54	9.20-10.25	5.70-6.27	4.50 - 13.00	6.25 - 22.50	7.35	11.41

[1] *Prior to June 2005, refer to former Category 1 banks only.*

emptive measures to dampen inflationary pressures in the economy and enhance the attractiveness of rupee-dominated financial assets. The hikes were also expected to help improve savings and avoid unnecessary pressures on the rupee on account of a deterioration in the current account and overall balance of payments.

Banks adjusted their interest rate structure more or less in line with the changes in the Lombard Rate. After the 50 basis points hike in the Lombard Rate in August 2005, banks adjusted their prime lending rate from a range of 8.00 to 8.75 per cent in July 2005 to a range of 8.50 to 9.25 per cent in August 2005. The prime lending rate of banks remained unchanged until the end of November 2005. Following the hike of 100 basis points in Lombard Rate on 7 December 2005, from 10.50 per cent to 11.50 per cent, banks adjusted upward their prime lending rate to a range of 9.20 to 10.25 per cent, which remained unchanged up till June 2006. Interest rates charged by banks on loans and advances moved from a range of 6.20 per cent to 21.25 per cent in July 2005 to a range of 6.25 per cent to 22.50 per cent in June 2006.

Interest paid by banks on savings deposits rate moved from a range of 4.50 to 4.625 per cent in July 2005 to 5.00 per cent in August 2005 after the first hike in Lombard Rate and stayed unchanged up till November 2005. Following the second hike in the Lombard Rate in December 2005, the interest rate paid on savings deposits increased to a range of 5.70 to 6.27 per cent and stayed within that range till June 2006.

The modal prime lending rate went up from 8.00 per cent in July 2005 to 8.50 per cent in August 2005 and further to 9.25 per cent in December 2005. It increased to 9.50 per cent in February 2006 and thereafter remained unchanged. The modal savings deposits rate increased from 4.50 per cent in July 2005 to 5.00 per cent in August 2005 and further to 6.00 per cent in December 2005 and stayed unchanged at that level till June 2006.

Interest rates on deposits maturing within one year moved from a range of 3.00 per cent to 9.38 per cent in July 2005 to a range of 4.00 per cent to 9.38 per cent in August 2005. The upper limit fell to 8.50 per cent in October 2005. Then in December

2005, banks paid between 4.50 per cent to 8.88 per cent on these deposits and raised the upper limit to 10.15 per cent in January 2006 and before reducing it to 9.10 per cent in February 2006. In March and April 2006, interest rates moved to a range of 3.00 per cent to 8.88 per cent and to a narrower range of 4.50 per cent to 8.88 per cent in May and June 2006. At the end of June 2005, rates varied between 3.00 per cent to 9.38 per cent.

Interest rates paid on deposits maturing between one and two years moved from a range of 4.00 per cent and 9.75 per cent in June 2005 to a range of 4.50 per cent and 9.75 per cent in August 2005 and to a range of 4.50-9.00 per cent in September 2005. Deposits were paid interest in the range of 4.75 per cent to 9.00 per cent in October 2005 and the upper limit gradually moved to 9.10 per cent in December 2005 and to 9.55 per cent in January 2006 before falling to 9.00 per cent in February 2006. These deposits were thus paid interest within a narrower range of 4.75 per cent to 9.00 per cent at the end of June 2006 compared to a range of 4.00 per cent to 9.75 per cent as at end of June 2005.

Interest rates offered on longer-term time deposits, that is, those maturing over 24 months, moved from a range of 4.25 per cent to 13.00 per cent in June 2005 to a range of 4.50 per cent to 13.00 per cent in August 2005 and further to a range 4.75 per cent to 13.00 per cent in September 2005 and thereafter stood unchanged till June 2006. In 2005-06, the rates varied from 4.25 per cent to 13.00 per cent.

The weighted average lending rate of banks fell from 10.89 per cent in June 2005 to a trough 10.72 per cent in July 2005 before rising 11.01 per cent in August 2005. It dropped to 10.80 per cent in October 2005 before rising to peak at 11.49 per cent in February 2006. Thereafter, it declined to 11.39 per cent in May 2006 and closed at 11.41 per cent in June 2006. The weighted average term deposits rate increased gradually from 6.42 per cent in June 2005 to 6.59 per cent in October 2005 before declining marginally to 6.57 per cent in November 2005. Thereafter, it rose to 7.05 per cent in December 2005 and went on to peak at 7.35 per cent in June 2006.

The spread between the weighted average lending rate and weighted average term deposits rate varied between 4.03 and 4.48 percentage points in 2005-06 compared to a range of 4.18 and 4.60 percentage points in 2004-05.

The real rate of interest on savings deposits improved during the fiscal year 2005-06, from negative 1.0 percentage point at the end of June 2005 to 0.9 percentage point in June 2006.

The overall weighted yield on Treasury/Bank of Mauritius Bills accepted at primary auctions which is the weighted average yield on Bills of maturities of 91 days, 182 days and 364 days accepted at primary auctions, rose from 6.37 per cent in June 2005 to a maximum of 7.53 per cent in March 2006 but then declined gradually to 7.33 per cent in June 2006. The average Bank Rate went up from 5.98 per cent in June 2005 to a peak of 7.53 per cent in January 2006 and ended lower at 7.34 per cent in June 2006. The weighted average interbank interest rate rose from 1.62 per cent in June 2005 to a peak of 5.68 per cent in January 2006 and finally closed at 3.54 per cent in June 2006.

The weighted yield on 2-year Treasury Notes rose from 7.24 per cent on 7 October 2005 to 7.95 per cent on 3 February 2006 before declining to 7.94 per cent on 10 March 2006 and stayed at that level on 7 April 2006. Thereafter, it rose to reach 8.04 per cent on 02 June 2006. The weighted yields on 3-Year Treasury Notes rose from 7.47 per cent on 7 October 2005 to 8.26 per cent on 6 January 2006 and stayed at that level till 10 March 2006 before closing at 8.30 per cent on 2 June 2006. The weighted yields on 4-Year Treasury Notes varied between a low of 7.96 per cent and a peak of 8.69 per cent during fiscal year 2005-06.

The weighted average yield on 5-year GoM Bonds rose from 8.13 per cent in June 2005 to 8.54 per cent in August 2005 before falling to 8.34 per cent in October 2005. Thereafter, it peaked at 8.95 per cent in December 2005 before gradually declining to 8.90 per cent in June 2006.

The weighted average yield on 7-year MDLS went up from 8.87 per cent on 16 September 2005 to 9.53 per cent on 16 December 2005. Over the same period, the weighted average yields on 11-year MDLS increased from 10.15 per cent to 10.26 per cent. The weighted average yields on 13-year MDLS rose from 10.22 per cent on 16 September 2005 to 10.53 per cent on 16 December 2005. The weighted average yield on 8-year MDLS and 12-year MDLS stood at 9.75 per cent and 10.33 per cent on 19 May 2006, respectively.

Table III.10 gives details of the interest rate structure of the banking sector, while Charts III.9 shows the movements in the rate of inflation, the simple average Bank Rate and the weighted average interbank interest rate during 2005-06. Chart III.10 shows the movements in the weighted average lending rate and the weighted average term deposits rate during 2005-06.

Depository Corporations Survey (DCS)

The Bank of Mauritius is also compiling a monthly Depository Corporations Survey, which is based on the analytical framework of the IMF's Monetary and Financial Statistics Manual. The

Table III.11: Depository Corporations Survey

	Jun-04 (1)	Jun-05 (2)	Jun-06 (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)*
1. Net Foreign Assets	**104,595.2**	**149,942.1**	**169,480.7**	**45,346.8**	**43.4**	**19,538.6**	**13.0**
Bank of Mauritius	43,117.5	42,571.1	42,314.6	-546.3	-1.3	-256.6	-0.6
Other Depository Corporations	61,477.7	107,370.9	127,166.1	45,893.2	74.7	19,795.2	18.4
Banks	*61,529.3*	*107,425.1*	*127,188.0*	*45,895.8*	*74.6*	*19,762.9*	*18.4*
Non-Bank Deposit-Taking Institutions	*-51.6*	*-54.2*	*-21.9*	*-2.6*	*5.0*	*32.3*	*-59.6*
2. Domestic Claims	**165,057.1**	**178,501.8**	**205,569.1**	**13,444.6**	**8.1**	**27,067.3**	**15.2**
A. Net Claims on Central Government	***38,195.8***	***42,622.2***	***46,806.3***	***4,426.5***	***11.6***	***4,184.1***	***9.8***
Bank of Mauritius	-739.8	137.6	1,011.2	877.5	-118.6	873.5	634.8
Other Depository Corporations	38,935.6	42,484.6	45,795.2	3,549.0	9.1	3,310.5	7.8
Banks	*36,840.0*	*40,418.3*	*43,993.2*	*3,578.2*	*9.7*	*3,575.0*	*8.8*
Non-Bank Deposit-Taking Institutions	*2,095.6*	*2,066.4*	*1,801.9*	*-29.2*	*-1.4*	*-264.5*	*-12.8*
B. Claims on Other Sectors	***126,861.4***	***135,879.5***	***158,762.8***	***9,018.1***	***7.1***	***22,883.3***	***16.8***
Bank of Mauritius	194.1	364.8	244.1	170.8	88.0	-120.7	-33.1
Other Depository Corporations	126,667.3	135,514.7	158,518.6	8,847.4	7.0	23,003.9	17.0
Banks	*111,550.0*	*116,039.2*	*134,676.6*	*4,489.3*	*4.0*	*18,637.4*	*16.1*
Non-Bank Deposit-Taking Institutions	*15,117.3*	*19,475.4*	*23,842.0*	*4,358.1*	*28.8*	*4,366.6*	*22.4*
3. ASSETS = LIABILITIES	**269,652.3**	**328,443.8**	**375,049.8**	**58,791.4**	**21.8**	**46,606.0**	**14.2**
4. Broad Money Liabilities	**212,576.4**	**264,174.3**	**301,749.6**	**51,597.9**	**24.3**	**37,575.3**	**14.2**
A. Currency with Public	***8,399.7***	***9,648.9***	***10,432.0***	***1,249.2***	***14.9***	***783.2***	***8.1***
B. Transferable Deposits	***55,742.9***	***86,238.6***	***70,806.6***	***30,495.7***	***54.7***	***-15,432.0***	***-17.9***
Bank of Mauritius	19.0	267.2	435.7	248.2	1,304.5	168.5	63.1
Other Depository Corporations	55,723.9	85,971.3	70,370.8	30,247.7	54.3	-15,600.5	-18.2
Banks	*55,723.6*	*85,971.3*	*70,370.8*	*30,248.0*	*54.3*	*-15,600.5*	*-18.2*
Non-Bank Deposit-Taking Institutions	*0.3*	*0.0*	*0.0*	*-0.3*	*-100.0*	*0.0*	*0.0*
C. Savings Deposits	***50,245.8***	***55,456.8***	***60,695.8***	***5,211.1***	***10.4***	***5,239.0***	***9.4***
Bank of Mauritius	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Depository Corporations	50,245.8	55,456.8	60,695.8	5,211.1	10.4	5,239.0	9.4
Banks	*49,264.0*	*54,400.5*	*59,587.1*	*5,136.5*	*10.4*	*5,186.5*	*9.5*
Non-Bank Deposit-Taking Institutions	*981.8*	*1,056.2*	*1,108.7*	*74.5*	*7.6*	*52.5*	*5.0*
D. Time Deposits	***94,701.3***	***109,330.3***	***157,369.0***	***14,629.0***	***15.4***	***48,038.7***	***43.9***
Bank of Mauritius	260.2	299.6	283.8	39.3	15.1	-15.8	-5.3
Other Depository Corporations	94,441.1	109,030.7	157,085.2	14,589.7	15.4	48,054.5	44.1
Banks	*82,686.4*	*94,287.8*	*138,896.7*	*11,601.4*	*14.0*	*44,608.8*	*47.3*
Non-Bank Deposit-Taking Institutions	*11,754.7*	*14,742.9*	*18,188.6*	*2,988.2*	*25.4*	*3,445.7*	*23.4*
E. Securities other than Shares	***3,486.8***	***3,499.8***	***2,446.3***	***13.1***	***0.4***	***-1,053.6***	***-30.1***
Bank of Mauritius	3,347.3	3,268.3	1,416.3	-79.0	-2.4	-1,852.0	-56.7
Other Depository Corporations	139.5	231.6	1,030.0	92.1	66.0	798.4	344.8
Banks	*0.0*	*0.0*	*674.3*	*0.0*	*0.0*	*674.3*	*0.0*
Non-Bank Deposit-Taking Institutions	*139.5*	*231.6*	*355.7*	*92.1*	*66.0*	*124.2*	*53.6*
5. Other	**57,075.9**	**64,269.5**	**73,300.2**	**7,193.6**	**12.6**	**9,030.7**	**14.1**

Figures may not add up to totals due to rounding.

Depository Corporations Survey covers the Bank of Mauritius and other depository corporations, which comprise 19 banks and 14 nonbank deposit-taking institutions as at end of June 2006.

From the Depository Corporations Survey, the following main aggregates are compiled and disseminated: Broad Money Liabilities, which are disaggregated into currency with public, transferable deposits, savings deposits and time deposits and the various types of deposits being further disaggregated by the holders of the deposits; Domestic credit, which is disaggregated by claims on central government and claims on other sectors (claims on the private sector), with both components of domestic credit being further disaggregated into sectors that are credit holders; and Net Foreign Assets, which represent depository corporations net claims on nonresidents and which are disaggregated into the net foreign assets of the central bank and the net foreign assets of other depository corporations, with a further dis-aggregation into the types of instruments; and Net Other items.

Monetary developments were first characterised by a slowdown in Broad Money Liabilities, with BML rising by 14.2 per cent in 2005-06, down from 24.3 per cent in 2004-05 and 22.8 per cent in 2003-04. The Rupee component of BML went up by 10.4 per cent in 2005-06, up from 7.4 per cent in 2004-05 while the foreign currency component of BML rose by 19.1 per cent, down from 54.7 per cent a year earlier.

Second, the monetary base declined by 5.6 per cent in 2005-06 as against a drop of 6.1 per cent during 2004-05. However, narrow monetary base, which excludes Securities other than Shares, expanded by 19.2 per cent compared to a 6.3 rise in 2004-05.

Third, net foreign assets of depository corporations slowed to 13.0 per cent in 2005-06 compared to a higher growth of 43.4 per cent in 2004-05, with banks alone driving the expansion. Fourth, domestic claims expanded by 15.2 per cent, from 8.1 per cent in 2004-05, with nearly 85 per cent of the increase coming from Claims on Other Sectors.

Lastly, as a percentage of GDP at market prices, average BML rose from 126.9 per cent in 2004-05 to 138.9 per cent in 2005-06 and average domestic claims increased from 95.0 per cent to 98.6 per cent. Average Claims on Other Sectors went up from 72.8 per cent in 2004-05 to 76.1 per cent in 2005-06.

Net foreign assets of depository corporations expanded by 19,539 million, from Rs149,942 million at the end of June 2005 to Rs169,481 million at the end of June 2006, or 13.0 per cent, compared to a rise of 43.4 per cent noted in the preceding fiscal year. This increase stems from the expansion of net foreign assets of other depository corporations completely offsetting the fall in those of the Bank of Mauritius. Net foreign assets of other depository corporations went up by Rs19,795 million to Rs127,166 million, or 18.4 per cent, lower than the increase of 74.7 per cent in 2004-05. In contrast, the net foreign assets of Bank of Mauritius dropped by Rs257 million to Rs42,315 million, or 0.6 per cent as compared to the fall of 1.3 per cent recorded in 2004-05. Claims on non residents increased by Rs53,915 million, from Rs296,491 million at the end of June 2005 to Rs350,406 million at the end of June 2006, or 18.2 per cent, lower than the rise of 23.4 per cent registered in 2004-05. Liabilities to non residents increased by Rs34,376 million, from Rs146,549 million at the end of June 2005 to Rs180,925 million at the end of June 2006, or 23.5 per cent, higher than the rise of 8.1 per cent registered in the preceding fiscal year.

Domestic claims of depository corporations increased by Rs27,067 million, from Rs178,502 million at the end of June 2005 to Rs205,569 million at the end of June 2006, or 15.2 per cent, higher than the 8.1 per cent growth recorded in 2004-05. Net claims on central Government rose by Rs4,184 million, from Rs42,622 million at the end of June 2005 to Rs46,806 million at the end of June 2006, or 9.8 per cent, compared to the increase of 11.6 per cent noted in the previous fiscal year. Claims on other sectors expanded by Rs22,883 million, or 16.8 per cent in 2005-06, higher than the 7.1 per cent increase noted in 2004-05.

Net claims on central Government from the Bank of Mauritius increased by Rs873 million, from Rs138 million at the end of June 2005 to Rs1,011 million at the end of June 2006, or 634.8 per cent, higher than the growth of 118.6 per cent recorded in the preceding fiscal year. Net claims on central Government from other depository corporations expanded by Rs3,310 million, from Rs42,485 million to Rs45,795 million, or 7.8 per cent, lower than the rise of 9.1 per cent recorded in 2004-05.

Claims on other sectors from the Bank of Mauritius fell by Rs121 million, from Rs365 million at the end of June 2005 to Rs244 million at the June

2006, or 33.1 per cent, as against the 88.0 per cent rise registered in 2004-05, while claims on other sectors from other depository corporations grew by Rs23,004 million, from Rs135,515 million to Rs158,519 million, or 17.0 per cent, higher than the rise of 7.0 per cent noted in 2004-05. In terms of instruments, loans rose by Rs19,507 million to Rs138,014 million, or 16.5 per cent, up from 8.6 per cent in 2004-05; financial derivatives increased by Rs2,114 million to Rs5,355 million, or 65.2 per cent, as against a fall of 23.5 per cent in 2004-05, shares and other equity went up by Rs1,431 million to Rs4,688 million, or 43.9 per cent, much higher than the rise of 14.8 per cent recorded in 2004-05; and other accounts receivable increased by Rs845 million to Rs3,690 million, or 29.7 per cent. In contrast, securities other than shares and financial derivatives declined by Rs913 million to Rs6,652 in 2005-06, following the same pattern as in 2004-05. In terms of sectors, claims on other resident sectors expanded albeit at a lower pace of 18.3 per cent in 2005-06, as compared to 21.5 per cent in 2004-05, while claims on non financial corporations continued to expand, rising by 13.7 per cent in 2005-06, from 0.4 per cent in 2004-05.

Broad Money Liabilities (BML) expanded by Rs37,576 million, from Rs264,174 million at the end of June 2005 to Rs301,750 million at the end of June 2006, or 14.2 per cent, lower than the rise of 24.3 per cent registered in 2004-05. Of the components of BML, currency with public went up by 783 million to Rs10,432 million, or 8.1 per cent, lower than the increase of 14.9 per cent registered in the previous fiscal year; transferable deposits contracted by Rs15,432 million to Rs70,807 million, or 17.9 per cent, as against the 54.7 per cent rise in 2004-05; savings deposits grew by Rs5,239 million to Rs60,696 million, or 9.4 per cent, lower than the increase of 10.4 per cent registered in 2004-05; time deposits went up by Rs48,039 million to Rs157,369 million, or 43.9 per cent, higher than the growth of 15.4 per cent noted in the preceding fiscal year; and securities other than shares included in broad money contracted by Rs1,054 million to Rs2,446 million, or 30.1 per cent. On an institution-wise basis, banks contributed Rs34,869 million, representing 92.8 per cent of the total increase in 2005-06 compared to 91.1 per cent in the previous fiscal year; non-bank depository corporations added Rs3,622 million representing 9.6 per cent, higher than the 6.1 per cent contribution in 2004-05 and the Bank of Mauritius contributed negatively to the tune of Rs1,699 million in 2005-06 representing a share of negative 4.5 per cent of the growth, as against an increase of 0.4 per cent in the preceding year. Currency with public added the remaining 2.1 per cent to the expansion in BML in 2005-06 compared to 2.4 per cent in 2004-05.

The increase of 14.2 per cent in BML in 2005-06 resulted from positive contributions of 8.6 percentage points in claims on other sectors, 7.4 percentage points from net foreign assets of depository corporations and 1.6 percentage points in net claims on central Government. Net other items exerted a negative contribution of 3.4 percentage points. In 2004-05, the 24.3 per cent increase in BML was brought about by positive contributions of 21.4 percentage points from net foreign assets, 4.2 percentage points from claims on other sectors and 2.1 percentage points from net claims on central Government and Net other items exerted a negative contribution of 3.4 percentage points.

Table III.11 shows the Depository Corporations Survey as at end-June 2004, end June-2005 and end-June 2006.

Trends in Reserve Money and Monetary Ratios

The monthly average level of the monetary base fell from Rs28,724 million in 2004-05 to Rs26,075 million in 2005-06, or 9.2 per cent, compared to an increase of 19.5 per cent in 2004-05. The monthly average level of broad money liabilities rose from Rs230,587 million to Rs272,106 million, or 18.0 per cent, over the same period, down from 20.5 per cent in 2004-05. Consequently, the average multiplier for broad money liabilities increased from 8.0 in 2004-05 to 10.4 in 2005-06. Exclusive of Securities other than Shares, it went up from 12.8 in 2004-05 to 13.1 in 2005-06.

On a monthly average basis, currency with public increased from Rs9,479 million in 2004-05 to Rs10,445 million in 2005-06, or 10.2 per cent, down from 15.8 per cent in 2004-05; transferable deposits grew by 6.9 per cent, from Rs63,692 million to Rs68,052 million as against an increase of 34.5 per cent in 2004-05; savings deposits rose by 12.0 per cent, from Rs53,203 million to Rs59,575 million compared to 13.4 per cent in the previous fiscal year; time deposits expanded by 30.8 per cent, from Rs100,572 million to Rs131,542 million compared to a rise of 16.4 per cent in 2004-05; and securities other than shares included in broad

Table III.12: Monetary Ratios	Jun-04	Jun-05	Jun-06
1. Monthly Average for year ended (Rs million)			
A. Monetary Base	**24,042**	**28,724**	**26,075**
		(+19.5)	*(-9.2)*
B. Broad Money Liabilities (BML)	**191,315**	**230,587**	**272,106**
		(+20.5)	*(+18.0)*
(a) Currency with public	8,188	9,479	10,445
		(+15.8)	*(+10.2)*
(b) Transferable deposits	47,343	63,692	68,052
		(+34.5)	*(+6.9)*
(c) Savings deposits	46,917	53,203	59,575
		(+13.4)	*(+12.0)*
(d) Time deposits	86,431	100,572	131,542
		(+16.4)	*(+30.8)*
(e) Securities other than shares included in broad money	2,434	3,641	2,494
		(+49.6)	*(-31.5)*
2. Average Broad Money Multiplier	**8.0**	**8.0**	**10.4**
3. Other Monetary Ratios (Per cent)			
A. Currency to BML	4.3	4.1	3.8
B. Transferable Deposits to BML	24.7	27.6	25.0
C. Savings deposits to BML	24.5	23.1	21.9
D. Time Deposits to BML	45.2	43.6	48.3
E. Securities other than shares inc. in broad money to BML	1.3	1.6	1.0

Notes : (i) Figures in brackets represent percentage change over previous period.
(ii) The average Broad Money Multiplier is defined as the ratio of average Broad Money Liabilities to average Monetary Base.

money fell by 31.5 per cent from Rs3,641 million to Rs2,494 million as against an expansion of 49.6 per cent in the previous fiscal year.

On an average basis and as a ratio of broad money liabilities, currency with public declined from 4.1 per cent in 2004-05 to 3.8 per cent in 2005-06; transferable deposits fell from 27.6 per cent to 25.0 per cent; savings deposits fell from 23.1 per cent to 21.9 per cent; time deposits improved from 43.6 per cent to 48.3 per cent; and securities other than shares included in broad money fell from 1.6 per cent to 1.0 per cent.

The income velocity of circulation of broad money liabilities declined from 0.79 in 2004-05 to 0.72 in 2005-06, highlighting further financial intermediation in the economy.

Table III.12 gives details on monetary ratios for the years ended June 2004 through June 2006.

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 the central banking activities performed by the Bank of Mauritius.

The monetary base consists of 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 increases in money and credit that are larger than the changes in the monetary base.

The monetary base contracted by Rs1,542 million, or 5.6 per cent, from Rs27,710 million at the end of June 2005 to Rs26,168 million at the end of June 2006, as against a decrease of 6.1 per cent in 2004-05. Currency in circulation rose by Rs311 million, or 2.6 per cent, from Rs11,937 million to

Table III.13: Central Bank Survey

	Jun-04 (1)	Jun-05 (2)	Jun-06 (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)*
1. Net Foreign Assets	**43,117.5**	**42,571.1**	**42,314.6**	**-546.3**	**-1.3**	**-256.6**	**-0.6**
Claims on Nonresidents	43,342.7	42,734.4	42,458.6	-608.3	-1.4	-275.8	-0.6
Liabilities to Nonresidents	225.2	163.3	144.0	-61.9	-27.5	-19.2	-11.8
2. Domestic Claims	**2,017.6**	**2,440.4**	**3,093.8**	**422.8**	**21.0**	**653.4**	**26.8**
A. Net Claims on Central Government	-739.8	137.6	1,011.2	877.5	-118.6	873.5	634.8
B. Claims on Other Sectors	194.1	364.8	244.1	170.8	88.0	-120.7	-33.1
C. Claims on Other Depository Corporations	2,563.4	1,937.9	1,838.5	-625.4	-24.4	-99.4	-5.1
3. ASSETS = LIABILITIES	**45,135.1**	**45,011.5**	**45,408.4**	**-123.5**	**-0.3**	**396.9**	**0.9**
4. Monetary Base	**29,518.8**	**27,710.2**	**26,167.7**	**-1,808.6**	**-6.1**	**-1,542.5**	**-5.6**
A. Currency in Circulation	10,786.2	11,937.3	12,248.1	1,151.2	10.7	310.7	2.6
B. Liabilities to Other Depository Corporations	15,106.0	11,937.8	11,783.8	-3,168.2	-21.0	-154.0	-1.3
C. Deposits Included in Broad Money	279.3	566.8	719.5	287.5	102.9	152.8	27.0
D. Securities other than Shares Included in Broad Money	3,347.3	3,268.3	1,416.3	-79.0	-2.4	-1,852.0	-56.7
5. Other	**15,616.3**	**17,301.3**	**19,240.7**	**1,685.0**	**10.8**	**1,939.4**	**11.2**

Figures may not add up to totals due to rounding.

Rs12,248 million, lower than the increase of 10.7 per cent noted in the preceding fiscal year. Liabilities to other depository corporations fell by Rs154 million, from Rs11,938 million to Rs11,784 million compared to a decrease of Rs3,168 million, or 21.0 per cent in 2004-05. Securities other than Shares included in broad money contracted by Rs1,852 million, or 56.7 per cent, during fiscal year 2005-06 as against a drop of 2.4 per cent in 2004-05. A narrower definition of the monetary base would typically exclude securities other than shares and, over the period under consideration, narrow monetary base expanded by Rs3,539 million, or 19.2 per cent, to Rs22,015 million compared to a rise of 6.3 per cent in 2004-05.

On the sources side of the monetary base, net foreign assets of the Bank of Mauritius fell by Rs257 million, or 0.6 per cent, from Rs42,571 million at the end of June 2005 to Rs42,315 million at the end of June 2006 compared to a decline of 1.3 per cent in the previous fiscal year. Domestic claims of the Bank expanded by Rs653 million, or 26.8 per cent, to Rs3,094 million at the end of June 2006, higher than the increase of 21.0 per cent in 2004-05. Net claims on Central Government, with an expansion of Rs874 million, was the main contributor to the increase in domestic claims in 2005-06. Table III.13 shows the Central Bank Survey as at end-June 2004, end-June 2005 and end-June 2006.

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 grew by Rs19,795 million, or 18.4 per cent, from Rs107,371 million at the end of June 2005 to Rs127,166 million at the end of June 2006, compared to a much larger increase of 74.7 per cent in 2004-05. Claims on nonresidents rose by Rs54,190 million, or 21.4 per cent, to Rs307,947 million while liabilities to nonresidents increased by Rs34,395 million, or 23.5 per cent, to Rs180,781 million at the end of June 2006.

Domestic claims rose by Rs25,844 million, or

Table III.14: Other Depository Corporations Survey

	Jun-04 (1)	Jun-05 (2)	Jun-06 (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)*
1. Net Foreign Assets	**61,477.7**	**107,370.9**	**127,166.1**	**45,893.2**	**74.7**	**19,795.2**	**18.4**
Claims on Nonresidents	196,838.8	253,756.7	307,947.0	56,917.9	28.9	54,190.3	21.4
Liabilities to Nonresidents	135,361.1	146,385.8	180,780.9	11,024.7	8.1	34,395.1	23.5
2. Domestic Claims	**183,766.8**	**192,050.4**	**217,894.7**	**8,283.6**	**4.5**	**25,844.3**	**13.5**
A. Net Claims on Central Government	38,935.6	42,484.6	45,795.2	3,549.0	9.1	3,310.5	7.8
B. Claims on Other Sectors	126,667.3	135,514.7	158,518.6	8,847.4	7.0	23,003.9	17.0
C. Claims on Central Bank	18,163.9	14,051.1	13,580.9	-4,112.7	-22.6	-470.2	-3.3
3. ASSETS = LIABILITIES	**245,244.5**	**299,421.4**	**345,060.8**	**54,176.8**	**22.1**	**45,639.4**	**15.2**
4. Liabilities to Central Bank	**2,517.3**	**1,848.9**	**1,700.2**	**-668.4**	**-26.6**	**-148.7**	**-8.0**
5. Deposits Included in Broad Money	**200,410.4**	**250,458.8**	**288,151.8**	**50,048.4**	**25.0**	**37,693.0**	**15.0**
A. Transferable Deposits	55,723.6	85,971.3	70,370.8	30,247.7	54.3	-15,600.5	-18.1
B. Savings Deposits	50,245.8	55,456.8	60,695.8	5,211.0	10.4	5,239.0	9.4
C. Time Deposits	94,441.1	109,030.7	157,085.2	14,589.7	15.4	48,054.5	44.1
6. Securities other than Shares included in Broad Money	**139.5**	**231.6**	**1,030.0**	**92.1**	**66.0**	**798.4**	**344.8**
7. Other	**42,177.3**	**46,882.1**	**54,178.8**	**4,704.8**	**11.2**	**7,296.7**	**15.6**

Figures may not add up to totals due to rounding.

13.5 per cent, from Rs192,050 million at the end of June 2005 to Rs217,895 million at the end of June 2006, compared to a growth of 4.5 per cent in the preceding fiscal year. Of the components of domestic claims, net claims on Central Government increased by Rs3,311 million, or 7.8 per cent, to Rs45,795 million, lower than the rise of 9.1 per cent recorded in the previous fiscal year. Claims on other sectors grew by Rs23,004 million, or 17.0 per cent, to Rs158,519 million, higher than the increase of 7.0 per cent noted in 2004-05. Claims on the central bank, the other component, fell by Rs470 million, or 3.3 per cent, to Rs13,581 million at the end of June 2006 compared to a contraction of Rs4,113 million, or 22.6 per cent, in the preceding fiscal year.

Deposits included in broad money grew by Rs37,693 million, or 15.0 per cent, from Rs250,459 million at the end of June 2005 to Rs288,152 million at the end of June 2006, lower than the increase of 25.0 per cent recorded during the previous fiscal year. Transferable deposits contracted by Rs15,600 million to Rs70,371 million, or 18.1 per cent, compared to an increase of 54.3 per cent in 2004-05. Savings deposits increased by Rs5,239 million, or 9.4 per cent, to Rs60,696 million as against an increase of 10.4 per cent in 2004-05, and time deposits went up by Rs48,055 million to Rs157,085 million, or 44.1 per cent, up from 15.4 per cent in 2004-05.

Securities other than shares included in Broad Money went up by Rs798 million, from Rs232 million at the end of June 2005 to Rs1,030 million at the end of June 2006, or 345.0 per cent, much higher than the expansion of 66.0 per cent registered in the preceding fiscal year. Table III.14 presents the Other Depository Corporations Survey as at end-June 2004, end-June 2005 and end-June 2006.

Banks Survey

The Banking Act 2004 eliminated separate licensing of former Category 1 banks and former Category 2 banks and provided for a single banking licence to cover both set of activities. Consequently, the Banks Survey replaces the former Category 1 and former Category 2 banks surveys.

Table III.15: Banks Survey

	Jun-04 (1)	Jun-05 (2)	Jun-06 (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)
1. Net Foreign Assets	**61,529.3**	**107,425.1**	**127,188.0**	**45,895.8**	**74.6**	**19,762.9**	**18.4**
Claims on Nonresidents	196,838.8	253,756.7	307,947.0	56,917.9	28.9	54,190.3	21.4
Liabilities to Nonresidents	135,309.5	146,331.6	180,759.0	11,022.1	8.1	34,427.4	23.5
2. Domestic Claims	**168,947.4**	**172,869.4**	**195,719.4**	**3,922.1**	**2.3**	**22,849.9**	**13.2**
A. Net Claims on Central Government	36,840.0	40,418.3	43,993.2	3,578.2	9.7	3,575.0	8.8
B. Claims on Other Sectors	111,550.0	116,039.2	134,676.6	4,489.3	4.0	18,637.4	16.1
C. Claims on Central Bank	17,447.2	13,219.3	13,444.1	-4,227.9	-24.2	224.8	1.7
D. Claims on NonBank Deposit-Taking Institutions	3,110.2	3,192.6	3,605.4	82.5	2.7	412.8	12.9
3. ASSETS = LIABILITIES	**230,476.6**	**280,294.5**	**322,907.4**	**49,817.9**	**21.6**	**42,612.9**	**15.2**
4. Liabilities to Central Bank	**2,487.6**	**1,826.5**	**1,681.0**	**-661.1**	**-26.6**	**-145.5**	**-8.0**
5. Deposits Included in Broad Money	**187,674.0**	**234,659.7**	**268,854.6**	**46,985.7**	**25.0**	**34,194.9**	**14.6**
A. Transferable Deposits	55,723.6	85,971.3	70,370.8	30,247.7	54.3	-15,600.5	-18.1
B. Savings Deposits	49,264.0	54,400.5	59,587.1	5,136.5	10.4	5,186.5	9.5
C. Time Deposits	82,686.4	94,287.8	138,896.7	11,601.4	14.0	44,608.8	47.3
6. Securities other than Shares included in Broad Money	**0.0**	**0.0**	**674.3**	**0.0**	**0.0**	**674.3**	**0.0**
7. Liabilities to NonBank Deposit-Taking Institutions	**1,787.1**	**1,623.1**	**2,409.6**	**-164.0**	**-9.2**	**786.5**	**48.5**
8. Other	**38,527.9**	**42,185.2**	**49,287.9**	**3,657.3**	**9.5**	**7,102.7**	**16.8**

Figures may not add up to totals due to rounding.

The total assets (liabilities) of banks expanded by Rs42,612 million, or 15.2 per cent, from Rs280,295 million at the end of June 2005 to Rs322,907 million at the end of June 2006, lower than the increase of 21.6 per cent recorded in the preceding fiscal year.

Net foreign assets of banks went up by Rs19,763 million, or 18.4 per cent, from Rs107,425 million at the end of June 2005 to Rs127,188 million at the end of June 2006, compared to the 74.6 per cent rise in 2004-05. The expansion in net foreign assets during fiscal year 2005-06 was the net result of an increase in claims on nonresidents of Rs54,190 million, or 21.4 per cent, more than offsetting the rise in liabilities to nonresidents of Rs34,427 million, or 23.5 per cent.

Domestic claims grew by Rs22,850 million, or 13.2 per cent, from Rs172,869 million at the end of June 2005 to Rs195,719 million at the end of June 2006, much higher than the increase of 2.3 per cent noted in 2004-05. Of the components of domestic claims, net claims on Central Government rose by Rs3,575 million, or 8.8 per cent, from Rs40,418 million at the end of June 2005 to Rs43,993 million at the end of June 2006. Claims on Other Sectors went up by Rs18,637 million, or 16.1 per cent, while Claims on Bank of Mauritius increased by Rs225 million, or 1.7 per cent, over the same period. Claims on NonBank Deposit-Taking Institutions rose by Rs413 million, or 12.9 per cent, to Rs3,605 million.

Deposits included in broad money expanded by Rs34,195 million, or 14.6 per cent, from Rs234,660 million at the end of June 2005 to Rs268,855 million at the end of June 2006, lower than the rise of 25.0 per cent recorded in the previous fiscal year. This expansion stemmed from increases of Rs5,187 million, or 9.5 per cent, in savings deposits and of Rs44,609 million, or 47.3 per cent, in time deposits, offsetting the fall of Rs15,600 million, or 18.0 per cent, in transferable deposits. Table III.15 shows the Banks Survey as at end-June2004, end-June 2005 and end-June 2006.

Non-Bank Deposit-Taking Institutions Survey

Total assets (liabilities) of non-bank deposit-taking institutions grew by Rs4,133 million, or 17.1 per cent, from Rs24,123 million at the end of June 2005 to Rs28,256 million at the end of June 2006, compared to an increase of 20.1 per cent registered in 2004-05.

Domestic claims went up by Rs4,101 million, or 17.0 per cent, from Rs24,177 million at the end of June 2005 to Rs28,278 million at the end of June 2006 reflecting the increase of Rs4,367 million, or 22.4 per cent, in claims on other sectors offsetting the falls of Rs695 million, or 83.6 per cent, and Rs264 million, or 12.8 per cent, in net claims on central bank and claims on Central Government, respectively.

Deposits included in broad money expanded by Rs3,498 million, or 22.1 per cent, from Rs15,799 million at the end of June 2005 to Rs19,297 million at the end of June 2006. The bulk of the increase was accounted for by the growth of Rs3,446 million, or 23.4 per cent, in time deposits and the edging up of savings deposits by Rs53 million, or 5.0 per cent.

Securities other than shares included in broad money rose by Rs124 million, or 53.6 per cent, from Rs232 million to Rs356 million during fiscal year 2005-06. Table III.16 shows the Non-Bank Deposit-Taking Institutions Survey as at end-June 2004, end-June 2005 and end-June 2006.

Capital Market Developments

The Stock Exchange of Mauritius Ltd

During fiscal year 2005-06, the stock market

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

	Jun-04 (1)	Jun-05 (2)	Jun-06 (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)*
1. Net Foreign Assets	**-51.6**	**-54.2**	**-21.9**	**-2.6**	**5.0**	**32.3**	**-59.6**
Claims on Nonresidents	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to Nonresidents	51.6	54.2	21.9	2.6	5.0	-32.3	-59.6
2. Domestic Claims	**20,129.7**	**24,176.6**	**28,277.5**	**4,047.0**	**20.1**	**4,100.9**	**17.0**
A. Net Claims on Central Government	2,095.6	2,066.4	1,801.9	-29.2	-1.4	-264.4	-12.8
B. Claims on Other Sectors	15,117.3	19,475.4	23,842.0	4,358.1	28.8	4,366.6	22.4
C. Claims on Central Bank	716.7	831.8	136.8	115.1	16.1	-695.0	-83.6
D. Claims on Banks	2,200.1	1,803.0	2,496.8	-397.0	-18.0	693.7	38.5
3. ASSETS = LIABILITIES	**20,078.1**	**24,122.5**	**28,255.6**	**4,044.4**	**20.1**	**4,133.1**	**17.1**
4. Liabilities to Central Bank	**29.7**	**22.4**	**19.2**	**-7.3**	**-24.7**	**-3.2**	**-14.2**
5. Deposits Included in Broad Money	**12,736.7**	**15,799.1**	**19,297.3**	**3,062.5**	**24.0**	**3,498.1**	**22.1**
A. Transferable Deposits	0.3	0.0	0.0	-0.3	-100.0	0.0	0.0
B. Savings Deposits	981.8	1,056.2	1,108.7	74.5	7.6	52.5	5.0
C. Time Deposits	11,754.7	14,742.9	18,188.6	2,988.2	25.4	3,445.7	23.4
6. Securities other than Shares included in Broad Money	**139.5**	**231.6**	**355.7**	**92.1**	**66.0**	**124.2**	**53.6**
7. Liabilities to Banks	**3,212.6**	**2,864.8**	**3,302.7**	**-347.9**	**-10.8**	**437.9**	**15.3**
8. Other	**3,959.6**	**5,204.7**	**5,280.7**	**1,245.0**	**31.4**	**76.0**	**1.5**

Figures may not add up to totals due to rounding.

rallied strongly buoyed by bullish market sentiment and sustained portfolio investments by non-residents. Over the period, gains were fairly widespread across sectors but with banks and insurance as well as leisure and hotels leading the market. The key stock market indices namely, Semdex, Semtri (Rs) and Semtri (US$), breached several record highs during the period under review.

Starting July 2005, Semdex, Semtri(Rs) and Semtri(US$) reflecting robust market activity, rose steadily to reach highs of 832.40, 1,987.05, and 1,027.38 respectively on 30 September 2005. From then onwards, stock market activity however declined slightly with the 3 market indices remaining more or less range-bound. After reaching a low on 22 December 2005, the 3 indices recouped their earlier decline and by 19 January 2006, had breached above the highs recorded in September 2005. For the first time ever, Semtri(Rs) crossed above the 2,000 mark to 2,022.44 on 20 January 2006. The stock market extended its gains and at the trading session on 15 March 2006, Semdex, Semtri(Rs) and Semtri(US$) attained all time highs of 857.49, 2,089.14 and 1,063.03 respectively. Thereafter, amid mounting market uncertainty ahead of the Budget Speech 2006-07 scheduled on 9 June 2006, Semdex, Semtri(Rs) and Semtri(US$) steadily declined to lows of 796.70, 1968.45, and 998.87 respectively on 8 June 2006. With the Government's decision to remove all items of income exemptions, except those relating to dividends to avoid double taxation, the stock market recovered and finished fiscal year 2005-06 on a strong note.

The number of domestic listed companies on the stock exchange stood at 41 as at end June 2006 compared to 40 as at end June 2005. Naïade Resorts Ltd was officially listed on the stock market on 23 November 2005 with an opening share price of Rs49.90. Market capitalisation as at 30 June 2006 stood at Rs83.9 billion compared to Rs68.2 billion as at 30 June 2005. There were 253 trading sessions on the Official Market in 2005-06, with the aggregate value of transactions amounting to Rs4.6 billion for a volume of 286.2 million shares and debentures transacted, compared to 252 trading sessions in 2004-05, with an aggregate value of transactions amounting to Rs3.2 billion for a volume of 151 million shares and debentures transacted. The turnover recorded on the Over-the-Counter (OTC) Market was Rs764.7 million with a volume of 31.8 million shares transacted during the 101 sessions held in 2005-06 compared to a value transaction of Rs907.2 million, with a volume of 44.3 million shares transacted during the 100 sessions held in 2004-05.

The SEMDEX increased from 723.53 at the end of June 2005 to 841.39 at the end of June 2006. The SEM-7 increased from 153.69 on 30 June 2005 to 184.63 on 30 June 2006. The SEMDEX and the SEM-7 hit intra-fiscal year lows of 716.95 and 152.26 on 06 July 2005 respectively.

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 and as at 30 June 2006, the composition was as follows: The Mauritius Commercial Bank Ltd, New Mauritius Hotels Ltd, State Bank of Mauritius Ltd, Sun Resorts Ltd, Mon Trésor Mon Désert Ltd, Rogers and Company Ltd and Naïade Resorts Ltd. Air Mauritius Ltd, Ireland Blyth Ltd and Shell (Mauritius) Ltd formed part of the Reserve List for the SEM-7.

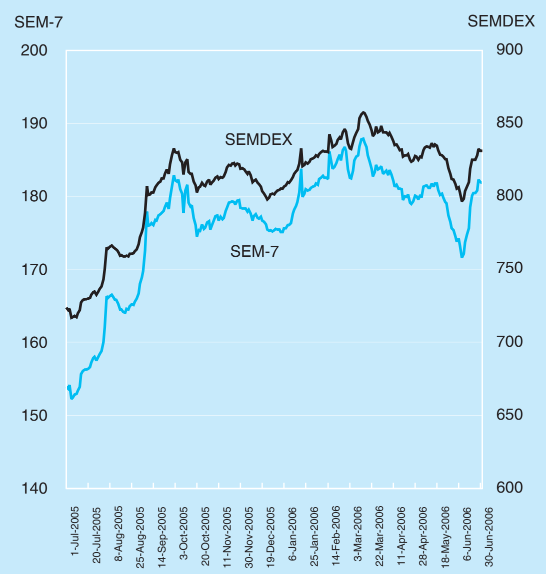
The SEM Total Return Index (SEMTRI), in rupee terms, which includes price earning ratios and dividend earnings, besides measuring daily price changes on listed stocks, rose by 22.0 per cent, from 1,706.12 as at end-June 2005 to 2,081.23 as at end-June 2006 while in US dollar terms, it increased by 16.6 per cent, from 905.05 to 1,054.84.

During 2005-06, foreign investors continued to invest heavily in the local stock market. Excluding the transactions on Courts (Mauritius) in December 2005 and on the State Bank of Mauritius Ltd in April 2006 for a combined amount of Rs1,708.5 million, foreign investors purchased shares amounting to Rs1,514.6 million and sold shares for Rs194.5 million bring foreign investors' net investment to Rs1,320.1 million in 2005-06 up from Rs624.6 million in 2004-05. Foreign investors' purchases were the highest in February 2006 at Rs182.7 million while sales peaked in May 2006 at Rs35.1 million in May 2006.

Chart III.11 shows the movements in the SEMDEX and SEM-7 during 2005-06.

As from 15 December 2003, Government of Mauritius Treasury Bills as well as Bank of Mauritius Bills are listed on the Stock Exchange. Purchases

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



on the Stock Exchange of the Government of Mauritius Securities/Bank of Mauritius Bills, 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 2006, the Bank of Mauritius has listed an amount of Rs477.0 million of Treasury Bills on the Stock Exchange, of which total sales on the Official Market, which are restricted to individuals only, and trade between customers amounted to Rs367.1 million.

The SEM was admitted as a member of the World Federation of Exchanges (WFE) at the 45th General Assembly and Annual Meeting of the of the WFE held in Mumbai on 01 November 2005. In addition, the SEM established the Development and Enterprise Market (DEM), a new market designed for companies currently quoted on the OTC Market and also for small and medium enterprises (SMEs). The official launch is on 4 August 2006. The listing requirements of the DEM are less stringent than the Official Market with a minimum market capitalisation of Rs20 million and a minimum requirement of 10% of the shareholding to be held in public hands. Moreover, unlike the unregulated OTC market, the DEM will be open to foreign investors. Around 43 companies representing a market capitalisation of about Rs30.94 billion will be listed on the DEM at the official opening. This new market will initially trade 3 times a week, but the SEM is planning to extend trading to 5 times a week as from February 2007. Two indices will track the evolution of the Development & Enterprise Market over time namely, the DEMEX and the DEMTRI, which are respectively a price index and a total return index.

Other Financial Corporations

Development Bank of Mauritius Ltd (DBM)

The Development Bank of Mauritius Ltd (DBM) is the agency that implements various specialised financial assistance schemes initiated by Government. The DBM supports the socio-economic development of the country by providing affordable finance to both micro units and large scale enterprises in various sectors of the economy namely, Agriculture and Agro-Industry, Small and Medium Enterprises, Manufacturing, Construction, Tourism and ICT.

The subsidiary companies of DBM are (i) the First City Bank Ltd, which holds a banking licence issued by the Bank of Mauritius (ii) SME Fund Management Company Limited whose main activity is to provide management services to small and medium scale enterprises, (iii) National Equity Fund Ltd which provides risk capital to mostly private sector companies in Mauritius through primarily equity and equity related investments, (iv) DBM Financial Services Ltd, which is involved in the recovery of loans and advances in respect of the ex-MCCB bank in liquidation and (v) DBM Properties Development Ltd, which has been set up to spearhead the construction of a building in Port Louis.

Total assets of the DBM grew by Rs495 million, or 6.9 per cent, from Rs7,221 million at the end of June 2005 to Rs7,716 million at the end of June 2006. Equity holdings of the DBM went up by Rs196 million or 29.0 per cent from Rs676 million at the end of June 2005 to Rs872 million at the end of June 2006. Total loans disbursed by the DBM dropped by Rs52 million, or 6.9 per cent, from Rs758 million at the end of June 2005 to Rs706 million at the end of June 2006.

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 increased by Rs3.8 billion, or 11.3 per cent, from Rs33.5 billion at the end of June 2005 to Rs37.3 billion at the end of June 2006. Over the same period, its investments in Government Securities, Treasury Bills and Bank of Mauritius Bills grew by Rs3.0 billion, or 14.4 per cent, from Rs20.8 billion to Rs23.8 billion. Loans disbursed by NPF during fiscal year 2005-06 amounted to Rs0.3 billion. However, total loans outstanding fell by Rs0.2 billion or 11.8 per cent to Rs1.5 billion at the end of June 2006.

IV. GOVERNMENT FINANCE

Government finances in 2005-06 were characterised by higher expenditure than forecast that was partly offset by higher revenue than was initially estimated. Total recurrent revenue amounted to an estimated Rs38.5 billion, compared to Rs38.1 billion estimated originally, reflecting essentially higher tax revenue, which more than offset lower than estimated non-tax revenue. Capital revenue and grants reached an estimated Rs711 million compared to an original estimate of Rs501 million. Overall, total revenue and grants were estimated at Rs39.2 billion, slightly higher than the initial budget estimates of Rs38.6 billion. Total recurrent expenditure reached an estimated Rs41.9 billion, higher than the initial estimates of Rs40.4 billion. The higher than estimated expenditure is mainly due to higher current transfers and subsidies and interest payment on domestic debt. The higher interest payments on domestic debt could, to a large extent, be attributed to the payment of interest following conversion of the bulk of 3-Year Treasury Notes issued in 2004-05 with interest payable at maturity into Treasury Notes on which interest is payable semi-annually. Similarly, the introduction of free bus fares for students and senior citizens and the holding of municipal and village council elections have involved together an additional cost of Rs625 million. Capital expenditure, however, stood at Rs7.0 billion, lower than the initial estimates of Rs7.9 billion. As a result of equity investment by Capital Fund, lending minus repayments was estimated at Rs724 million, in contrast to a negative figure of Rs87 million estimated initially. Thus, total expenditure and lending minus repayments for 2005-06 reached an estimated Rs49.6 billion, higher than the budgeted estimates of Rs48.1 billion.

The budget deficit for 2005-06 was estimated at Rs10,393 million, compared to the original estimate of Rs9,546 million. As a percentage of GDP at market prices, the budget deficit stood at 5.3 per cent, higher than the initial budgetary estimate of 4.8 per cent. The deficit was financed essentially from banks and the non-bank sector. Financing from abroad amounted to a negative figure of Rs1,149 million.

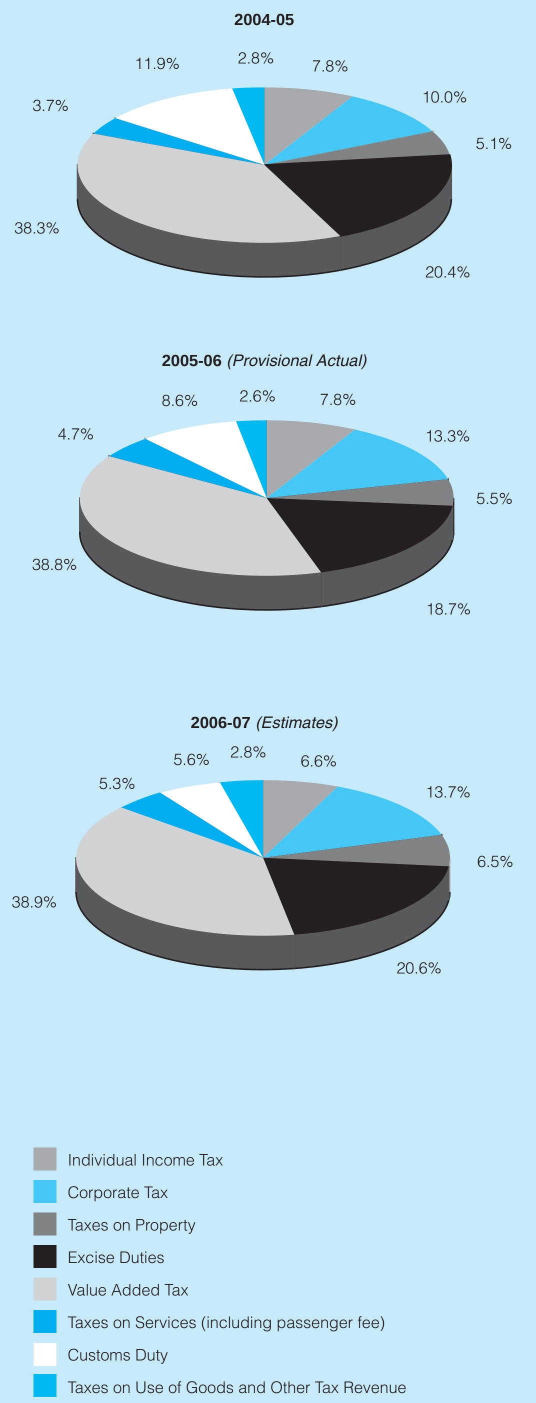
On 11 August 2005, an issuance plan for Government securities for financial year 2005-06 was released to the public. The market was thus informed well in advance of the dates on which Government instruments such as Mauritius Development Loan Stocks (MDLS), Five-Year Government of Mauritius Bonds and Treasury Notes would be issued as well as the amount to be issued, except for Treasury Notes. It was the responsibility of the Debt Management Unit of the Ministry of Finance and Economic Development to decide on the amount of Treasury Notes to be issued each month. As regards the detailed characteristics of the instruments issued, a prospectus outlining the salient features was published prior to the issue.

The auctioning of 728-day Treasury Bills was discontinued in August 2005. With a view to providing investors with additional investment instruments, the Bank started the sale, through auction on a yield basis, of 2-Year, 3-Year and 4-Year Treasury Notes with interest payable on a semi-annual basis during fiscal year 2005-06. A total nominal amount of Rs9,607 million was issued. With a view to preventing bunching of interest payments amounting to Rs3.3 billion in 2007-08, the bulk of the 3-Year Treasury Notes issued in 2004-05 has, on 7 June 2006, been converted into Treasury Notes of varying maturities with interest payable semi-annually.

Treasury/Bank of Mauritius Bills are issued on a weekly basis. In the wake of the decision of Government to issue Treasury Bills and other Government securities to meet its borrowing needs, a Sub-Committee on Borrowing Requirements of Government (SBRG) has been set up under the Chairmanship of the Bank and comprises officials from the Bank of Mauritius, the Treasury and the Debt Management Unit. The meetings of the SBRG are held each Wednesday with the objective of determining the nominal amount of Treasury Bills that needs to be issued to meet the weekly borrowing requirements of the Government while ensuring that, on any day over the monitoring week, Government has a minimum operational balance with the Bank. The Tender Amount for the weekly primary auctions of Treasury/BoM Bills is communicated to the public on Wednesday. Given that the primary auctions are held on Fridays, the borrowing requirements of the Government are estimated for the week starting on Friday and ending on the following Thursday.

At the end of June 2006, total public debt amounted to Rs113,477 million, representing an increase of 7.2 per cent on the June 2005 level. As a percentage of GDP at market prices, public debt declined slightly from 58.2 per cent at the end of June 2005 to 57.9 per cent at the end of June 2006. In line with government policy to lengthen the maturity structure of Government debt, medium and long-term debt accounted for 47 per cent of total internal public debt at the end of June 2006, up from around 20 per cent as at end-June 2004. Interest payments on internal and external debt in 2005-06 amounted to Rs7,543 million compared to Rs7,297 million in 2004-05.

Chart IV.1: Composition of Tax Revenue



Revenue and Grants

Total derived revenue and grants went up from Rs36,050 million in 2004-05 to Rs39,206 million in 2005-06, or 8.8 per cent, compared to an increase of 7.0 per cent in the preceding year. As a percentage of GDP at market prices, total derived revenue and grants edged up from 19.8 per cent in 2004-05 to 20.0 per cent in 2005-06. The increase in tax revenue accounted for nearly 81 per cent of the increase in total recurrent revenue. As a percentage of total recurrent revenue, the share of tax revenue declined from 93.0 per cent in 2004-05 to 91.9 per cent in 2005-06. Conversely, the share of non-tax revenue rose from 7.0 per cent in 2004-05 to 8.1 per cent in 2005-06.

Tax revenue registered a rise of 8.1 per cent, from Rs32,719 million in 2004-05 to Rs35,382 million in 2005-06, lower than the increase of 12.6 per cent recorded in the preceding year. The increase in tax revenue was driven essentially by increases in corporate tax and value added tax, partly offset by declines in customs duty and excise duties. The buoyancy of tax revenue with respect to GDP at market prices was 1.0 in 2005-06, down from 1.3 in 2004-05. Taxes on Income, Profits and Capital Gains, Taxes on Goods and Services, and Taxes on Property went up by 28.1 per cent, 3.0 per cent and 15.5 per cent, respectively.

Taxes on goods and services rose by Rs762 million, or 3.0 per cent, from Rs25,195 million in 2004-05 to Rs25,957 million in 2005-06, compared to an increase of 9.9 per cent in 2004-05. As a percentage of tax revenue, the share of taxes on goods and services fell from 77.0 per cent in 2004-05 to 73.4 per cent in 2005-06. Net revenue from VAT amounted to Rs13,710 million, reflecting an increase of Rs1,181 million, or 9.4 per cent, on the corresponding figure of Rs12,529 million for 2004-05. The buoyancy of VAT with respect to GDP edged down to 1.2 from 1.3 in 2004-05. Excise duties went down by Rs52 million to Rs6,618 million. Customs duty fell by Rs853 million, from Rs3,899 million in 2004-05 to Rs3,046 million in 2005-06, or

Table IV.1: Classification of Government Revenue and Grants

(Rs million)

	2003-04	2004-05	2005-06 Provisional Actual	2006-07 Estimates
1. Tax Revenue	**29,068**	**32,719**	**35,382**	**38,562**
Taxes on Income, Profits and Capital Gains	**4,669**	**5,829**	**7,469**	**7,800**
	(16.1)	*(17.8)*	*(21.1)*	*(20.2)*
Individual Income Tax	2,265	2,553	2,768	2,525
	(7.8)	*(7.8)*	*(7.8)*	*(6.5)*
Corporate Tax	2,405	3,276	4,701	5,275
	(8.3)	*(10.0)*	*(13.3)*	*(13.7)*
Taxes on Property	**1,469**	**1,680**	**1,940**	**2,509**
	(5.1)	*(5.1)*	*(5.5)*	*(6.5)*
Land and Real Estate	339	409	538	785
	(1.2)	*(1.3)*	*(1.5)*	*(2.0)*
Financial Transactions	1,130	1,271	1,402	1,724
	(3.9)	*(3.9)*	*(4.0)*	*(4.5)*
Taxes on Goods and Services	**22,917**	**25,195**	**25,957**	**28,218**
	(78.8)	*(77.0)*	*(73.4)*	*(73.2)*
(a) Excise Duties	5,756	6,670	6,618	7,945
	(19.8)	*(20.4)*	*(18.7)*	*(20.6)*
(b) Taxes on Services	1,097	1,209	1,329	1,685
of which:	*(3.8)*	*(3.7)*	*(3.8)*	*(4.4)*
(i) Tax on Gambling	980	1,075	1,185	1,345
	(3.4)	*(3.3)*	*(3.3)*	*(3.5)*
(ii) Tax on Hotel Bills	116	133	144	340
	(0.4)	*(0.4)*	*(0.4)*	*(0.9)*
(c) Passenger Fee	-	26	345	375
	(-)	*(0.1)*	*(1.0)*	*(1.0)*
(d) Taxes on Use of Goods	836	862	911	1,053
	(2.9)	*(2.6)*	*(2.6)*	*(2.7)*
(e) Value Added Tax	11,191	12,529	13,710	15,000
	(38.5)	*(38.3)*	*(38.7)*	*(38.9)*
(f) Customs Duty	4,037	3,899	3,046	2,160
	(13.9)	*(11.9)*	*(8.6)*	*(5.6)*
Other Tax Revenue	**13**	**14**	**16**	**35**
	(0.0)	*(0.0)*	*(0.0)*	*(0.1)*
2. Non-Tax Revenue	**3,920**	**2,474**	**3,114**	**3,631**
3. Capital Revenue	**70**	**414**	**222**	**110**
4. Total Derived Revenue	**33,058**	**35,606**	**38,717**	**42,303**
5. Grants	**618**	**444**	**489**	**790**
6. Total Derived Revenue and Grants	**33,676**	**36,050**	**39,206**	**43,093**
7. Total Derived Revenue and Grants as a % of GDP	**20.3**	**19.8**	**20.0**	**20.0**

Figures in brackets are percentages of Tax Revenue.
Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

21.9 per cent, compared to a decline of 3.4 per cent in 2004-05. The decline was largely due to the reduction in duty rates on a number of imported products announced in the 2005-06 Budget Speech. As a percentage of tax revenue, the share of customs duty fell from 11.9 per cent in 2004-05 to 8.6 per cent in 2005-06.

Revenue from taxes on income, profits and capital gains went up by Rs1,640 million, from Rs5,829 million in 2004-05 to Rs7,469 million in 2005-06, or 28.1 per cent, higher than the 24.8 per cent increase registered in 2004-05. Individual income tax went up by Rs215 million, from Rs2,553 million in 2004-05 to Rs2,768 million in 2005-06, or 8.4 per cent, compared to an increase of 12.7 per cent in 2004-05. The buoyancy of individual income tax with respect to GDP fell from 1.4 in 2004-05 to 1.1 in 2005-06. Corporate tax increased significantly by Rs1,425 million, from Rs3,276 million in 2004-05 to Rs4,701 million in 2005-06, or 43.5 per cent, up from an increase of 36.2 per cent in 2004-05. The increase in revenue from corporate tax accounted for 86.9 per cent of the increase in revenue from taxes on income, profits and capital gains. The buoyancy of corporate tax with respect to GDP increased from 3.9 in 2004-05 to 5.6 in 2005-06. As a percentage of total tax revenue, the share of taxes on income, profits and capital gains went up from 17.8 per cent in 2004-05 to 21.1 per cent in 2005-06.

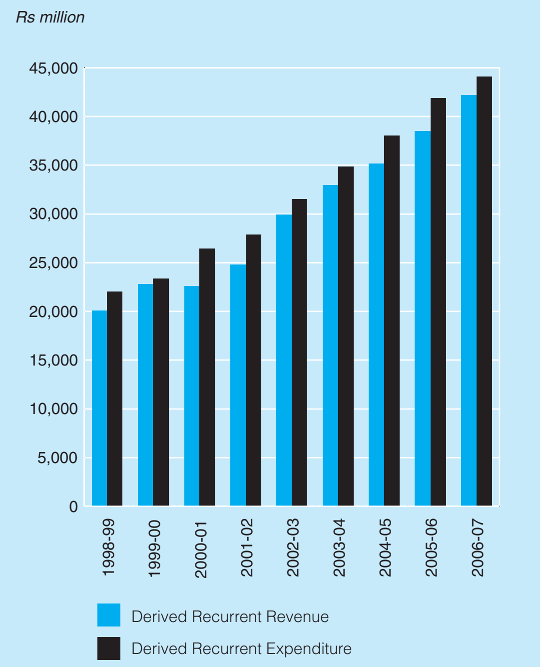
Taxes on property went up by Rs260 million, from Rs1,680 million in 2004-05 to Rs1,940 million in 2005-06, or 15.5 per cent, marginally higher than the increase of 14.4 per cent registered in 2004-05. As a percentage of tax revenue, the share of taxes on property rose from 5.1 per cent in 2004-05 to 5.5 per cent in 2005-06.

Non-tax revenue, which comprises mainly property income and fees, charges and sales, rose by Rs640 million, from Rs2,474 million in 2004-05 to Rs3,114 million in 2005-06, or 25.9 per cent, as against a 36.9 per cent decrease recorded in 2004-05, reflecting mainly remittances of profit by the Bank of Mauritius amounting to Rs600 million in 2005-06.

Derived capital revenue fell significantly by Rs192 million, from Rs414 million in 2004-05 to Rs222 million in 2005-06. Grants received by Government increased by Rs45 million, from Rs444 million in 2004-05 to Rs489 million in 2005-06.

Table IV.1 gives details on Government revenue and grants for the years 2003-04 through 2006-07. Chart IV.1 shows the composition of tax revenue for the years 2004-05 through 2006-07.

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



2005-06: Provisional Actual.
2006-07: Estimates.

Expenditure and Lending minus Repayments

Total derived expenditure and lending minus repayments went up from Rs45,075 million in 2004-05 to Rs49,599 million in 2005-06 or 10.0 per cent, up from an increase of 5.9 per cent in 2004-05. As a percentage of GDP at market prices, total derived expenditure and lending minus repayments rose from 24.8 per cent in 2004-05 to 25.3 per cent in 2005-06. Current expenditure grew by Rs3,873 million in 2005-06 while capital expenditure went up by Rs615 million over the same period. Lending minus repayments increased from Rs688 million in 2004-05 to Rs724 million in 2005-06. As a percentage of total derived expenditure, current expenditure edged up from 85.7 per cent in 2004-05 to 85.8 per cent in 2005-06. Conversely, the share of derived capital expenditure declined marginally from 14.3 per cent to 14.2 per cent over the same period.

Derived recurrent expenditure went up by 10.2 per cent, from Rs38,042 million in 2004-05 to Rs41,915 million in 2005-06, compared to a rise of 9.0 per cent in the preceding year. Increases of 2.4 per cent, 15.5 per cent and 8.5 per cent were recorded in interest payments, current transfers and subsidies, and expenditure on goods and services, respectively, in 2005-06.

Interest payments on both local and external loans went up by Rs171 million, from Rs7,184

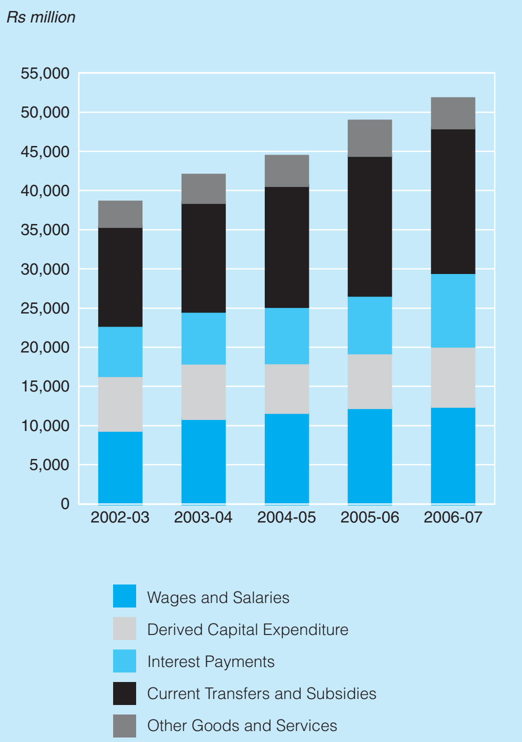
Table IV.2: Distribution of Government Expenditure

(Rs million)

	2003-04	2004-05	2005-06 Provisional Actual	2006-07 Estimates
1. Derived Recurrent Expenditure	**34,885**	**38,042**	**41,915**	**44,090**
Expenditure on Goods and Services	14,403	15,417	16,721	16,232
	(41.3)	*(40.5)*	*(39.9)*	*(36.8)*
(a) Wages and Salaries [1]	10,901	11,674	12,301	12,460
	(31.2)	*(30.7)*	*(29.3)*	*(28.3)*
(b) Other Goods and Services	3,502	3,743	4,420	3,772
	(10.0)	*(9.8)*	*(10.5)*	*(8.6)*
Interest Payments	6,586	7,184	7,355	9,410
	(18.9)	*(18.9)*	*(17.5)*	*(21.3)*
(a) External	206	216	269	298
	(0.6)	*(0.6)*	*(0.6)*	*(0.7)*
(b) Domestic	6,380	6,968	7,086	9,112
	(18.3)	*(18.3)*	*(16.9)*	*(20.7)*
Current Transfers and Subsidies	13,897	15,441	17,839	18,448
	(39.8)	*(40.6)*	*(42.6)*	*(41.8)*
(a) Subsidy on Rice and Flour	396	417	431	-
	(1.1)	*(1.1)*	*(1.0)*	*(-)*
(b) Income Support for Rice and Flour	-	-	-	85
	(-)	*(-)*	*(-)*	*(0.2)*
(c) Transfers to Local Government & Rodrigues	1,873	2,049	2,146	2,093
	(5.4)	*(5.4)*	*(5.1)*	*(4.7)*
(d) Contributions to NPF and Public Service Pensions	6,886	7,657	8,579	9,291
	(19.7)	*(20.1)*	*(20.5)*	*(21.1)*
(e) Other Subsidies and Current Transfers	4,742	5,318	6,684	6,979
	(13.6)	*(14.0)*	*(15.9)*	*(15.8)*
2. Capital Expenditure	**7,078**	**6,345**	**6,960**	**7,663**
3. Total Derived Expenditure	**41,963**	**44,387**	**48,875**	**51,753**
4. Lending minus Repayments	**604**	**688**	**724**	**-107**
5. Total Derived Expenditure and Lending minus Repayments	**42,567**	**45,075**	**49,599**	**51,646**
6. Total Derived Expenditure and Lending minus Repayments as a % of GDP	**25.6**	**24.8**	**25.3**	**24.0**

[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.

Chart IV.3: Composition of Government Expenditure



2005-06: Provisional Actual.
2006-07: Estimates.

million in 2004-05 to Rs7,355 million in 2005-06, or 2.4 per cent, compared to an increase of 9.1 per cent, or Rs598 million, in 2004-05. Interest payments on domestic loans went up by Rs118 million, from Rs6,968 million in 2004-05 to Rs7,086 million in 2005-06. Interest payments on external loans grew by Rs53 million, from Rs216 million in 2004-05 to Rs269 million in 2005-06. As a percentage of derived recurrent expenditure, total interest payments fell from 18.9 per cent to 17.5 per cent over the same period.

Current transfers and subsidies went up by Rs2,398 million, from Rs15,441 million in 2004-05 to Rs17,839 million in 2005-06, or 15.5 per cent, higher than the rate of 11.1 per cent registered in 2004-05. Some 62 per cent of the increase is accounted for by increases in subsidies and transfers. Total subsidies and transfers went up by Rs1,476 million, from Rs7,784 million in 2004-05 to Rs9,260 million in 2005-06, or 19.0 per cent, higher than the rate of 11.0 per cent in the preceding year. Subsidy on rice and flour rose by Rs14 million to Rs431 million. Transfers to local government and Rodrigues grew by Rs97 million to Rs2,146 million. Contributions to the National Pensions Fund and public service pensions went up by Rs922 million, from Rs7,657 million in 2004-05 to Rs8,579 million in 2005-06, or 12.0 per cent, higher than the rate of 11.2 per cent in 2004-05. As a percentage of derived recurrent expenditure, current transfers and subsidies increased from 40.6 per cent in 2004-05 to 42.6 per cent in 2005-06.

Expenditure on goods and services went up by Rs1,304 million, from Rs15,417 million in 2004-05 to Rs16,721 million in 2005-06, or 8.5 per cent, compared to a growth of 7.0 per cent in 2004-05. Expenditure on wages and salaries and other goods and services increased by Rs627 million and Rs677 million, respectively, in 2005-06. As a percentage of derived recurrent expenditure, expenditure on goods and services declined from 40.5 per cent in 2004-05 to 39.9 per cent in 2005-06.

Capital expenditure rose by Rs615 million, from Rs6,345 million in 2004-05 to Rs6,960 million in 2005-06, or 9.7 per cent. Lending minus repayment went up by Rs36 million from Rs688 million in 2004-05 to Rs724 million in 2005-06.

Table IV.2 shows the distribution of government expenditure for the years 2003-04 through 2006-07. Charts IV.2 and IV.3 show derived recurrent revenue and derived recurrent expenditure for the years 1998-99 through 2006-07, and the composition of government expenditure for the years 2002-03 through 2006-07, respectively.

Budgetary Operations and Financing of the Deficit

The budget deficit for 2005-06 amounted to Rs10,393 million compared to Rs9,025 million in the previous year. Total derived revenue and grants was estimated at Rs39,206 million and total derived expenditure and lending minus repayment was estimated at Rs49,599 million. The budget deficit as a percentage of GDP at market prices rose from 5.0 per cent in 2004-05 to an estimated 5.3 per cent in 2005-06.

The budget deficit for 2005-06 was financed only from domestic sources. Net foreign financing stood at a negative figure of Rs1,149 million. While gross external loans received by the government stood at Rs496 million in 2005-06, nonresidents disinvested from Treasury Bills to the tune of Rs326 million. Foreign capital repayments amounted to

Rs1,320 million in 2005-06. Domestic financing came essentially from the non-bank sector and banks to the extent of Rs7,040 million and Rs3,745 million, respectively. Financing from the central bank was also positive at Rs838 million in 2005-06.

In line with the policy of Government to lengthen the maturity structure of its debt portfolio, a higher amount of medium term and long-term Government papers, especially Treasury Notes, was issued in 2005-06. As a result, funds stemming from maturing Treasury Bills were channelled by banks and non-bank institutions into medium and longer-term securities. Thus, in terms of instruments, only medium and long-term securities were used to finance the budget deficit. The net issue of Treasury Bills amounted to a negative figure of Rs2,260 million in 2005-06 while the net issue of Treasury Notes amounted to Rs9,539 million. The net issue of

Table IV.3: Budgetary Operations and Financing

(Rs million)

	2002-03	2003-04	2004-05	2005-06 Provisional Actual	2006-07 Estimates
1. Total Derived Revenue and Grants	**30,298.1**	**33,675.8**	**36,050.2**	**39,206.2**	**43,093.0**
2. Total Derived Expenditure and Lending Minus Repayments	**39,532.8**	**42,567.3**	**45,074.9**	**49,598.8**	**51,646.0**
3. Budget Deficit (1-2)	**-9,234.7**	**-8,891.5**	**-9,024.7**	**-10,392.6**	**-8,553.0**
4. Foreign Financing (Net) (a+b-c)	**86.7**	**-486.4**	**484.1**	**-1,149.2**	**-258.0**
(a) Gross External Loans Received (excluding IMF)	759.9	726.8	1,187.4	496.2	690.0
(b) Foreign Invesment in Treasury Bills	163.0	-330.8	226.6	-325.9	-
(c) Foreign Capital Repayments	836.2	882.4	929.9	1,319.5	948.0
5. Domestic Financing (Net) (A+B+C+D)	**9,148.0**	**9,377.9**	**8,540.6**	**11,541.8**	**8,811.0**
A. Monetary Authorities (a+b+c-d)	**-7,787.1**	**10,261.4**	**1,498.1**	**837.7**	
(a) Government Stocks	-728.5	-6.1	0.1	0.7	
(b) Treasury Bills	-297.4	655.8	1,498.5	690.9	
(c) Advances	0.0	0.0	0.0	0.0	
(d) Deposits	6,761.2	-9,611.7	0.5	-146.1	
B. Banks (a+b+c+d+e-f)	**10,283.1**	**3,608.6**	**4,062.6**	**3,745.4**	
(a) Government Stocks	-150.4	257.4	-504.9	255.8	
(b) Treasury Bills	10,412.4	2,513.6	1,058.2	-430.7	
(c) Advances	0.0	0.1	-0.1	0.0	
(d) Five-Year Government Bonds	169.8	564.5	529.8	820.9	
(e) Treasury Notes	-	-	2,971.8	3,646.4	
(f) Deposits	148.7	-273.0	-7.8	546.9	
C. Non-Bank Sector (a+b+c+d)	**6,802.9**	**-3,462.3**	**6,030.4**	**7,039.5**	
(a) Government Stocks	421.4	1,934.3	2,281.5	1,509.7	
(b) Treasury Bills	5,747.2	-6,807.7	-8,676.7	-2,520.1	
(c) Five-Year Government Bonds	634.2	1,411.1	1,469.0	2,157.6	
(d) Treasury Notes	-	-	10,956.6	5,892.4	
D. Other Domestic Financing	**-150.9**	**-1,029.8**	**-3,050.5**	**-80.8**	
6. Ratio of Budget Deficit to GDP at market prices (Per cent)	**6.2**	**5.4**	**5.0**	**5.3**	**4.0**

Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

Mauritius Development Loan Stocks (MDLS) and 5-year Government of Mauritius Bonds amounted to Rs1,766 million and Rs2,979 million respectively, compared to Rs1,777 million and Rs1,999 million, respectively, in 2004-05.

Table IV.3 shows the financing of the budget deficit by type of debt holder and instrument for the years 2002-03 through 2006-07.

Public Debt

Total public debt, consisting of internal and external public debt, increased by Rs7,661 million, from Rs105,816 million at the end of June 2005 to Rs113,477 million at the end of June 2006, or 7.2 per cent, compared to an increase of 13.2 per cent

Chart IV.4: Composition of Public Debt as at end-June 2006

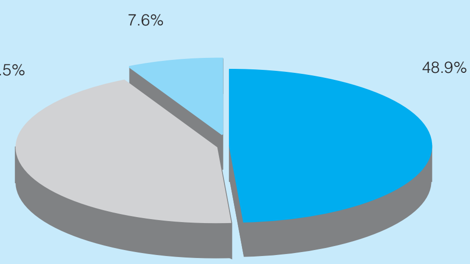


Table IV.4: Public Debt

(Rs million)

OUTSTANDING AS AT END-JUNE	2002	2003	2004	2005	2006
1. Short-term Obligations	**55,287.4**	**74,138.3**	**68,332.9**	**58,731.2**	**55,474.3**
(a) Treasury Bills [2]	55,287.0	74,137.9	68,332.5	58,730.8	55,473.9
(b) Advances from Bank of Mauritius	0.0	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	**11,808.0**	**12,274.3**	**16,669.4**	**37,852.9**	**49,354.7**
(a) Government Stocks	11,808.0	11,408.0	13,803.1	15,765.0	17,705.8
(b) Five-Year Government of Mauritius Bonds	-	866.3	2,866.3	4,866.3	7,866.3
(c) Treasury Notes	-	-	-	17,221.6	23,782.7
3. Internal Public Debt (1+2)	**67,095.4**	**86,412.6**	**85,002.3**	**96,584.1**	**104,829.0**
4. External Public Debt	**8,785.0**	**9,074.0**	**8,444.9**	**9,232.1**	**8,648.4**
(a) Foreign Loans	8,465.0	8,549.7	8,320.4	8,882.0	8,641.5
(b) Foreign Investment in Treasury Bills	320.0	524.3	124.5	350.1	6.9
5. Public Debt (3+4)	**75,880.4**	**95,486.6**	**93,447.2**	**105,816.2**	**113,477.4**
6. Public Debt as a % of GDP at market prices	**55.3**	**63.7**	**56.3**	**58.2**	**57.9**
DEBT CHARGES DURING FISCAL YEAR ENDED 30 JUNE	**2002**	**2003**	**2004**	**2005**	**2006 [1]**
7. Amortisation	**1,725**	**1,987**	**2,109**	**2,597**	**3,383**
(a) Internal	1,017	1,151	1,227	1,667	2,063
(b) External	708	836	882	930	1,320
8. Interest	**4,589**	**6,473**	**6,690**	**7,297**	**7,543**
(a) Internal	4,360	6,273	6,472	7,069	7,262
(b) External	229	200	218	228	281
9. Total Debt Servicing (7+8)	**6,314**	**8,460**	**8,799**	**9,894**	**10,926**

1 Provisional Actual.
2 Excluding Treasury Bills held by foreign investors.
Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

in 2004-05. As a percentage of GDP at market prices, total public debt fell from 58.2 per cent at the end of June 2005 to 57.9 per cent at the end of June 2006.

Internal Debt

Total internal public debt increased by Rs8,245 million, from Rs96,584 million at the end of June 2005 to Rs104,829 million at the end of June 2006, or 8.5 per cent, compared to a rise of 13.6 per cent in 2004-05. As a percentage of GDP at market prices, total internal debt edged up from 53.2 per cent at the end of June 2005 to 53.5 per cent at the end of June 2006.

Government short-term obligations, made up of Treasury Bills, dropped by Rs3,257 million, from Rs58,731 million at the end of June 2005 to Rs55,474 million at the end of June 2006, representing a fall of 5.5 per cent compared to a decline of 14.1 per cent in 2004-05. As a percentage of total internal public debt, Government short-term obligations decreased from 60.8 per cent at the end of June 2005 to 52.9 per cent at the end of June 2006.

Reflecting largely new issues of Treasury Notes, MDLS and Five-Year Government of Mauritius Bonds, medium and long-term obligations of the Government grew by 30.4 per cent, from Rs37,853 million at the end of June 2005 to Rs49,355 million at the end of June 2006. Five-Year Government of Mauritius Bonds for a nominal amount of Rs3,000 million and MDLS for a nominal amount of Rs2,800 million were issued during the year 2005-06. Stocks for a total nominal amount of Rs859 million were redeemed during 2005-06. In fiscal year 2005-06, the Bank started the sale, through auction on a yield basis, of 2-Year, 3-Year and 4-Year Treasury Notes with interest payable on a semi-annual basis. A total nominal amount of Rs9,607 million was issued. In addition, with a view to preventing bunching of interest payments amounting to Rs3.3 billion in 2007-08, on 7 June 2006, the bulk of the 3-Year Treasury Notes issued in 2004-05 has been converted into Treasury Notes of varying maturities on which interest is payable semi-annually. The share of medium and long-term obligations of the Government in total internal public debt thus moved up from 39.2 per cent at the end of June 2005 to 47.1 per cent at the end of June 2006.

External Debt

Total external public debt declined by Rs584 million, from Rs9,232 million at the end of June 2005 to Rs8,648 million at the end of June 2006. Gross disbursements and amortisation during the year amounted to Rs496 million and Rs1,320 million, respectively. Interest payments and other charges amounted to Rs281 million. Foreign loans decreased by Rs240 million, from Rs8,882 million as at end-June 2005 to Rs8,642 million as at end-June 2006. Foreign investment in Treasury Bills registered a significant decrease of Rs343 million, from Rs350 million as at end-June 2005 to Rs7 million as at end-June 2006.

The external debt of financial public corporations and non-financial public enterprises increased by Rs435 million, from Rs14,665 million at the end of June 2005 to Rs15,100 million at the end of June 2006. Disbursements and capital repayments amounted to Rs6,058 million and Rs6,924 million, respectively, during fiscal year 2005-06 while interest payments and other charges amounted to Rs745 million.

The external debt of the private sector decreased by Rs112 million, from Rs2,170 million at the end of June 2005 to Rs2,058 million at the end of June 2006. Total disbursements and capital repayments in 2005-06 amounted to Rs480 million and Rs591 million, respectively. Interest payments amounted to Rs6 million for the period under review.

The total stock of external debt of the government, financial public corporations, non-financial public enterprises and the private sector declined by Rs261 million, from Rs26,067 million at the end of June 2005 to Rs25,806 million at the end of June 2006.

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, increased from 6.5 per cent to 8.4 per cent in 2005-06.

Table IV.4 gives details on public debt from end-June 2002 to end-June 2006. Chart IV.4 shows the composition of public debt as at end-June 2006.

Budget 2006-07

The 2006-07 Budget was, to a large extent, dictated by the loss of preferences in the sugar and textile sectors and the need to create an environment conducive to high growth and job creation. In this respect, forty major reforms have been announced to facilitate investment, open up the economy, reform the labour market, consolidate social policies, control waste and secure efficiency gains in the public sector, enforce fiscal consolidation and discipline, reform the tax system and broaden the circle of opportunities. It is estimated that financing of the forty reforms would require Rs150 billion over a period of 10 years.

To facilitate investment, Government will, inter alia, make it easier for businessmen to start a business, do away with the need for a development permit, rationalise the forty activities covered by development permits into three main clusters, namely services, industrial and commercial, facilitate foreign investment by establishing clear guidelines that allow starting up without government clearance, integrate the EPZ and non-EPZ sectors and do away with all investment certificates except for the Integrated Resort Scheme (IRS) and the Freeport. Government will open up the economy by attracting foreign talent, know how, ideas, technology and money to absorb the unemployed, upgrade skills and raise earnings of workers.

With regard to labour reform, Government will, inter alia, link wages to productivity, shift protection from jobs to workers and integrate the various labour markets into one regime with the same rules and procedures for all.

In the area of social policies, Government will, inter alia, rationalise the fragmented social assistance schemes to make social insurance fiscally sustainable and equitable, streamline transfers and subsidies while better protecting the poor, consolidate social policies against the backdrop of an aging population and save the pension system by taking account of changes in life expectancy and a decline in the number of workers supporting those who are retired. The retirement age will gradually be raised from 60 to 65 years, both in the public and private sectors. This will be done by adding one month to the retirement age every two months, starting August 2008 and achieving the target in 2018.

To control waste and secure efficiency gains in the public sector, Government will rationalise programmes, institutions and financing, combat abuse, clamp down on wastage and improve service delivery. In this respect, Government announced that it would close down the DWC and the Police Garage and review Government involvement in casinos.

With regard to fiscal consolidation and discipline, Government will ensure that government borrowing is limited to the financing of investment, net public debt ratio to GDP is on a downward track and total expenditure remains constant after adjusting for inflation. Audit Committees have been set up in five key ministries to contribute to effective and efficient management. Sector Ministry Support Teams have been set up to assist the sector ministries in the formulation of Sector Policy, embedding these policies in a Medium Term Expenditure Framework consistent with the macro-fiscal framework and formulation of the Budget.

In the area of taxation, Government will, inter alia, reform the tax system to make it simple and fair, unify in steps the Corporate Tax and Income Tax to a single rate, review capital allowances to end the bias against investment in people, make all those with similar incomes pay the same taxes and those with more income pay more taxes, introduce a National Residential Property Tax, remove lower income taxpayers from the tax roll, cut customs duties to move to a low tax platform, increase the purchasing power of consumers, eliminate the need for exemptions and move faster towards a duty free island, review VAT, rationalise excise duties to comply with the WTO and harmonise taxation rates across products, review taxes on cars to make ownership more affordable, lower registration duty to promote economic activity and increase penalties to encourage compliance, introduce new taxes to protect the environment, levy temporary solidarity charges to assist the most vulnerable, and ensure taxpayer compliance and step up enforcement.

To broaden the circle of opportunities, Government will, inter alia, set up an innovative and comprehensive Economic Empowerment Programme, tackle high female unemployment and low earnings of women, radically improve the support framework for new entrepreneurs and SMEs, and expand the range of financing instruments for micro enterprises and SMEs.

Various measures were also announced in the banking and financial sectors. The Securities Act, which currently provides for the setting up of Securities Exchanges only, will be reviewed to empower the Financial Services Commission (FSC) to approve the setting up of other types of Exchanges. To democratise the economy, the Over the Counter Market will be phased out and a

Development and Enterprise Market with less stringent criteria than for official listings on the Stock Exchange of Mauritius will be set up. The range of banking activities conducted from Mauritius will be expanded by making amendment in the Banking Act to provide for private banking services. The DBM will be restructured. DBM will concentrate on its financial intermediation and will transfer its industrial parks. All industrial parks owned by Government entities will be consolidated under one management. DBM will also separate its debt collection into a separate arm and create two financing windows. The first window will intervene on behalf of Government to offer below market financing and quasi-equity while the second window will offer loans at market rates but with flexible conditions. The second window will be regulated by the Bank of Mauritius.

The budget deficit for the year 2005-06 is now estimated at Rs10,393 million, representing 5.3 per cent of GDP, up from 4.8 per cent originally estimated. For the year 2006-07, the budget deficit is estimated at Rs8,553 million or 4.0 per cent of GDP. Total revenue and grants is estimated to increase by 9.9 per cent from Rs39,206 million to Rs43,093 million. Total expenditure is expected to rise by only 4.1 per cent from Rs49,599 million to Rs51,646 million. Government will seek to mobilise about Rs3 billion or US$100 million of foreign financing as a blend of market and concessional financing including grants. But, for budget planning purposes, Government has made provision to borrow domestically all the required financing. With external financing estimated at a negative figure of Rs258 million, Government will raise Rs8,811 million from domestic sources.

V. EXTERNAL TRADE AND BALANCE OF PAYMENTS

The current account of the balance of payments deteriorated significantly to record a higher deficit of Rs10,356 million in 2005-06 compared with Rs6,321 million registered in 2004-05. The deterioration largely reflected the worsening in the merchandise account, which has been to a certain extent offset by the combined surpluses on the services, income and current transfers accounts. In relation to GDP, the deficit on the current account represented 5.3 per cent in 2005-06 compared to 3.5 per cent in 2004-05.

The merchandise account of the balance of payments registered a higher deficit of Rs25,690 million in 2005-06 from Rs20,344 million in 2004-05. On a balance of payments basis, total imports (f.o.b.) increased by 20.9 per cent, from Rs78,201 million in 2004-05 to Rs94,539 million in 2005-06, driven by a higher import bill for petroleum products and a sharp increase in imports of telecommunications equipment. Together, these two items accounted for more than 50 per cent of the increase in total imports (c.i.f.). Total exports (f.o.b.) increased by 19.0 per cent, from Rs57,857 million in 2004-05 to Rs68,849 million in 2005-06, largely attributable to a rise in 'other exports', in particular in the value of goods procured in Mauritian ports by non-resident carriers and re-exports of telecommunications equipment.

The capital and financial account, inclusive of reserve assets, recorded net inflows of Rs4,159 million in 2005-06 compared to net inflows of Rs3,380 million in 2004-05. Exclusive of reserve assets, the capital and financial account recorded net inflows of Rs1,140 million in 2005-06 compared to net inflows of Rs247 million in 2004-05.

For 2006-07, the deficit in the merchandise account, inclusive of the purchase of two new aircrafts and the disposal of two others, has been projected to widen further to Rs30,714 million. The

Table V.1: Balance of Payments

(Rs million)

	2002-03	2003-04	2004-05 [1]	2005-06 [2]	2006-07 [3]
Current Account	**3,554**	**1,383**	**-6,321**	**-10,356**	**-10,934**
Goods	**-8,645**	**-10,457**	**-20,344**	**-25,690**	**-30,714**
Exports f.o.b.	53,247	54,203	57,857	68,849	74,302
Imports f.o.b.	61,892	64,660	78,201	94,539	105,016
Imports c.i.f.	66,267	69,586	84,324	101,206	113,286
Services	**10,014**	**11,271**	**12,484**	**12,352**	**15,779**
Income	**-47**	**-1,002**	**-134**	**1,341**	**1,553**
Current Transfers	**2,232**	**1,571**	**1,673**	**1,641**	**2,448**
Capital and Financial Account	**-5,612**	**-1,168**	**3,380**	**4,159**	**10,934**
Capital Account	**-57**	**-40**	**-28**	**-98**	**-100**
Financial Account	**-5,555**	**-1,128**	**3,408**	**4,257**	**11,034**
Direct Investment	1,760	964	-887	578	1,600
Portfolio Investment	-615	-743	-325	-1,679	-1,050
Other Investment	2,399	1,876	1,487	2,339	5,023
Reserve Assets	-9,099	-3,225	3,133	3,019	5,461
Net Errors and Omissions	2,058	-215	2,941	6,197	0

1 Revised. 2 Estimates. 3 Projections.

Notes: (a) Import data for 2002-03 are inclusive of import of aircraft (Rs1,073 million).
(b) Import data for 2003-04 are inclusive of import of aircraft (Rs219 million).
(c) Import data for 2004-05 are inclusive of import of aircraft (Rs120 million).
(d) Export data for 2005-06 are inclusive of sale of aircrafts (Rs670 million).
(e) Import data for 2005-06 are inclusive of import of aircraft (Rs125 million) and marine vessel (Rs21 million).
(f) Import data for 2006-07 are inclusive of import of aircrafts (Rs6,700 million).
(g) Export data for 2006-07 are inclusive of sale of aircrafts (Rs465 million).
(h) As from 2002-03, data on imports and exports include transactions through the Mauritius Freeport.
(i) As from 2005-06, income data include interest income of banks

surplus on the services account of the balance of payments is projected to expand at a sustained pace, due mainly to anticipated higher surpluses on the travel account. The surplus on the income account is projected to increase slightly while the surplus on the current transfers account is projected to rise significantly in fiscal year 2006-07, benefiting mainly from the European Union monetary compensation for the shortfall in sugar export revenue arising from the phased-in reduction in EU sugar prices. Together, the combined surpluses on the services, income and current transfers accounts would fall short of offsetting the deficit in the merchandise account and as a result, the current account is forecast to record a deficit of Rs10,934 million in 2006-07. In relation to GDP, the deficit on the current account would represent 5.1 per cent in 2006-07.

Table V.1 gives a summary of the balance of payments accounts for the years 2002-03 through 2006-07.

Services, Income and Current Transfers

The surplus on the services account dropped by 1.1 per cent, from Rs12,484 million in 2004-05 to Rs12,352 million during the year under review, reflecting higher deficits on both the 'other services' and transportation accounts. The travel account recorded a higher surplus, increasing by 22.6 per cent from Rs16,402 million in 2004-05 to Rs20,112 million in 2005-06. Gross tourism earnings rose from Rs24,097 million in 2004-05 to Rs28,571 million in 2005-06 although the number of tourist arrivals to Mauritius grew by only 4.9 per cent from 735,495 in 2004-05 to 771,889 in 2005-06. The depreciation of the domestic currency vis-à-vis the euro and to a lesser extent vis-à-vis the US dollar contributed to the higher tourism earnings as most hotels are priced in euro and US dollar. Total visitor nights spent increased from 7,285,000 in 2004-05 to 7,510,000 in 2005-06, while the average length of stay per tourist declined from 9.9 nights in 2004-05 to 9.7 nights in 2005-06. Expenditure on foreign travel by residents increased by 9.9 per cent to Rs8,459 million in 2005-06. The deficit in the "other services" account increased substantially from Rs631 million in 2004-05 to Rs3,044 million in 2005-06. The transportation account recorded a higher deficit of Rs4,716 million in 2005-06 compared to Rs3,287 million in 2004-05, reflecting a combination of higher freight charges and increased volume of imports.

Chart V.1: Components of the Current Account

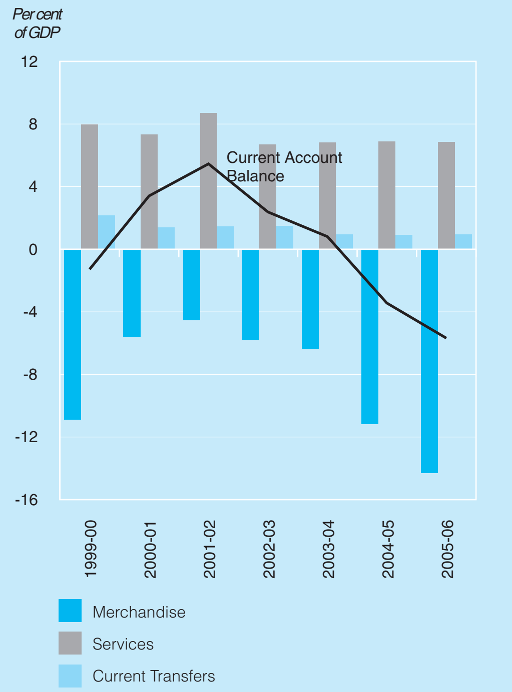
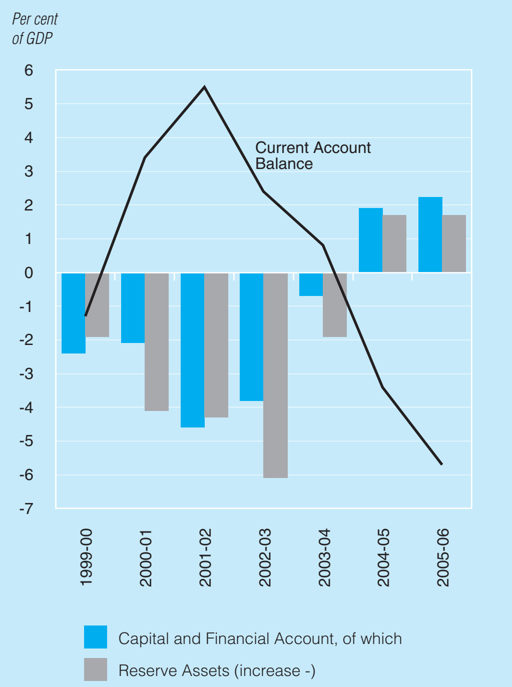


Chart V.2: Financing of the Current Account



The income account posted a net inflow of Rs1,341 million in 2005-06. It may be noted that income data from 2005-06 onwards are not comparable with past data because of the inclusion of interest income earned and paid on banks' foreign assets and liabilities with effect from the first quarter of 2005-06. The surplus on the current transfers account decreased from Rs1,673 million in 2004-05 to Rs1,641 million in 2005-06.

Chart V.1 shows the main components of the current account for the fiscal years 1999-00 through 2005-06. Chart V.2 shows the financing of the current account from 1999-00 through 2005-06.

Capital and Financial Account

During 2005-06, foreign direct investment in Mauritius recorded net inflows of Rs1,564 million as against net outflows of Rs61 million in 2004-05. Gross foreign direct investment in Mauritius stood at Rs4,683 million in 2005-06, largely due to investment directed to the tourism sector (Rs2,496 million) as developments under the Integrated Resorts Scheme (IRS) gathered pace and to the banking sector (Rs435 million). However, disinvestments from Mauritius were quite significant at Rs3,119 million in 2005-06 partly as a result of nonresidents' disposal of shares in the banking sector of nearly Rs1.5 billion and in the commercial sector of around Rs750 million.

Direct investment abroad by residents registered net outflows of Rs986 million in 2005-06 compared to net outflows of Rs826 million in the preceding fiscal year. Gross foreign direct investment by Mauritian residents stood at Rs1,783 million in 2005-06 and was mainly directed to the tourism sector in the Maldives and Seychelles, the manufacturing sector in Madagascar and the agricultural sector in Mozambique. Residents' repatriation of foreign direct investment from abroad amounted to Rs797 million, the bulk being disinvestments from the agricultural sector in Mozambique (Rs613 million).

Consequently, direct investment recorded net inflows of Rs578 million in 2005-06 as against net outflows of Rs887 million in 2004-05. Portfolio investments recorded net outflows of Rs1,679 million in 2005-06, higher than the net outflows of Rs325 million registered in 2004-05. This reflected higher net portfolio investments abroad effected by residents, which rose from Rs1,135 million in 2004-05 to Rs2,674 million in 2005-06 and more than offset the increase in nonresidents' net portfolio investments in Mauritius, from Rs810 million a year earlier to Rs995 million in 2005-06.

Loan receipts on account of Government amounted to Rs496 million in 2005-06 while capital repayments totalled Rs1,320 million, implying a net outflow of Rs824 million. Loan disbursements to public corporations, both financial and non-financial, amounted to Rs6,058 million while capital repayments totalled Rs6,924 million, thus registering a net outflow of Rs866 million in 2005-06 as compared to a net outflow of Rs1,174 million during 2004-05. Private long-term capital movements recorded a net outflow of Rs121 million in 2005-06 compared to a net inflow of Rs217 million during the preceding fiscal year. Short-term net foreign assets of banks, adjusted for balance of payments coverage, increased by Rs5,696 million in 2005-06 as compared to a rise of Rs3,951 million in 2004-05.

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 Rs8,042 million, from Rs53,932 million at the end of June 2005 to Rs61,974 million at the end of June 2006.

Table V.2 shows the monthly level of net international reserves of the country during fiscal year 2005-06.

The major component of net international reserves, namely, net foreign assets of the Bank of Mauritius, fell by Rs242 million, from Rs42,696 million at the end of June 2005 to Rs42,454 at the end of June 2006. Net foreign assets of banks increased by Rs8,725 million, from Rs10,256 million at the end of June 2005 to Rs18,981 million at the end of June 2006.

In terms of import cover, the level of net international reserves of the country at the end of June 2006 represented around 7.4 months of imports based on the value of the import (c.i.f.) bill for fiscal year 2005-06 excluding imports of aircraft, compared with 7.7 months of imports at the end of June 2005. The end-June 2007 level of net international reserves of the country has been projected at Rs60,822 million, equivalent to 6.8 months of imports.

Table V.2: Net International Reserves

(Rs million)

	Bank of Mauritius Net Foreign Assets	Banks' Net Foreign Assets [2]	Others [1]	Net International Reserves
2005				
Jul	41,980	11,338	986	**54,304**
Aug	42,301	11,876	998	**55,175**
Sep	42,210	11,407	1,004	**54,621**
Oct	41,865	11,135	964	**53,964**
Nov	41,021	13,091	955	**55,067**
Dec	41,116	14,664	768	**56,548**
2006				
Jan	41,948	18,036	566	**60,550**
Feb	41,375	19,808	564	**61,747**
Mar	41,412	20,418	566	**62,396**
Apr	42,307	20,002	534	**62,843**
May	43,192	19,282	542	**63,016**
Jun	42,454	18,981	539	**61,974**

1 Comprise foreign assets of the Government and the country's Reserve Position in the IMF.
2 With effect from June 2005, comprises the Net Foreign Assets of banks adjusted for transactions of Global Business Licence Holders.

Exchange Rate Developments

Movements in the US dollar, during 2005-06, have been largely influenced by interest rate expectations in the United States. Starting July 2005, the US dollar drew support from a string of positive data including strong retail sales, rising industrial production and narrowing twin deficits. In his semi-annual testimony before the US congress on 20 July 2005, Federal Reserve Chairman, Alan Greenspan, helped to cement market expectations that the US economy was on a solid footing, thereby providing further impetus to the US dollar. As expected on 9 August 2005, the US Federal Reserve raised its federal funds rate by a quarter percentage point to 3.50 per cent. Although the Federal Reserve, in its accompanying statement, said that more 'measured' increases were ahead, market players' disappointment with the Fed's assessment of a relatively low US core inflation somewhat hurt the US dollar. Early September 2005, the US dollar continued to remain vulnerable undermined by market uncertainty over the extent by which Hurricane Katrina would curb US economic growth and about how high US interest rates could climb. US Treasury Secretary John Snow remarks that economic stimulus from rebuilding efforts in the wake of Katrina would boost US 2006 GDP soothed market concerns and eased pressure on the US dollar. In line with market expectations the US Federal Reserve on 20 September 2005 raised its interest rate by another quarter percentage point to 3.75 per cent. In its accompanying statement, the Fed left the door open for further monetary tightening, which helped sustain the US dollar's gains throughout October and November 2005 following the Fed's move to raise its federal funds rate by another quarter percentage point to 4.00 per cent at its policy meeting on 1 November.

In the second week of December 2005, the US dollar suffered a setback on emerging market concerns that the Fed might be nearing the end of its tightening cycle. The dollar's losses were compounded by talks of diversification of central bank foreign exchange reserves away from the US dollar. Market fears of an end to the Fed's policy tightening took hold as the Fed dropped its reference to policy "accommodation" in its outlook statement at its meeting of 13 December despite raising its interest rates by another 25 basis points to 4.25 per cent. Data releases showing that the US trade deficit hit a record high in October 2005 and November 2005 CPI inflation as well as core inflation in check weighed on the US currency. Amid growing expectations of a near-term end to the US monetary policy tightening, the US dollar in the first two weeks of January 2006 came under further downward pressure. Market concerns that the US dollar early sell-off was overdone as well as US data on industrial capacity use at its highest rate in five years and sharp increases in oil prices bolstered the case for further interest rate hikes on renewed fears of rising inflation. Data showing US consumer prices falling unexpectedly by 0.1 per cent in December 2005 but with prices up on the year by 3.4 per cent, the largest calendar-year increase since 2000, reinforced expectations that the Fed would continue to raise rates to contain inflation. As widely expected, on 31 January 2006 at the last FOMC meeting with Alan Greenspan as Chairman, the Fed raised its federal funds rate by 25 basis points to 4.50 per cent. In its accompanying statement, the Federal Reserve, however, dropped the word 'measured', which had appeared in every statement since the central bank started its series of 14 straight rate hikes in June 2004. The Fed's move fuelled expectations that future rate rises would be conditional on US economic data remaining strong. Comments from the new Federal Reserve chairman Ben Bernanke suggesting that US interest rate would keep on rising had limited impact on the US dollar as the market remained cautious about more US interest rate hikes ahead. As expected, on 27-28 March 2006 the Fed increased its federal funds rate by 25 basis points to 4.75 per cent. Market expectations that the Fed could be nearing the end of its rate tightening cycle strengthened in April 2006 after the release of the March FOMC meeting minutes showed that some members had expressed concerns about the dangers of tightening too much.

Finance ministers of the Group of Seven nations, at their meeting in Washington on 22 April 2006, call for major exporting countries to allow greater foreign exchange flexibility to help resolve global imbalances added to the negative sentiment towards the US currency. Dollar sentiment also soured on news that some central banks were diversifying their reserves away from the US currency. On 10 May 2006, the Fed, as expected, lifted its federal funds rate for the 16th straight time by 25 basis points to 5.0 per cent. In its accompanying statement, the Federal Reserve, while stating that further rate tightening would increasingly depend on the US economic outlook, supported the market's view that US interest rate would soon peak. The testimony of the US Treasury Secretary John Snow before the US Senate Banking Committee on 18 May 2006 reiterating his dissatisfaction about China's efforts to increase the flexibility of the yuan, added to the dollar's weakness. The market took these comments as a sign that US officials would accept the US dollar's weakness to help adjust global imbalances. The nomination of Goldman Sachs Chairman Henry Paulson to succeed John Snow as Treasury Secretary towards the end of May 2006 further undermined the US dollar as it did little to dispel suspicions that Washington wanted a weaker dollar. The US dollar, recouped its losses during June 2006 mainly on US inflation concerns reviving expectations that the Federal Reserve would keep monetary policy tightening cycle for longer-than-expected. The Fed eventually raised its federal funds rate by another 25 basis points for the 17th straight month to 5.25 per cent on 28-29 June 2006.

The euro, which started July 2005 on a soft note appreciated against the US dollar thereafter benefiting from dampening expectations of an interest rate cut in the euro zone as pessimism about euro zone growth prospects receded. Position adjustment and weakness of the US currency during August 2005 further supported the euro. The single currency, however, came under pressure in September 2005 as the tighter-than-expected results of Germany's election raised concerns that a German coalition government might find difficulty in pushing forward reforms that economists believed to be vital for the biggest economy of the euro zone. Relatively low interest rate and weak economic outlook in the euro zone compared to the US economy depressed the euro further. Social chaos prevailing in France and in some other European countries in November 2005 added to the weakness of the single currency. On 17 November 2005, the euro reached its intra fiscal-year low of US$1.1671, its weakest level since November 2003.

However, subsequent remarks from ECB officials, including ECB's President, Jean-Claude Trichet, stating that the central bank was ready to raise interest rate after having kept them steady for 2 1/2 years, provided some respite to the euro. As expected, at its governing council meeting on 1 December 2005, the ECB lifted its key refinance rate by a quarter percentage point to 2.25 per cent. The euro appreciated to trade at an average of US$1.1856 in December 2005, drawing support from improving growth and business sentiment in the euro zone, particularly in Germany. The euro further gained ground during January 2006, trading at an average of US$1.2119, amid renewed optimism and further indications that the ECB would do whatever necessary to ensure price stability in the euro zone. Amid position adjustment with the US currency's yield potential still seen as a supportive factor, the euro somewhat eased against the US dollar during February 2006. Against the background of reinforcing market expectations that the ECB would continue with its tightening mode, the ECB raised its key refinance rate to 2.50 per cent at its governing council meeting on 2 March 2006. Data releases thereafter pointing towards an improving euro zone economy and expectations that the ECB would continue to raise interest rates further supported the single currency. On 5 June 2006, the euro reached its intra-fiscal year peak of US$1.2948 on growing expectations that the ECB would hike rates at its governing council meeting by half-percentage point to 3.0 per cent. Disappointment after the ECB raised its key-refinancing rate on 8 June 2006 by only 25 basis points to 2.75 per cent weighed on the euro, which eased somewhat against the US dollar. With several ECB officials expressing concerns over the euro's level, the single currency lost further ground and closed fiscal year 2005-06 trading around US$1.2714.

Starting July 2005, the Pound sterling traded at around US$1.7861 but fell to US$1.7417, its lowest level since 17 December 2003 on 7 July 2005 after a series of bomb blasts in London raised concerns of renewed terrorist attacks in UK. The release of weak UK data on British housing and in consumer spending fuelling expectations of a near term interest rate cut also weighed on the Pound. Minutes of the 6-7 July 2005 Bank of England (BoE) Monetary Policy Committee meeting released thereafter revealed that four out of nine members voted for a 25 basis points cut in the repo rate arguing that a slowdown in consumer spending merited such a move. As widely expected, the BoE cut interest rate for the first time in two years by 25 basis points to 4.50 per cent at the end of its two-day MPC meeting on 3-4 August 2005. The release later of the MPC meeting minutes showing a much closer-than-anticipated vote of 5-4 in favour of the cut and the Bank of England's quarterly inflation report, which confirmed the view that the Bank was in no rush of cutting rates further, provided support to the Pound. The Pound sterling benefiting from the weakness of the US currency, moved higher during September 2005. However, weak UK economic data during October 2005 fuelling market expectations that the Bank of England might cut interest rates sooner or later pulled the Pound down. The relative weakness of the Pound against the US dollar persisted in November 2005 and the British currency attained its intra-fiscal year trough of US$1.7121 on 28 November 2005. The BoE left its repo rate unchanged at both of its MPC meetings in November and December 2005. Amid easing concerns of a UK interest rate cut during December 2005, the Pound sterling, on average, managed to move higher against the US dollar. The release of stronger-than-expected UK economic data namely, UK December 2005 retail sales and robust fourth quarter 2005 economic growth dented expectations of a near-term UK interest rate cut adding support to the Pound in January 2006 to an average of US$1.7658. However, February 2006 data showing a record high UK trade deficit and weaker-than-expected UK consumer inflation rekindled talk of an interest rate cut, which pulled the British currency down to an average of US$1.7477. The relatively bearish sentiment persisted in March 2006 driving the Pound slightly down to an average of US$1.7449. Thereafter drawing support from the general weakness of the US currency and news of major mergers and acquisitions in the UK, the Pound sterling recouped its losses to trade on average at US$1.7649 during April 2006. In May 2006, benefiting from the release of a string of relatively upbeat UK economic data namely strong retail sales and residential house prices amid expectations that the next BoE move might be a hike the Pound hit its intra fiscal-year peak of US$1.8957 on the 15th before easing slightly on profit taking to trade at a monthly average of US$1.8685. The recovery of the US dollar and news that the only hawk in the Bank of England Monetary Policy Committee passed away dampened expectations of a near-term UK rate hike and weighed on the Pound, which traded at an average of US$1.8447 during June 2006.

The Japanese yen, which started the fiscal year 2005-06 trading at ¥111.00 per US dollar, lost ground against the US currency pressured by record high oil prices. However, the Chinese decision to revalue the yuan on 21 July 2005 from 8.28 to 8.11 against the US dollar benefited the Japanese yen, which gained sharply against the US dollar. News that Malaysia had changed the ringgit peg of 3.8 per US dollar to a managed float as well as increasing foreign investment in Tokyo stock market amid growing optimism over the Japanese economy added support to the Japanese currency against the US dollar. On 5 September 2005, the yen, drawing support from expectations that the Japanese Prime Minister Junichiro Koizumi would be re-elected at the upcoming elections, reached its intra-fiscal year peak of ¥109.08 per US dollar. While the election results, which came in as expected, added support to the yen, the Japanese currency could not sustain its gains due to surging oil prices. With the second half of Japan's fiscal year kicking off in October 2005, demand by Japanese investors for foreign securities further strained the yen. Comments from Japanese Prime Minister during November 2005 stating that it was too early for the Bank of Japan (BOJ) to end its ultra-loose "quantitative easing" until deflation was defeated weighed on the Japanese currency. The Japanese yen lost further ground against the US dollar to trade on average at ¥118.51 per US dollar in December 2005 on news that the G-7 finance ministers and central bankers meeting in December 2005 did not discuss the yen's weakness. In January 2006, deriving support from an improvement in business confidence with investors buying back Japan's currency amid position adjustments, the yen rose against the US dollar to trade on average at ¥115.44 per US dollar. The yen lost some ground during February 2006 to trade at an average of ¥117.88 per US dollar. Market expectations that the BOJ would soon end its hyper-loose monetary policy helped the yen to remain range-bound during March 2006 at an average of ¥117.28 per US dollar. In the final week of April 2006, an upbeat Japanese tankan survey and the call from the G-7 finance ministers' meeting for major exporting countries to allow their currencies to rise against the US dollar moved the Japanese currency higher to close April 2006 at ¥114.28 per US dollar. Amid broad-based US dollar weakness early May 2006, the yen came close to its intra-fiscal year peak at ¥109.48 per US dollar on 17 May 2006 but lost ground subsequently to close fiscal year at an average of ¥114.52 per US dollar in June 2006.

Reflecting mainly local market conditions and international trends, the exchange rate of the Mauritian rupee came under downward pressure vis-à-vis the currencies of our major trading partners during 2005-06. On a 12-month running period between June 2005 and June 2006, the rupee, on a daily average basis, depreciated against the US dollar, South African rand, euro and Pound sterling by 5.5 per cent, 2.7 per cent, 1.5 per cent and 1.4 per cent, respectively. The rupee however appreciated by 1.2 per cent against the Japanese yen.

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

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

Indicative Selling Rates	Average for 12 Months Ended June 2005	Average for 12 Months Ended June 2006	Appreciation/(Depreciation) of Rupee Between (1) and (2)
	(Rupees) (1)	(2)	*(Per cent)* (3)
Australian dollar	21.8249	22.9760	(5.0)
Hong Kong dollar	3.7487	3.9949	(6.2)
Indian rupee (100)	66.0437	69.6522	(5.2)
Japanese yen (100)	27.0894	26.7584	1.2
Kenya shilling (100)	37.6294	42.6719	(11.8)
New Zealand dollar	20.2883	20.6428	(1.7)
Singapore dollar	17.5501	18.8326	(6.8)
South African rand	4.7572	4.8889	(2.7)
Swiss franc	23.8787	23.9822	(0.4)
US dollar	28.9187	30.5981	(5.5)
Pound sterling	53.7503	54.5405	(1.4)
Euro	36.7932	37.3613	(1.5)

Note: The daily average exchange rate of the rupee is based on the average selling rates for T.T. and D.D. of banks.

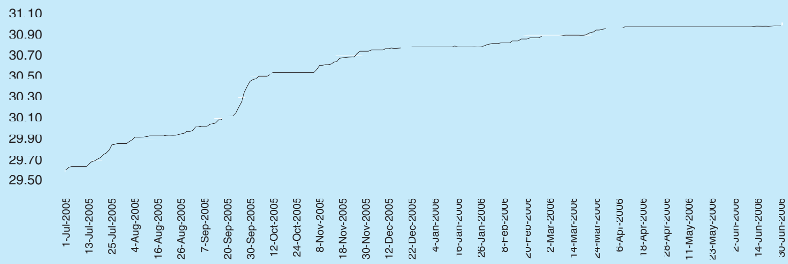
The Mauritian rupee started the fiscal year 2005-06 on a rather firm note, trading at Rs29.6083 against the US dollar, its intra-fiscal year peak. The rupee, which remained more or less range bound until 12 July 2005, subsequently depreciated steadily against the US currency. On 5 August 2005, the Bank of Mauritius raised its Lombard rate by 50 basis points, from 10.00 per cent to 10.50 per cent with a view to dampening inflationary pressures in the economy as well as enhancing the attractiveness of rupee-denominated financial assets. With the US dollar strengthening on the international foreign exchange market, the rupee continued to lose ground against the US dollar breaching above the Rs30 mark on 2 September 2005, for the first time since October 2001 and on 6 December 2005, the Rs/US$ exchange rate stood at Rs30.7547. On 7 December 2005, with a view to stemming inflationary pressures and maintaining the attractiveness of rupee-denominated assets, the Bank of Mauritius raised its Lombard rate by 100 basis points, from 10.50 per cent to 11.50 per cent. At the start of January 2006, the rupee had lost ground only marginally and traded at an average rate of Rs30.7883. Despite a weakening of the US dollar on the international market, the rupee continued to lose ground against the US currency, breaching above Rs30.80 by the end of January 2006 and Rs30.90 on 21 March 2006. By the close of the fiscal year, the rupee was trading at its all-time low of Rs31.0118 against the US dollar, after having breached above the Rs31 mark, for the first time ever, on 28 June 2006.

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 a daily average rate of Rs35.7688 against the euro at the beginning of July 2005, strengthened vis-à-vis the single currency, to trade at its intra-fiscal year high of Rs35.3296 on 5 July 2005. The rupee, thereafter, shed off its gains, moving lower vis-à-vis the euro to breach above the Rs36 mark on 12 July 2005 but remained range-bound until month-end. The rupee resumed its general downward trend against the euro crossing above the Rs37 mark on 9 August 2005. Thereafter reflecting general euro weakness, the rupee gained ground against the single currency trading range-bound between Rs35.8448 and Rs37.1150 until year-end 2005. With the appreciation of the euro on the international front, the rupee started January 2006 on a weak note. The rupee traded mostly above Rs37 against the euro and nearly reached the Rs38 mark, hitting as high as Rs37.9663 on 24 January 2006. Although the rupee managed to dip below the Rs36 level against the euro for a few trading days in February 2006, it could not hold on to its gains. The decline of the rupee vis-à-vis the euro gathered momentum early April 2006 when it crossed the Rs38 level, for the first time since 26 November 2004. The rupee breached above the Rs39 level on 2 May 2006 and beyond an all-time low of Rs40 on 15 May 2006. The rupee thereafter traded in tight ranges against the euro and hit an intra-year low of Rs40.2727 on 5 June 2006 before managing to close the fiscal year 2005-06 at Rs39.7330 per euro.

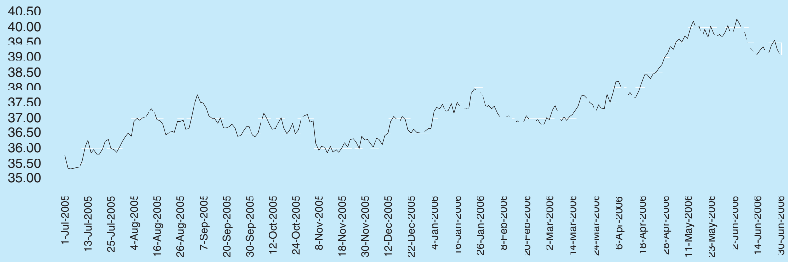
Beginning fiscal year 2005-06, the rupee traded at an average rate of Rs53.002 against the Pound sterling. Thereafter, amid the decline of the Pound on the international market in the aftermath of the London bomb blasts, the rupee gained ground vis-à-vis the British currency to attain its intra-fiscal year high of Rs51.656 on 11 July 2005. The rupee, however, shrugged off its gains vis-à-vis the Pound, trading within tight ranges until the end of July 2005. As the Pound recovered on the international front, the rupee lost ground against the British currency crossing the Rs53 level on 4 August 2005 and breaching above the Rs54 level on 12 August 2005. On 2 September 2005, the rupee had breached above Rs55 against the Pound sterling, trading above that level until 12 September 2005. However, the rupee managed to rebound against the Pound sterling, sinking below Rs54 by 26 September 2005. From then onwards, the rupee traded within narrow ranges against the Pound and even succeeded in dipping below Rs53 between 17 and 28 November 2005. The rupee's gains were, however, short-lived and beginning January 2006, the rupee depreciated further against the Pound to trade above Rs55 towards the end of the month. Nonetheless, the rupee managed to recoup some of its losses as the British currency came under downward pressure on the international front. From 17 April 2006 onwards, the rupee embarked on a downtrend against the Pound breaching several lows above the Rs55 mark on 18 April 2006 and then above the Rs56 mark on 28 April 2006. On 3 May 2006, the rupee, for the first time ever, breached above the Rs57 level and by 10 May 2006 above the

Chart V.3: Movements of the Daily Exchange Rate of the Rupee vis-à-vis Major Currencies: 2005-06

Rs/ US dollar



Rs/ Euro



Japanese yen (Rs per 100 Yen)

Rs/ Pound sterling

Rs/ South African rand

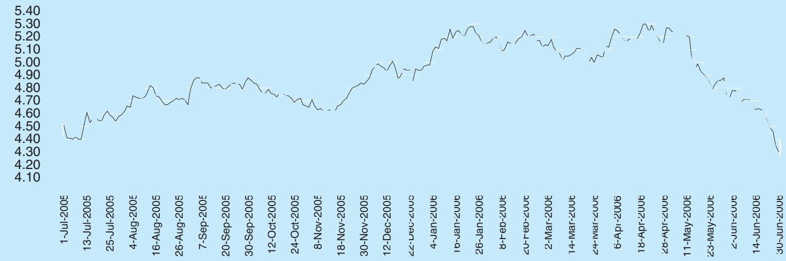


Table V.4: Inward and Outward Remittances of Banks

	Inward Remittances		Outward Remittances		Surplus/ Shortfall(-)	
	(Rs million)	*(US$ million)*	*(Rs million)*	*(US$ million)*	*(Rs million)*	*(US$ million)*
	(1)		(2)		(1) - (2)	
2005						
Jul	7,938	267.1	9,962	335.2	-2,024	-68.1
Aug	7,909	264.3	8,818	294.6	-909	-30.4
Sep	7,368	244.5	9,573	317.7	-2,205	-73.2
Oct	8,904	291.7	10,026	328.4	-1,122	-36.8
Nov	7,905	257.8	7,901	257.7	4	0.1
Dec	8,173	265.6	10,787	350.5	-2,614	-84.9
2006						
Jan	7,753	251.8	8,232	267.3	-479	-15.6
Feb	8,219	266.4	8,561	277.5	-342	-11.1
Mar	9,632	311.6	9,090	294.1	542	17.5
Apr	7,070	228.3	10,340	333.8	-3,270	-105.6
May	7,764	250.6	9,736	314.3	-1,972	-63.7
Jun	7,121	229.8	10,426	336.5	-3,305	-106.7
2005-06	**95,756**	**3,130**	**113,452**	**3,708**	**-17,696**	**-578.2**

Rs58 mark. It attained its intra-fiscal year low of Rs58.920 on 15 May 2006. The rupee, however, recovered against the Pound to close the fiscal year 2005-06 trading at an average rate of Rs57.019.

From an average rate of Rs26.75 per 100 yen on 1 July 2005, the rupee gradually depreciated vis-à-vis the Japanese yen until end September 2005. Thereafter, reflecting the relative weakness of the yen against the US dollar on the international market the rupee managed to recoup its losses vis-à-vis the yen and breached below Rs26 per 100 yen on 15 November 2005 and by 5 December 2005, the rupee was trading at its intra-fiscal year high of Rs25.44 per 100 yen. On the back of the turnaround in the Yen/US$ exchange rate on the international market, the rupee lost ground against the Japanese currency and by 9 January 2006, the rupee was trading at an average rate of Rs27.14 per 100 yen. The rupee remained range-bound against the yen, trading above Rs26.00 but below Rs27.00 per 100 yen until the 25 April 2006, when the rupee crossed above Rs27.00. The downtrend of the rupee against the Japanese yen subsequently intensified and on 10 May 2006, for the first time ever, the rupee breached above the Rs28 level, hitting its intra-year trough of Rs28.47 on 17 May 2006. The rupee thereafter managed to recoup some of its losses to close fiscal year 2005-06 trading at a daily average rate of Rs27.19 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 banks during 2005-06.

VI. REGIONAL COOPERATION

Southern African Development Community (SADC)

In August 2005, SADC celebrated its Silver Jubilee. SADC Summit admitted Madagascar as a new member, bringing the number of SADC Member States to fourteen. Summit also adopted a Protocol on the Facilitation of Movement of Persons in SADC. With a view to establishing a common monetary unit by 2016, SADC central banks continued with the process of harmonizing their monetary policies. The participation of all stakeholders in areas of trade, economic liberalisation and development was again highlighted if the objectives of setting up a Free Trade Area by 2008, a Customs Union by 2010 and, ultimately, a Common Market by 2015 were to be attained. The Committee of Central Bank Governors (CCBG) in SADC held two meetings in the year 2005-06 where the various projects were reviewed.

SADC Summit admitted Madagascar as a new member. The predominantly agricultural economy is expected to contribute to the region's overall agricultural output as well as expand the market for its products and those of other SADC countries. The island's main agricultural products include coffee, cassava, bananas, maize, sugar cane, vanilla, potatoes and rice. Madagascar's mining, oil refinery and tourism, the country's other major industries apart from agriculture, also hold great potential for the opening up of trade and business opportunities in the region. If effectively tapped, economic activity between Madagascar and other SADC Member States will contribute to intra-regional trade, which is expected to increase from the current level of 25 per cent to between 35 and 60 per cent by 2008. Madagascar's main exports are cloves, coffee, fish, meat, petroleum products, sugar and vanilla. The island's growing economy expects to increase mineral exports from about US$100 million to US$150 million each year over the next ten years. With a population of 16.4 million, Madagascar's entry into SADC brings the total population in the SADC region to more than 220 million.

SADC Silver Jubilee Summit, held in Botswana in August 2005, adopted a Protocol on the Facilitation of Movement of Persons in SADC. The Protocol, which aims at enabling the movement of people to other countries in the region, is in line with SADC's duty to promote the inter-dependence and integration of national economies for the harmonious, balanced and equitable development of the region. It recognises the need to involve ordinary citizens of the region centrally in the process of development and integration. The SADC Free Trade Area, planned for 2008, is one of many regional integration efforts that will benefit immensely from the Protocol on Facilitation of Movement of Persons. The new SADC protocol also supports efforts of the African Union, which is encouraging free movement of people across the continent as a stepping stone towards the movement of persons in an eventual African Economic Community. Through the protocol, SADC Member States "agree to make travel documents readily available to their citizens, to cooperate in harmonising travel whether by air, land or water and to increase and improve travel facilities especially between their mutual borders". Member States also undertake to introduce machine readable passports, technologically sensitive passports and other related facilities as circumstances allow.

SADC Member States continued to work towards stabilizing macro-economic variables in preparation for a common currency expected in the next 10 years. SADC central banks are currently harmonizing their monetary policies with a view to establishing a common monetary unit by 2016. The common currency is expected to spur intra-regional trade extensively. There would have to be convergence on fundamentals such as inflation, budget deficits and exchange rate stability as well as currency convertibility. The framework for achieving some of these fundamentals is outlined in the Regional Indicative Strategic Development Plan (RISDP). The RISDP, which targets a common currency by 2016, also sets a target for SADC Member States to attain single digit inflation figures by 2008 and a five per cent ceiling by 2012. SADC hopes to achieve sustained fiscal discipline by targeting budget deficits that are less than 5.0 per cent of GDP by 2008, which can be achieved through tighter expenditure controls and higher revenue collection and tax bases.

Trade, economic liberalisation and development are areas where SADC has set some crucial targets whose achievement requires the participation of all stakeholders. The overall objective is to facilitate trade and financial liberalisation, competitive and diversified industrial development, and increased investment for deeper regional integration through the establishment of a

SADC Common Market by 2015. The regional development blueprint targets to have a SADC Free Trade Area by 2008 and a Customs Union by 2010. Potential areas of cooperation include strengthening the institutional capacity of the SADC Secretariat and Member States; speeding up the regional integration process; addressing complications on the regional trade architecture emanating from overlapping membership; and harmonisation of data on trade, investment and business development. Overlapping membership to regional organisations presents a serious barrier to deeper regional integration and the region's Ministers of Trade will have to meet to discuss options and implications for the region.

The Declaration on a New SADC-ICP (International Cooperating Partners) Partnership was adopted on 27 April 2006 at the SADC Consultative Conference in Namibia. The Windhoek Declaration is closely modelled on the 2005 Paris Declaration on Aid Effectiveness, which seeks to provide guidelines and mechanisms for increasing the impact of external development assistance in accelerating the attainment of the Millenium Development Goals (MDGs). The Declaration also establishes an institutional structure for dialogue on political, policy and technical issues, and improves coordination of efforts between SADC and the ICPs. The New Partnership aims to ensure good governance, strengthened regional capacity and durable peace and security in the region. It will also ensure alignment, harmonisation and streamlining of operational procedures, rules and other practices in the delivery of development assistance to SADC and guarantee synergies and harmonisation of support at national and regional levels. Both parties made specific commitments under the Declaration. These included an undertaking by SADC to exercise leadership in developing, implementing and monitoring the regional development agenda and to translate the RISDP and the Strategic Indicative Plan for the Organ on Politics, Defence and Security Cooperation (SIPO) into prioritised, result-oriented programmes. The ICPs undertook to respect SADC leadership and to assist the region to build its capacity to implement programmes and projects. With regard to the alignment of procedures and rules, the ICPs agreed to base their overall support on the SADC Common Agenda as specified in the RISDP and SIPO. Under the Declaration, SADC commits to intensify efforts to mobilise internal resources and to create an enabling environment for public and private investments while the ICPs commit to providing reliable indicative commitments of aid over a multiyear framework and to disburse the assistance in a timely and predictable manner.

The inaugural session of the SADC and the Government of India Forum was held in Namibia on 28 April 2006. According to the final communiqué, India concurred with the principles and areas of cooperation proposed at the meeting, and agreed to work with SADC in the spirit of South-South cooperation and on the basis of the two regions' comparative and competitive advantages. The government of India reiterated the role of SADC as one of the most important regional organisations in Africa, noting that it attaches utmost importance to further strengthening existing relations and ties with the region in different sectors. India also reiterated its interest in sharing experiences with SADC in meeting the challenges of development in a globalised world, as well as its commitment as a development partner of SADC particularly in jointly identified areas where Indian expertise and SADC's requirements are complementary, and vice versa. The forum agreed to institutionalise the partnership and hold regular meetings at mutually agreed times and venues.

The EU-SADC Investment Promotion Programme (ESIPP), a joint initiative by SADC and the European Union, has been designed to facilitate and simplify investment procedures within the SADC region. Targeted sectors include tourism, mining, agro-industry, light engineering, and construction and building materials sector. The ESIPP addresses the challenge of mobilising both intra-SADC and foreign direct investment into southern Africa. The programme helps in building capacity of private sector intermediaries, such as investment promotion agencies, chambers of commerce, employers' federations or financial institutions. With its own team of consultants, ESIPP provides this kind of assistance on a demand-driven, cost-sharing basis. In addition, the joint programme organises sectoral partnership meetings to bring together investors from SADC and EU as well as other "third countries". These take the form of business-to-business events such as Tourism 2006, which will take place in October in Namibia and Mines 2006, in November 2006 in Zambia. During the fora, one-on-one meetings are facilitated. The joint programme has already organised similar sector partnership meetings focusing on the light engineering industry in Mauritius in February 2006.

The Committee of Central Bank Governors (CCBG) in SADC

During financial year 2005-06, the CCBG meetings were held on 2 September 2005 in South Africa and on 7 April 2006 in Lesotho.

At their bi-annual meeting in September 2005 in South Africa, Governors reflected on the Integrated Paper on Recent Economic Developments in SADC and concluded that SADC countries were indeed moving towards attaining the macroeconomic convergence targets. Governors also signed Memoranda of Understanding (MoUs) in the areas of Information and Communication Technology, Payment Systems and Exchange Control. These were annexed to the Finance and Investment Protocol (FIP). The signing of these MoUs is seen as a major step towards regional co-operation.

In the April 2006 meeting in Lesotho, Governors directed the CCBG Secretariat to undertake a strategic review of its operations to ensure efficient functioning of the CCBG structures. The Governors in the Working Group would look into its work programme, substructures and achievements. It is envisaged that the outcome of the investigation would be submitted to the CCBG at their September 2006 meeting.

SADC Payments System

In order to meet the objective of defining a domestic payment system strategy and development plan, the SADC payment system modernisation process followed a strategic approach to ensure the development of a vision and strategy for each member country focusing on sustainable development of the payment system.

Most of the domestic payment systems are at an advanced stage of modernisation and have adopted the RTGS systems. Nine SADC countries have successfully implemented electronic clearing systems, eight of which have successfully implemented RTGS systems. Further efforts are being made to assist countries with the implementation of RTGS systems, including capacity building.

The SADC Payment Systems Annual Regional Conference was held from 3 to 5 August 2005 in South Africa. The theme of the conference was general payment system developments around the world. Discussion focused on issues relating to cross-border payment developments in large value payments; evaluation of national payment systems against international principles and cross-border settlement issues and models.

The second World Bank International Development Fund (IDF) grant providing funding for the Payment Systems Project activities has been exhausted. A progress report on the development of payment systems in the SADC Region and expenditure of the IDF grant will be prepared and made available to the World Bank for review during the second half of 2006.

SADC Subcommittee on Exchange Control

The CCBG Subcommittee on Exchange Control submitted a report on the status of convertibility of current and capital and financial accounts of SADC countries for 2005. The report consolidates information received from all SADC member central banks on changes to their current account as well as capital and financial account convertibility from July 1999 to December 2005.

As of 31 December 2005, of the fourteen SADC member countries, only three, namely Botswana, Mauritius and Zambia have abolished exchange controls. The remaining eleven SADC countries are still at different stages of liberalisation of exchange controls. In general, much progress has been noted on current account liberalisation relative to the capital and financial account.

Analysis indicates that since July 1999, SADC countries made significant progress towards liberalisation of exchange controls with regard to the current as well as capital and financial accounts. Current account transactions have largely remained liberalised prior to July 1999 when the Subcommittee initiated monitoring of exchange controls in SADC. Further liberalisation measures were taken particularly on the services, income account and capital transfers accounts.

Overall, during that period the changes on the capital and financial account transactions show that where prescribed limits were present they have either been revised upwards or abolished. In cases where they were still allowed, approval was secured from either the central bank or other relevant authority. The more pronounced changes on capital and financial transactions have been effected mostly by countries in the Common Monetary Area (CMA).

Model Central Bank Bill for SADC countries

The Draft Model Central Bank Bill was circulated to the Bank for International Settlements (BIS) and the IMF for further comments. A Legal Workshop for SADC central banks was held from 24 to 26 July 2005 in Zambia to consider the comments and to generally review the Draft Bill. In order to ensure consistency throughout and enhance the drafting style, a legal draftsperson has been requested to re-examine the Draft Model Central Bank Bill. The revised Draft Model Central Bank Bill is being subjected to further consultations and it is envisaged that the Draft Model Central Bank Bill for SADC countries will be submitted to the CCBG for a first reading in the second half of 2006.

SADC Banking Supervision

The SADC Subcommittee of Banking Supervisors (SSBS) has since its formation prepared a Memorandum of Understanding (MoU) on Co-operation and Co-ordination in the Area of Banking Regulatory and Supervisory Matters to be annexed to the FIP. This MoU is subject to approval by SADC Ministers responsible for national financial matters.

The *Compilation Guide on Financial Soundness Indicators* by the IMF will be used as a guide in the preparation of a template for SADC central banks.

SADC Co-operation in the field of Information and Communication Technology

The eleventh IT Forum conference was held from 20 to 24 February 2006 in Swaziland. A major item discussed was the development of an IT Forum action plan in line with the RISDP implementation plan and the business requirements of the CCBG's subcommittees. The IT Forum in conjunction with banking supervisors developed an application (BSA) in support of an improved bank supervision function in SADC central banks in line with best practice. Nine SADC central banks that participated in the BSA project are effectively using the BSA solution. The BSA support office, previously hosted by the South African Reserve Bank, will be relocated to the Banco de Moçambique. To this end, a BSA stakeholders meeting was held on 21 April 2006 in Mozambique to initiate re-location and discuss operational issues.

The majority of SADC central banks have commenced actions towards implementation of the Control Objectives for Information Technology (COBIT) framework. This ICT Governance and Assurance Model was found to be the most suitable internationally accepted, best practice methodology for improving the ICT function in any organisation. Training on COBIT implementation will be provided to ICT directors.

SADC Public-Private-Partnership (PPP) capacity building

The SADC PPP capacity building project continues to contribute to and witness positive developments in the region with regard to PPP. The project is undertaken in association with the Canadian International Development Agency (CIDA). Activities relating to the PPP project have taken place in Botswana, Mauritius, Mozambique and Tanzania. Requests for support were received from Malawi and Zambia. The project has been a channel for a number of positive developments in the PPP area in the region. Examples of such developments are:

(i) The passing of legislation in Mauritius which formally establishes a regulatory framework for PPP.

(ii) An attempt by the Government of Botswana to develop a regulatory framework for PPP by June 2006 and the initiation of a number of PPP projects by the Government of Botswana.

(iii) The commissioning of PPP guidelines by the Government of Tanzania to inform the implementation of its Public Procurement Act.

(iv) The Government of Malawi is soliciting high-level support for PPP through sensitisation and training.

(v) The introduction of an on-line training programme focusing on PPP skills and competency development.

(vi) Initiation of the SADC PPP Attachment facility in partnership with the South African National Treasury's PPP Unit.

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 common aspiration is to become a fully integrated, internationally competitive regional economic community within which there is economic prosperity demonstrated by high living standards of its people, political and social stability and peace, and free cross-border movement of goods, services, capital and labour. The primary means of developing trade are 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 and expansion, investment rationalisation and production integration.

COMESA is the largest regional economic groupings in Africa with 20 member countries. The current members are: Angola, Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The following relate to the major developments reported at the Twentieth Meeting of the Council of Ministers, which was held from 5 to 6 December 2005 at the COMESA Centre in Lusaka, Zambia, and the Twenty-first Meeting of the Council of Ministers in Kigali, Rwanda, from 15 to 16 May 2006.

Economic growth in the COMESA region stood at 5.8 per cent in 2005. The highest performers that achieved growth rates of more than 5 per cent were Angola, Democratic Republic of Congo, Egypt, Ethiopia, Madagascar, Rwanda, Sudan, Uganda and Zambia. The improved growth rates for a number of COMESA member countries, despite the impact of higher oil prices, came as a result of global expansion, notably through higher demand for commodities at higher prices; a significant increase in official development aid to Africa, driven largely by debt relief and emergency assistance; and improving macro-economic stability. In addition, growth has been boosted by a recovery of agricultural production following the drought that affected some of the Eastern African countries and improvements in the security situation. Intra-COMESA trade grew exceptionally by 57.3 per cent in 2005 to reach a record US$7.3 billion from US$4.6 billion in 2004, with DR Congo, Egypt, Kenya, Malawi and Zambia accounting for the largest export value increases and Sudan, Zambia and Zimbabwe for the largest import increases. It was decided that the Secretariat should prepare an analytical paper on intra-COMESA trade, highlighting, among other things, trade volumes, taking into account value and volume changes, the top 10 commodities and direction of trade, for presentation at all meetings of the Committee on Trade and Customs. This integration journey started in December 1981 with the signing of the PTA Treaty, and was followed by COMESA in 1994, the Free Trade Area (FTA) in 2000, and the COMESA Common Investment Area (CCIA) to harmonize investment policies, laws and regulations with the Regional Investment Agency (RIA) based in Cairo, Egypt.

Progress Report on Implementation of Customs Union Road Map

The implementation of the Customs Union Road Map and the state of preparedness towards the launch of the COMESA Customs Union in December 2008 were noted. Member States were urged to submit progress reports to the Secretariat on the implementation of the Road Map for consolidation and circulation prior to every meeting of the Committee and were requested to ensure that all outstanding studies and analytical work be completed within established timelines.

FTA Membership: Member States not yet in the FTA

The following status of tariff reductions were attained by non-FTA countries: Comoros: 80%; Democratic Republic of Congo: 0%; Erithrea: 80%; Ethiopia: 10%; Libya: 0% (new member that joined the COMESA FTA on 3 June 2006); Seychelles: 0%; Swaziland: 0% (under derogation); Uganda: 80%. The following plans for joining the Free Trade Area were noted:

(i) Eritrea was undertaking a study which is expected to be completed soon;

(ii) Ethiopia had completed its studies, but has requested the COMESA Secretariat to undertake a study on the impact of trade diversion on its economy;

(iii) Seychelles was exploring participation in the

FTA with, however, the exclusion of some products from the product coverage of the FTA or on the basis of a tariff phase down for all commodities and a decision was to be made in 2006;

(iv) Swaziland had undertaken consultations with its SACU partner states;

(v) The Union of Comoros and the Libyan Arab Jamahiriya have joined the COMESA Free Trade Area (FTA), bringing the number of participants in the FTA to 13 countries.

(vi) The tariff reform programme undertaken by Seychelles which had introduced a zero tariff rate on 61% of its tariff lines and was planning to introduce the same treatment to up to 81% of its tariff lines by December 2006 and the remainder of its tariff lines by December 2008.

(vii) DR Congo was still holding consultations on its participation in the Free Trade Area; and

(viii) Uganda had completed its national consultations as well as consultations with its EAC partners;

The delay by the non-FTA member States in participating in the FTA, as this was denying Member States market access and impairing the expansion of the FTA and the free flow of goods within the region, was also raised. The importance of consolidating the FTA as a pre-condition for the establishment of the Customs Union was underlined. The Secretariat had undertaken consultations with a number of countries as well as capacity building in various areas such as rules of origin and customs control in order to assist the non-FTA members to join the FTA.

Medium Term Strategic Plan

COMESA has developed a Medium Term Strategic Plan for the period 2006 to 2010 to guide and further refine the region's integration agenda. In this respect, there were challenges that the region needed to tackle. These included value addition to exports and finding innovative approaches to infrastructure financing through measures such as the COMESA Fund. It was decided that:

(i) the medium term strategic plan be sent to member States for further national consultations;

(i) member States should submit their comments and inputs to the medium term strategic plan by 31 July 2006; and

(ii) the consolidated medium term strategic plan should be reviewed by a committee of technical officers from member States before submission to the policy organs meetings in November 2006.

Eastern and Southern Africa Trade and Development Bank (PTA Bank)

The PTA Bank has 19 shareholders and it still acts as a development financial institution and a catalyst for the integration of trade, industrialisation and overall economic development of the COMESA region. The Bank has continued to use various financing instruments to expand its scope of intervention in both the value of loans and the economic sectors covered. There was a notable increase in the level of funds that the Bank was able to mobilize in 2005 and the first quarter of 2006. This increase received a boost from the Bank's credit rating by the Global Credit Rating Agency that awarded an AA+ on the Bank's domestic debt and a BB+ on its foreign currency debt. The Bank was able to secure a new line of credit of US$10.2 million with the Export Development Corporation of Canada (EDC). The Bank was also able to rollover a US$5 million line of credit with the Exim Bank of India. The Bank increased the KBC Bank line of credit to US$10 million from US$5 million while the US$20 million line of credit from the Export Import Bank of China was reactivated following rising demand. The Bank also raised US$11 million in local currency in the bond market in Kenya in 2005. Similar exercises are envisaged for other member countries. The Bank has continued to increase its database of prospective clients, agents and consultants to businesses as part of its marketing efforts. Marketing efforts were increased in order to maintain or enhance the Bank's absorptive capacity for the resources being mobilized and to increase the impact of the bank's interventions. During the financial year ended 31 December 2005 and the period up to the end of the first quarter of 2006, the Bank approved facilities worth US$297 million for project and trade financing transactions. Cumulatively, the Bank has lent out over US$1.8 billion to various economic sectors in member States. Approvals for project finance during the stated period amounted to US$133.5 million and were in support of key projects in manufacturing, infrastructure, tourism, agri-business, transport and mining. In the fiscal year 2005, the Bank has provided total financing under this window amounting to US$163.5 million, which supported both exports and imports. The Bank continues its efforts to increase the number of COMESA countries that can benefit from the Bank's financing activities.

The PTA Bank reported that it did not have the capacity yet to lend beyond 10 years. However, the new corporate plan sought to develop capacity for the Bank to start sourcing resources for moving towards lending beyond 10 years. The Bank had already started raising capital from the capital markets of some of the member States. COMESA Member States that have not yet taken up their membership of the Bank were urged to do so as soon as possible.

COMESA Reinsurance Company (ZEP-RE)

The report of ZEP-RE (PTA Reinsurance Company) points out that:

(i) the Company had written a premium income of US$26.4 million in 2005 compared to US$24.4 million in 2004;

(ii) the total assets of the Company had risen from US$29.6 million in 2004 to US$37.6 million in 2005;

(iii) the Company had made an underwriting profit of US$1.69 million and a net profit of US$1.85million; and

(iv) a dividend of US$300,000 was paid out to members of the Company at the 15th Annual General Assembly held in Nairobi, Kenya on 8 May 2006.

ZEP-RE had admitted the COMESA Secretariat into its membership and maintained the 'AA' local rating and 'BBB-' international rating with Global Credit Rating Agency. ZEP-RE was commended for its work and proposed that Member States be urged to work with it to broaden their capacity by purchasing more shares of ZEP-RE. Egypt reiterated the fact that the re-insurance sector in Egypt was liberalised and ZEP-RE was free to cooperate with Egypt's re-insurance companies. It also noted and agreed with the proposals of Kenya that COMESA member States should step up their support of the activities of ZEP-RE in order to enable the Company achieve its objectives for the benefit of the region. All member States which have yet to join ZEP-RE were urged to do so in order to take advantage of the good investment returns currently available; and participating member States to augment their support by taking up more shares and facilitating the operations of the Company in order to make ZEP-RE strong and more competitive.

African Trade Insurance Agency (ATI)

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 cover for physical damage, liability and business interruption losses due to events of war and terrorism. During 2005, two more states, namely, Madagascar and Democratic Republic of Congo, ratified the agreement establishing the African Trade Insurance Agency, bringing the total membership to eleven. Since 2003, ATI has facilitated about US$135 million of trade and investments in member countries. A new Chief Executive Officer has been appointed and has assumed office in February 2006. ATI is also in the process of strengthening its underwriting force by the recruitment of five commercial and political risk underwriters and a credit analyst. The Agency is also focused on expanding its membership across the various regions of Africa particularly in West Africa and in Eastern and Southern Africa. ATI has expanded its product offering to meet market demand and to align its products with those offered by other Export Credit Agencies in OECD and non-OECD countries. In December 2005, ATI's General Assembly considered and approved in principle capital restructuring by converting current IDA credits extended to countries into equity capital. Restructuring of ATI's capital will allow it to increase its underwriting capacity. Bilateral consultations between ATI and each member country to finalise the process are underway. The Council of Ministers has urged (i) the governments with shareholding in ATI to note the ongoing capital restructuring and support it; and (ii) African countries, especially COMESA member States which are not yet ATI members, to consider joining the Agency to bring the benefits of ATI's products to investors and the business communities in their respective countries.

COMESA Monetary Harmonisation Programme

In order to enhance the implementation of the Monetary Harmonisation Programme, the following was decided:

(i) Member countries should continue to move towards macro-economic convergence;

(ii) Country presentations on progress made towards achievement of macro-economic convergence need to be more analytical with emphasis on how targets had been met and, if missed, reasons for inability to achieve them and types of corrective actions taken. In addition, escape clauses for situations where countries are unable to fulfil convergence criteria as a result of exogenous shocks should be formulated;

(iii) The reporting format of progress reports by countries should be standardized;

(iv) Exchange rate volatility which has significant employment, output and distributional consequences should be minimized;

(v) Mutually supportive safeguards should be put in place to ensure both monetary and financial sector stability;

(vi) Deepening the financial sector will improve liquidity and efficiency. A strong financial sector promotes clarity of monetary policy as well as the transmission of signals for the achievement of the final objectives of price stability;

(vii) Achieving and maintaining relatively stable real interest rates in the economy; and

(viii) Expansion and consolidation of the Free Trade Area. This would necessarily result in the quest for an efficient payment and settlement system, which would ultimately enhance the monetary integration agenda of COMESA.

It was decided that a study on fast tracking the COMESA Monetary Union should be undertaken by the COMESA Secretariat and be presented to different fora for discussion and agreement. The Secretariat has commissioned a study, on behalf of the Monetary and Exchange Rates Policies Sub-Committee on fast tracking the Monetary Union. The study is being undertaken by experts from the Central Banks of Kenya, Uganda and Zambia. A draft quantitative study, which examined the degree of diversity in macro-economic policies of COMESA member countries and made recommendations for the way forward, has been completed and will be reviewed by the Monetary and Exchange Rates Policies Sub-Committee before the end of 2006.

Implementation of Currency Convertibility

The Seventh Meeting of the Council of Ministers, which was held in Nairobi, Kenya, from 20 to 22 May 1999, decided that the implementation of the second phase of the COMESA Monetary and Fiscal Policy Harmonisation Programme should be voluntary and should evolve among member countries with growing cross-border trade and investment and tourism entering the limited currency convertibility arrangement and gradually extend the arrangement to other countries as regional trade and the demand for other regional currencies grow. In the First Meeting on Arrangements for Acceptance of Each Other's Currency by Djibouti, Egypt, Eritrea, Ethiopia, Libya and Sudan which was held from 22 to 23 August 2005, in Lusaka, Zambia, to discuss implementation of currency convertibility among themselves, the central banks of Sudan and Libya expressed willingness in principle to conclude currency convertibility arrangements with Egypt and among themselves and with other countries in the COMESA region with which they have significant trade, subject to modalities that would be mutually agreed upon among themselves. The central bank of Djibouti also expressed its willingness in principle to have currency convertibility arrangements with the members of the Sub-group and with countries with which it has significant trade. Egypt, however indicated, that it needs to assess the implication of its recent acceptance of Article VIII of the IMF, before deciding on the implementation of currency convertibility arrangements within and outside the Sub-group.

The proposed Action Plan for implementation of the currency convertibility within the Sub-group would be further discussed in order to arrive at consensus on implementation by all members of the Sub-group. The Second Meeting of the Sub-Group took place from 17 to 18 April 2006 and agreed on the implementation of the Action Plan. The Northern Cluster met and agreed to implement currency convertibility. The Cluster agreed that the Secretariat should conduct sensitization workshops in the cluster countries. Thereafter the central banks of the countries concerned would issue circulars to authorised foreign exchange dealers to buy and sell the national currencies of the countries in the cluster. The COMESA monetary integration programme was being driven by the central banks and all the technical studies in this area were being undertaken by experts from the central banks.

Financial System Development and Stability

The Terms of Reference and the 2006 Work Programme of the Financial System Development and Stability Sub-Committee were approved. The Financial System Development and Stability Sub-Committee, which is responsible, inter-alia, for developing strategies for diversifying financial institutions and instruments at the national and regional levels and sharing experiences on bank supervision and regulation, has prepared a questionnaire for completion by Member States which will be used to undertake a comparative study of Financial System Development and Stability in the COMESA region. This will be used for the preparation of a Regional Financial System Development and Stability Plan. The Secretariat is awaiting responses from some member countries.

Other Developments

(i) Update on the African Growth Opportunity Act (AGOA)

Under the AGOA Acceleration Act (AGOA III) signed on 12 July 2004, the AGOA, which was due to expire in 2008, was extended to 2015. The Secretariat should (i) analyse the implications of the value-added rule for textiles and clothing as proposed by the African Cotton and Textiles Industries Federation (ACTIF) with a view to providing support to this position; (ii) include in future reports data on US textile and apparel imports from all COMESA member States and Sub-Saharan Africa. COMESA member States should also work together to preserve, within the framework of WTO, the benefits of AGOA; and the Secretariat should also explore the possibility of COMESA entering a long-term contractual relationship with the US on trade relations.

(ii) Report on the Trade and Investment Framework Agreement with the US

The Trade and Investment Framework Agreement (TIFA) between COMESA and the United States government provided for co-operation between COMESA and the US government and its agencies such as the USAID, USDA, TDA, EXIM Bank and OPIC. It further provided a framework for discussion of various issues, such as AGOA where COMESA had been instrumental in the extension of the AGOA and had submitted proposals to make AGOA a contractual agreement. USAID, through their regional centre in Nairobi, and COMESA have had a fulfilling partnership, which has deepened through sustained support of programmes that are of priority to COMESA.

(iii) Collaboration with the World Bank

The dialogue with the World Bank has progressed to the extent that the COMESA Secretariat has agreed with the World Bank on modalities of co-operation, which takes into account the need for COMESA to own programmes and establish priorities. The Bank's assistance to COMESA will entail the establishment of a Grant facility to be administered by the COMESA Secretariat to support the following programmes: Consolidation of the Free Trade Area, Preparation for the Customs Union, The EPA Process, Value Chain Analysis, and Project preparation facility. The proposed modality of co-operation is for the Bank to provide a quick and flexible Draw Down Facility from which COMESA can finance the above activities in the member States and at the Secretariat.

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.

A tender document regarding the acquisition and implementation of a suitable payment solution for cross-border multilateral netting within the COMESA region under the European Commission/ Common Market For Eastern and Southern Africa Regional Integration Support Programme was posted on the COMESA website.

Applicants had up to 12:00 hours Lusaka time on Monday 16 June 2006 to bid for the project. Bidding was restricted to suppliers qualifying as European Union (EU) and African Caribbean and Pacific (ACP) under the relevant regulations of the European Commission/Common Market for Eastern and Southern Africa Regional Integration Support Programme.

The proposed REPSS has to support the following main features:

- Settlement Currency – The payment/ settlement currency of REPSS will be USD.
- Payment and Settlement– Processing of payments and settlement transactions in USD and record keeping in a multi-currency ledger function. Payment and settlement instructions will utilise the S.W.I.F.T. network.
- Holiday files for each participant country and the United States of America must be maintained.
- Position Monitoring – Access to currency position information. Monitoring of all accounts with a consolidated CCH position including Clearing, Central Banks, Commercial Banks, Nostro and Vostro accounts.
- General Accounting – A multi-currency system that can be configured for multi-bank, cross-border environment. Processing functions should include real-time posting, interest accrual, cash management, billing, statements and reports generation. The system should support individual transaction entry and batch entry.
- Liquidity management – The appropriate functionality to manage outgoing and incoming payments over the REPSS environment as well as their liquidity position at the Central Bank.
- Exchange Rate Management – The ability to receive Central Bank countries exchange mid-rates against USD, the calculation of the respective cross mid-rates (agreed daily exchange rates) and the dissemination of these to all Central Banks.
- Interface module to connect to the S.W.I.F.T. network.
- Enquiries, Reporting and Statistical functionality – The production of a wide range of reports including statistical reports at various levels. Statements and various other advices/notifications will be done via the S.W.I.F.T. network.
- Security – Operator access control to specific functions; comprehensive audit trail; prevention of duplication or loss of data; data access security with encryption ability and digital signature.

VII. INTERNATIONAL ECONOMIC DEVELOPMENTS

Output Growth

After registering a growth rate of 5.3 per cent in 2004, the global economy[1] according to IMF's bi-annual World Economic Outlook (WEO) released on 13 September 2006, continued to expand at a fairly robust growth of 4.9 per cent in 2005 and is projected to expand by 5.1 per cent in 2006. The IMF noted that global industrial production had picked up markedly from mid-2005 while the global services sector remained resilient. Consumer confidence and labour market conditions have been strengthening. During the first half of 2006, global expansion has been broad-based, with activity in most regions meeting or exceeding expectations. Looking forward, although the strong global expansion is likely to continue, the IMF warned that threats from inflationary pressures, continued potential for supply-side shocks in the oil market, the risk of a more abrupt slowdown in housing markets, notably in the United States, would represent downside risks to the global economy. In that respect, international institutions have been advocating an orderly resolution of global imbalances with a rebalancing of demand across countries and a realignment of exchange rates over the medium term. Countries with current account deficits will require their currencies to depreciate from current levels, while currencies in surplus countries, namely emerging Asian economies and oil exporting countries, need to appreciate.

Output in the advanced economies, on average, eased from 3.2 per cent in 2004 to 2.6 per cent in 2005 and is projected to grow by 3.1 per cent in 2006. The world's largest economy, the United States, which posted a reasonably healthy performance of 3.2 per cent in 2005, is expected to progress to 3.4 per cent in 2006. In the United States, growth, after climbing to 4.1 per cent in the third quarter of 2005 slowed down markedly to an annualized quarterly rate of 1.7 per cent in the fourth quarter of 2005. US economic growth, which rebounded at an annual rate of 5.6 per cent in the first quarter of 2006, slowed abruptly to 2.6 per cent annual rate in the second quarter of 2006 in the face of headwinds from a cooling US housing market and rising fuel costs. Looking ahead, the risk to the US growth outlook appears to be slanted to the downside, with further cooling of the housing market of major concern. A dampening housing market would continue to undermine residential investment and consumption, including through a decline in confidence, a drop in home equity withdrawal, and lower employment in the real estate and related sectors. Business investment, should however rebound against the background of strong profits and limited spare capacity. With the large US current account deficit expected at 6.6 per cent of GDP in 2006, boosting national saving in the United States through fiscal consolidation and increased private saving.

GDP growth in the euro area decelerated from 2.1 per cent in 2004 to 1.3 per cent in 2005 but is expected to recover sharply to 2.4 per cent in 2006 – its highest rate in 6 years – on the back of increasing domestic demand growth, in particular resilient investment growth. Signs that the recovery in the euro zone is strengthening are evident notwithstanding some slowdown in growth during the final quarter of 2005. Data releases showed that economic growth bounced back to an annualised rate of 2.0 per cent in the first quarter of 2006 from 1.8 per cent in the fourth quarter of 2005. Growth in the second quarter of 2006 picked up by 2.4 per cent, due to strong performances by Germany and France. Looking forward, recent indicators seem to suggest that the pace of expansion in the euro area should be sustained in the second half of 2006. The IMF has noted that risks to the outlook look to be broadly balanced, with the upside potential arising from strong corporate positions offsetting the downside risks related to higher energy prices, elevated house prices in a number of countries and the possibility of a sharp appreciation of the euro in the event of an unwinding of global imbalances. Germany, the largest economy in the euro area, is projected to post healthy growth in 2006 at 2.0 per cent from 0.9 per cent a year ago. Likewise, France and Italy are expected to resume fairly strong growth in 2006. Among the fastest growing economies in the euro zone are Ireland, Luxembourg, Greece, Finland, and Spain, which are all expected to post growth rates above 3.0 per cent in 2006.

The growth rate of the United Kingdom economy experienced a sharp fall from a buoyant 3.3 per cent in 2004 to a mere 1.9 per cent in 2005.

[1] *Following recent revisions to Chinese national accounts data, Chinese share in global GDP (measured on a purchasing power parity basis) increased by 1.5 percentage points to 15.4 per cent. Since China's growth has been relatively high, this has raised global GDP growth by 0.1 percentage point in almost every year since 1992.*

A slowdown in consumption in response to the cooling UK housing market, earlier monetary policy tightening and higher energy prices were among the factors driving the slowdown. Nonetheless, with data releases in the first half of 2006 showing an upturn in British consumer spending, the UK economy is expected to expand more briskly in 2006. The IMF forecasts that the British economy will grow at a rate of 2.7 per cent in 2006. Indeed, in the UK, where labour and product market reforms are relatively advanced, productivity growth has been stronger. The main downside risk to the UK growth outlook remains a weakening of UK house price growth amid a rising interest rate environment.

According to the IMF, Japan's economic expansion remains solidly on track. For the Japanese economy, the IMF projects a growth rate of 2.7 per cent in 2006 from 2.6 per cent in 2005 and 2.3 per cent in 2004. The IMF noted that while export growth has been supported by strong demand in the United States and China and a depreciation of the Japanese yen, the expansion was increasingly being driven by final domestic demand, underpinned by rising employment and buoyant corporate profits.

Economic activity in Emerging Asia is expected to reach 8.3 per cent in 2006 from 8.5 per cent in 2005 and 2004. China alone grew at a stupendous rate of 10.1 per cent in 2004 and 10.2 per cent in 2005. In 2006, the Chinese economy is projected to grow at 10.0 per cent driven by the increased contribution of net exports and investment growth still running at high rates despite the Chinese Government's deliberate policy to slow investment growth to guard against the risk of overheating the economy. Meanwhile, the Thai economy has rebounded from tsunami-related contraction in early 2005, while surging remittance inflows is supporting growth in the Philippines. Singapore benefited from a strong global IT sector growth and demand for pharmaceuticals. GDP growth in Malaysia and Indonesia eased in 2005 due to higher interest rates, the adverse confidence effects of financial market volatility and increases in domestic fuel prices. India, which registered a GDP growth rate of 8.0 per cent in 2004, grew at a higher rate of 8.5 per cent in 2005. In 2006, the growth rate of the Indian economy is set to moderate to 8.3 per cent. In Bangladesh, GDP growth is expected to remain steady at 6.2 per cent in 2006 despite devastating natural disasters and the elimination of international textile trade quotas. Looking ahead, prospects for sustaining strong growth in Asia will be strengthened by continued progress in trade liberalization, improving access to education and steps to promote financial development.

Robust economic expansion continued in Latin America in 2005 with an overall GDP growth of 4.3 per cent, albeit lower than the GDP growth of 5.7 per cent in 2004. Strong global demand for commodities, in particular, fuels and metals benefited many countries within this region. High international oil prices boosted government spending and economic growth in Venezuela, which expanded by 9.3 per cent in 2005 compared to 17.9 per cent in 2004. Rising domestic demand helped Colombia and Peru to improve GDP growth from 4.8 per cent and 5.2 per cent, respectively, in 2004 to 5.1 per cent and 6.4 per cent, respectively, in 2005. Argentina's economic expansion accelerated to a rate of 9.2 per cent in 2005 from 9.0 per cent in 2004, driven by export and domestic demand growth. In contrast, activity in Brazil and Mexico slowed to 2.3 per cent and 3.0 per cent, respectively, in 2005 from 4.9 per cent and 4.2 per cent, respectively, in 2004. Turning to 2006, growth in the Latin American region is projected at 4.8 per cent as both domestic and external demand are expected to remain vigorous.

In emerging Europe, GDP growth moderated to 5.5 per cent in 2005 from 6.6 per cent in 2004 and is projected to ease slightly to 5.4 per cent in 2006. The region has been underpinned by generally robust domestic demand, fuelled by increasing net capital flows and credit growth. Developments across the region however differ, depending on the strength of the forces supporting domestic demand, exchange rate developments and progress in addressing structuring rigidities. Growth in Turkey remained strong at 7.4 per cent in 2005 but is expected to slow more noticeably in 2006 to attain 5.0 per cent in an environment of high inflation and a weakening currency. The Baltic countries have experienced fairly vibrant growth rates in 2005, which are expected to somewhat moderate in 2006. Growth in Central Europe as a whole weakened to 4.3 per cent in 2005 with Hungary, Poland and Slovenia registering declining rates of growth while the Czech Republic and the Slovak Republic witnessed accelerating rates. In 2006, growth in central Europe is expected to pick up to 5.2 per cent.

GDP growth slowed in the Commonwealth of Independent States (CIS) during 2005 to 6.5 per cent from 8.4 per cent in 2004. A particularly sharp slowdown in Ukraine accounted for much of this, although the pace of expansion also moderated in other key countries in the region. Lower-than-potential output growth in the energy sector and political and economic uncertainties that undermined investment contributed to the weaker growth in the region. Looking ahead, GDP is projected to expand by 6.8 per cent in 2006 although they remain heavily dependant on commodity price developments.

Economic activity in Africa continued to expand albeit at a lower rate of 5.4 per cent in 2005, compared to 5.5 per cent in 2004. Sub-Saharan Africa, however, performed better than the rest of the region with a 5.8 per cent growth rate in 2005 up from 5.6 per cent in 2004 on account of higher commodity prices namely, oil and metals. GDP growth in Nigeria, Angola, the Democratic Republic of Congo and Mauritania was boosted by high oil prices while in South Africa and Zambia, economic expansion was supported by surging metal prices. Output in Zimbabwe and the Seychelles continued to decline in 2005. Moreover, the removal of textile quotas has also adversely affected a number of African countries. Looking ahead in 2006, growth in the African continent is projected to remain steady at 5.4 per cent, aided to some extent by the Multilateral Debt Relief Initiative (MDRI) of the IMF, which has granted debt relief amounting to US$2.5 billion to 13 countries in Africa.

Oil-exporting countries in the Middle East, against the background of higher oil revenues due to both higher oil prices and some expansion in production, enjoyed a robust growth of 6.0 per cent in 2005 from 5.8 per cent in 2004. These countries also benefited from rising external current account and fiscal surpluses. Looking forward, although geopolitical risks remain a concern, the outlook for oil-exporting countries remained favourable, given prospects for high oil prices, with regional GDP growth expected to remain at 6.0 per cent in 2006. GDP growth in non-oil exporting countries in the region expanded from 4.3 per cent in 2004 to 4.5 per cent in 2005 and is expected to rise further to 4.7 per cent in 2006.

Inflation

Consumer price inflation in advanced economies, which averaged 2.0 per cent in 2004, is on an uptrend attaining 2.3 per cent in 2005 and expected to reach 2.6 per cent in 2006. In contrast, emerging and developing economies registered an average inflation of 5.3 per cent in 2005, compared to 5.6 per cent in 2004 and is expected to ease to 5.2 per cent in 2006.

In the United States, despite the recent slowing in growth, inflationary pressures have started to edge up as excess capacity in product and labour markets has diminished, energy prices have risen and begun to feed through into some other prices and the restraining effect that globalisation has had on inflation in recent years has faded. US headline CPI inflation increased from 2.7 per cent in 2004 to 3.4 per cent in 2005 and is expected to rise further to stand at 3.6 per cent in 2006.

In the euro zone, while higher energy prices have kept headline inflation consistently above the ECB's target of 2.0 per cent, at 2.2 per cent in 2005 from 2.1 per cent in 2004, core inflation has remained subdued on the back of sluggish wages and domestic demand, which have limited the ability of producers to pass on higher energy prices to consumers. Nonetheless, as signs that the euro zone growth is improving increased in the first half of 2006 and energy prices remained persistently high, euro zone CPI inflation picked up to 2.3 per cent in the first quarter of 2006 and to 2.5 per cent in the second quarter of 2006. On current trends, the IMF projects euro zone CPI inflation to rise to 2.3 per cent in 2006.

UK CPI inflation rose from 1.3 per cent in 2004 to 2.0 per cent in 2005. Despite oil prices touching record highs and import price inflation picking up in the first half of 2006, CPI inflation fell to 1.8 per cent in March 2006 in part due to muted wage pressures. Looking ahead however, CPI inflation in the UK is likely to rise as substantial increases in domestic gas and electricity prices, and the rise in petrol prices feed in consumer prices. The IMF projects UK CPI inflation to rise to 2.3 per cent in 2006.

In Japan, with underlying deflationary pressures easing, there is an increasing prospect of an end to eight years of declining prices. As labour market conditions tighten, unit labour costs are picking up. Correspondingly, Japanese CPI inflation is projected to turn slightly positive to 0.3 per cent in 2006 from –0.6 per cent in 2005 and zero in 2004.

Interest Rate

During fiscal year 2005-06, global interest rates have been on the upside with major central banks like the US Federal Reserve, the ECB, and the Bank of Japan pursuing strategies of gradually removing monetary accommodation. In the United States, on the back of a string of positive economic data and as a matter of a pre-emptive approach to guard against risks that high oil prices could impose on price stability, the Federal Reserve continued to remove its accommodative monetary conditions at a measured pace. In December 2005, by dropping its systematic reference in its accompanying statements of more 'measured' increases ahead, the Federal Reserve fuelled expectations that it might be approaching the end of its monetary tightening cycle although uncertainty remained as to the interest rate level that the Fed would consider as neutral. But robust economic data and inflationary pressures prompted the Fed to continue raising its federal funds rate throughout the second half of 2005-06. The federal funds rate was raised by 25 basis points at each of the eight FOMC meetings during 2005-06, culminating to 5.25 per cent at the end of its two-day meeting on 28-29 June 2006. The latest move in June 2006 was the 17th consecutive monetary tightening by the US Federal Reserve, which had started in June 2004.

Despite two interest rate increases during the fiscal year 2005-06, monetary policy in the euro area remained mostly accommodative. The first rate hike in the euro area came in December 2005 after the ECB had maintained its policy rate unchanged at 2.0 per cent for two and a half years since June 2003. Indeed, with GDP growth remaining sluggish in the euro zone, the ECB did not have much choice than leaving interest rate unchanged. However, with business sentiment surveys in some major countries improving and with oil prices persistently remaining at record levels during the third quarter of 2005, the ECB signalled heightened vigilance over risks to price stability in the euro zone. Added to that, ECB officials continued to voice out their concern over the excessively accommodative stance that the ECB had been pursuing over more than two years. The ECB finally delivered the first quarter percentage point hike on 1 December 2005, a widely expected move by the market, bringing its key refinance rate to 2.25 per cent. Against the backdrop of rising euro zone inflation in excess of the ECB's target of 2.0 per cent and the release of more positive economic data in the euro zone, the ECB again raised its key refinance rate by a quarter percentage point on two occasions namely in March and June 2006. At the close of 2005-06, the ECB's key refinance rate stood at 2.75 per cent and was expected to reach 3.25 per cent by the end of 2006.

At the start of fiscal year 2005-06, the UK housing market and consumer spending, which were driving the British economy, had slowed down. Against this background, an increasing number of members of the Bank of England (BoE) Monetary Policy Committee (MPC) favoured cutting interest rates. Minutes of 8 June 2005 MPC meeting showed a vote of 7-2 for leaving interest rate unchanged at 4.75 per cent against cutting it while the meeting of 6-7 July 2005 showed a vote of 5-4 in the same direction. The BoE finally cut interest rate by 25 basis points to 4.50 per cent at its 3-4 August 2005 meeting with a much closer-than-anticipated 5 votes for and 4 votes against. With UK economic data releases quite disappointing until mid-May 2006 and persisting high oil prices, the BoE left interest rate unchanged at 4.50 per cent.

The Bank of Japan (BOJ) left interest rate unchanged throughout 2005-06 but ended its five-year-old policy of flooding the banking system with cash after its two-day policy meeting on 8-9 March 2006. Markets viewed the BOJ move to remove its quantitative easing policy as a preliminary step towards an interest rate rise later in 2006. The BOJ also announced a new monetary framework, including clarification of its view that medium-term price stability entails an inflation rate in the range of 0-2 per cent, and greater transparency about the current view on monetary policy in its semi-annual report.

Exchange Rate

During fiscal year 2005-06, on average, the international foreign exchange market witnessed a broad-based appreciation of the US dollar relative to a year ago as well as reduced volatility in the currency pairs USD/EUR and USD/GBP. From the start of the fiscal year up to early September 2005, the US dollar had lost significant ground vis-à-vis the euro, Japanese yen and Pound sterling. Thereafter, amid a change in market perception about the monetary policy cycles in the main economies and the market favouring the US currency, the US dollar recouped its previous losses and appreciated markedly against the major currencies. Indeed during most of the period between July 2005 and April 2006, the US dollar witnessed some strength, but traded within a fairly tight range. With market expectations about rising interest rates in the euro area and Japan growing amid renewed concerns over the US current account deficits, the US dollar depreciated against the major currencies during May and June 2006.

Against the backdrop of a period of US dollar strength particularly in the first half of 2005-06, the euro attained its intra-year low of US$1.1671 on 17 November 2005. However, optimism that the ECB would end its 2 1/2 year old monetary policy stance supported the euro against the US dollar with the single currency reaching its intra-year peak of US$1.2948 on 3 June 2006. By the end of fiscal year 2005-06, the euro had shrugged off some of its gains trading at around US$1.2714.

The Pound sterling, on average, depreciated against the US dollar, trading at an average of US$1.7775 during 2005-06 from an average of US$1.8576 during 2004-05. Data releases pointing towards a slowdown in UK housing market and consumer spending kept the British currency under pressure during much of 2005-06. But, stronger-than-expected data in the second quarter of 2006 and fading expectations of UK's near-term rate cut helped to support the Pound.

Balance of Payments

Global current account imbalances widened further in 2005. The US current account deficit continued to deteriorate, matched by large surpluses in oil exporters, China and Japan, a number of small industrial countries, and parts of emerging Asia. The prevailing high oil prices in 2005-06 have accentuated the divide between oil-exporting countries and the rest of the world. The United States registered a wider current account deficit in 2005, representing 6.4 per cent of GDP compared to 5.7 per cent of GDP in 2004 and is projected to be around 6.6 per cent of GDP in 2006. The euro area, which registered a current account surplus of 0.9 per cent of GDP in 2004, recorded broadly neutral external payments in 2005. The current account positions of individual member countries within the euro zone, however, differed sharply; Luxembourg's surplus eased to 9.7 per cent of GDP while Spain's deficit jumped to 7.4 per cent of GDP in 2005. In 2006, the euro zone is projected to register a current account deficit of 0.1 per cent of GDP. UK's current account deficit widened from 1.6 per cent of GDP in 2004 to 2.2 per cent of GDP in 2005 and is expected to worsen further to 2.4 per cent of GDP in 2006. In contrast, oil-exporting countries in the Middle East registered a massive current account surplus of 21.3 per cent of GDP in 2005, compared to 13.8 per cent of GDP in 2004. The IMF expects the oil exporters to have a current account surplus of 26.6 per cent of GDP in 2006. Supported by strong demand in the United States and China, Japan recorded a current account surplus of 3.6 per cent of GDP in 2005 and is projected to have a surplus of 3.7 per cent of GDP in 2006. The current account surplus in China moved from 3.6 per cent of GDP in 2004 to 7.2 per cent of GDP in 2005 and is estimated to remain the same in 2006. Looking ahead, the IMF cautions that imbalances will in all circumstances require both significant rebalancing of demand across countries, some depreciation of the US dollar and the appreciation of currencies of surplus countries, notably in parts of Asia and oil exporters.

Budget Deficit

Although the public finance outturns in 2005 were generally better than expected, fiscal deficits in many advanced economies remained high. US budget deficit improved to 3.7 per cent of GDP in 2005 from 4.6 per cent of GDP in 2004. Significant growth in US government revenue was driven by income tax receipts as a result of strong profits reaped by corporates and the expiration of provisions that allowed depreciation deductions for investment. The US budget deficit is expected to narrow to 3.1 per cent of GDP in 2006 as the US administration focuses on fiscal consolidation to achieve its goal of halving the federal deficit by financial year 2008. However, the ambitious task of the US administration could be made difficult by the ongoing military operations in Iraq and Afghanistan. In the euro area, fiscal outcome was generally better than expected in 2005, with the aggregate deficit as a percentage of GDP declining to 2.2 per cent from 2.7 per cent in 2004. A more modest fiscal adjustment is expected in 2006 with the aggregate budget deficit for the euro area narrowing down to 2.0 per cent of GDP. Two countries within the euro area, namely Italy and Portugal are expected to have fiscal deficits in excess of 3.0 per cent of GDP in 2006. In the United Kingdom, the budget deficit increased from 3.2 per cent of GDP in 2004 to 3.3 per cent of GDP in 2005, but is expected to fall to 3.2 per cent of GDP in 2006, reflecting strong revenues from higher energy prices and the booming financial sector. Japan made commendable progress in fiscal consolidation by reducing its budget deficit from 6.3 per cent of GDP in 2004 to 5.6 per cent of GDP in 2005 and projections are that the budget deficit would ease further to 5.2 per cent of GDP in 2006, but the high gross and net public debt as a percentage of GDP remain a major concern.

Foreign Direct Investment Flows

According to the United Nations Center for Trade And Development's (UNCTAD) World Investment Report 2006, global foreign direct investment (FDI) inflows increased substantially by 24 per cent to US$916 billion in 2005 from US$710 billion in 2004. This growth was spurred by cross-border mergers and acquisitions (M&As), which reflected strategic choices by transnational corporations (TNCs) following increased corporate profits and the recovery of stock markets. M&A activity in 2005 rose to a level approaching that of the M&A boom at the end of the 1990s. The developed countries have attracted FDI flows of US$542 billion in 2005, up by 37 per cent from the previous year. FDI inflows to developing countries rose by 22 per cent to an estimated US$334 billion. The largest recipient country was the United Kingdom, followed by the United States and China. Members of the European Union were well represented as recipient countries; while nine of the 20 economies with the largest FDI inflows were developing or transition economies.

Among developing regions, the highest growth rate in inward FDI was seen in West Asia (85 per cent), followed closely by Africa (78 per cent), both regions experiencing record inflows of US$34 billion and US$31 billion respectively. Higher prices for many commodities have further stimulated FDI in developing countries rich in natural resources. This has influenced FDI by developing country TNCs, both by companies aiming to secure supplies of natural resources and those able to take advantage of high revenues from commodities. FDI inflows in the 50 least developed countries also recorded a historic high of US$10 billion.

Oil

Oil prices continued to follow an upward trend during 2005-06, reaching new record levels. IPE Brent and NYMEX, which averaged US$46.5 a barrel and US$48.8 a barrel, respectively, in 2004-05 increased to US$63.2 a barrel and US$64.3 a barrel, respectively, in 2005-06. With global oil supply near capacity and demand high, the world oil market remained over-sensitive to slight supply disruptions. The trends in international oil prices in 2005-06 are discussed further in Box 3.

Gold

COMEX gold futures, which traded at an average of US$424.1/Oz in 2004-05 moved higher to an average of US$529.3/Oz in 2005-06, mainly driven by speculative moves rather than fundamental demand and supply conditions. Gold prices, which had touched a low of US$387.0 a barrel on 27 July 2005, peaked at US$721.0/Oz on 11 May 2006. Among the factors prompting the buying of gold were higher oil prices that kindled expectations of high global inflation, and the fact that gold prices broke three key psychological levels, namely, US$500/Oz, US$600/Oz and US$700/Oz in a very short span. With commodity prices remaining well supported, gold prices are expected to continue trading above US$500/Oz in 2006-07.

World Trade

According to the World Trade Organisation (WTO), world trade, as measured by merchandise exports, grew by 6 per cent in real terms in 2005, after an exceptional 9 per cent expansion recorded in 2004. With the rise in oil prices, all large net fuel exporting countries of Africa, the Middle East, Central and South America and the Commonwealth of Independent States (CIS), the former Soviet Union countries (excluding the Baltic states) recorded strong merchandise export growth in 2005. North America's merchandise and services exports expanded at a rate slightly below the global rate, while Europe's trade performance was sluggish.

Relative price developments were a key driver of trade developments. As a result of the sharp increase in metal and fuel prices, the share of fuels and other mining products in world merchandise trade rose to 16 per cent in 2005, the highest level since 1985. In contrast, largely on account of weak and stagnating prices, the share of food, agricultural raw materials and manufactured goods in world merchandise exports either decreased or grew at a moderate rate. Agricultural products as a percentage of world merchandise fell to a historic record low of less than 9 per cent in 2005. Within the manufacturing sector, iron and steel products and chemicals recorded the largest export value increases while the trade value of computers and other electronic products expanded no faster than that of manufactured goods in general. In 2005, global trade in textiles and clothing grew at a below average rate.

Prospects for 2006 indicate that with stronger economic growth, in particular in the European Union and to lesser extent in Japan, world trade could advance by 7 per cent. However, there are downside risks to that scenario namely, the easing of US demand, further increases in oil prices and faltering world trade talks, which could bring about a resurgence of protectionism.

Conclusion

Looking ahead, the global economy is projected to keep expanding at a healthy pace of 5.1 per cent in 2006 and 4.9 per cent in 2007. This favourable outlook depends on the view that inflationary pressures will be successfully contained with modest further interest rate increases by the major central banks; growth of domestic demand will be better balanced across the advanced economies; emerging and developing countries will largely avoid capacity bottlenecks and that global financial market conditions will be more stable.

Against this backdrop, middle-income economies like Mauritius, which are constrained by their smallness, vulnerability, and isolation as an island state, and are already experiencing external imbalances due to the phasing out of trade preferences and high oil prices, are at greater risks of losing out further. In this connection, efforts at the global level under the "Aid for Trade" initiative to provide transitional assistance to countries abandoning tariffs and trade preferences must be promoted, encouraged, and extended to countries like Mauritius.

2 Regulation and Supervision

Financial stability is a prerequisite for the proper functioning of the economy. The financial system should enable business and consumers to have access to credit at fair and reasonable terms at all stages of the business cycle. It should remain active, liquid and, above all, trusted, regardless of the events in the economy. Any disruption in the smooth functioning of the financial system is considered as a threat to financial stability. The Bank devotes a significant part of its resources at identifying those threats and at devising ways and means to either eliminate or mitigate risks thereof.

Under the Bank of Mauritius Act 2004 and Banking Act 2004, the Bank is responsible for the regulation and supervision of banks, money-changers and foreign exchange dealers, and the deposit-taking activity of non-bank financial institutions. The other activities of non-bank financial institutions are regulated and supervised by the Financial Services Commission under the authority of the Financial Services Development Act 2001.

The Bank views that the main threats to the financial system come primarily from the activities of key players in the system, principally banks but, gradually, other institutions such as insurance and pension funds are gaining significance. Besides, apart from the individual risk of each player, interdependencies between them create a situation where the failure of one player invariably leads to risk of failure of other players, ultimately leading to a systemic failure.

The Bank adopts the view that the stability of the financial system relies, first and foremost, on the soundness and stability of players in the system. Thus, the Bank devotes sizeable resources at ensuring the soundness and stability of financial institutions under its purview. In this context the Bank has issued a series of prudential guidelines to be observed by financial institutions and closely monitors their activities through on-site supervision and off-site surveillance. In addition to the sixteen guidelines in force, the Bank issued a Guideline on Outsourcing by Financial Institutions during the year under review. This Guideline was deemed necessary following a growing trend in outsourcing activities, thus giving rise to new risks that have to be catered for.

The Bank remains committed to the 25 Core Principles for Effective Banking Supervision of the Basel Committee on Banking Supervision (BCBS). The Core Principles provide the basic framework for a well-supervised and regulated environment. Since its issue in 1997, the Bank has made significant progress towards compliance with all the relevant principles. The Bank has also maintained its efforts towards the establishment of effective working relationships with financial institutions and their external auditors. It continues to consolidate its ties with foreign supervisors by either entering into memoranda of understanding or agreements for the purpose of information sharing.

Given the complexity and the pace of change in the industry, the supervision of an institution is becoming an increasingly challenging task. In this context, the Bank has gradually adopted a risk-based approach towards regulation and supervision. It is investing in the development of new supervisory skills, systems, policies, and processes for supervisors to understand and manage the emerging and dynamic risks in the system.

Capital regulation is viewed as the heart of regulation and supervision of financial institutions. Basel II will soon supersede Basel I and it has often been argued that Basel II is an overly complex capital standard and is not meant for non-developed countries. However, mindful of the potential benefits that Basel II may bring, the Bank embarked on and is committed towards implementing Basel II in Mauritius at the earliest. It recognizes that the new standard may not be implemented in its present form, but will have to be adapted to meet local realities, while ensuring at the same time that the variant is Basel II compliant. Given the intricacies of adopting a capital standard in Mauritius, the Bank proposed to adopt a consultative and participative approach. It has accordingly established a Committee for the

Implementation of Basel II in Mauritius comprising representatives of all banks and the Mauritius Bankers Association Ltd. The Committee acts as a steering committee for the implementation of Basel II in Mauritius. It assists in devising policy frameworks and proposes solutions to banks in response to the changing regulatory environment. This Committee serves as a forum to discuss, address and clarify issues and concerns that banks may have, with the objective of smoothening the transition from the current capital adequacy regime to a Basel II compliant regime. The Committee has set up various Working Groups, drawn from both the central bank and commercial banks, to work on distinct issues relating to Basel II implementation in Mauritius.

At the outset, the limited data and, in some cases, unavailability of data were viewed as a major hindrance towards a successful implementation of the advanced approaches of Basel II. But as progress is made, new ways and means are being devised to overcome difficulties and barriers and the Bank is confident that the project will materialise. While the Bank does not propose to impose any specific approach on banks, it is of the view that the Standardised Approach will not bring any real benefit over Basel I. It has thus proposed that all banks start compiling data and to start establishing an internal rating system. The Bank is confident that once the database is in place and an internal rating system established, all banks should be able to adopt the advanced approach if they so desire.

As at end-June 2006, there were nineteen banks operating in Mauritius. In addition, thirteen non-bank deposit-taking institutions, three money-changers and five foreign exchange dealers were in operation as at that date.

A list of banks, non-bank deposit-taking institutions, money-changers and foreign exchange dealers as at 30 June 2006 is given in Appendix VI.

Legislative and Supervisory Changes

Guideline on Outsourcing by Financial Institutions

The Guideline on Outsourcing by Financial Institutions has been issued as many financial institutions are outsourcing a non-negligible range of their activities. It was felt that there was a need to cope with the risks associated with outsourcing in the financial system through the application of an appropriate regulatory framework. The Guideline requires financial institutions to establish a comprehensive policy on outsourcing that lays down the minimum requirements that financial institutions must fulfil prior to outsourcing an activity.

This Guideline is in line with Principle 15 of the revised Core Principles for Effective Banking Supervision that requires supervisors to ensure that banks have appropriate policies and processes to assess, manage and monitor outsourced activities.

The Guideline highlights several aspects that need to be followed before outsourcing an activity. These are:

- Risk Management Framework
- Evaluation of Risks
- Due Diligence in Selecting Service Providers
- Contract Issues and Service Level Agreement
- Contingency Planning
- Confidentiality
- Classification of Outsourcing Activities

A three-tier classification of activities is used in the Guideline. Namely:

- Material activities which require the authorisation of the Bank;
- Non-material activities which do not require authorisation; and
- Core activities which cannot be outsourced.

This Guideline, which came into effect on 1 June 2006, supersedes section 12 of the Guideline on Internet Banking of 2 April 2001. Additionally, as per the Guideline, financial institutions are required to inform the Bank before entering into any material outsourcing. The Guideline also states that external auditors should review and attest the adequacy and processes put in place by financial institutions for outsourcing activities.

Guideline on Credit Concentration Limits

A draft Guideline on Credit Concentration Limits has been sent for circulation on 4 May 2006 to banks and non-bank deposit-taking institutions to take into account the provisions of the Banking Act 2004. In comparison to the previous guideline, the proposed guideline will apply not only to banks but also to all non-bank deposit-taking institutions that fall under the regulatory purview of the Bank of Mauritius.

Three new main issues are incorporated in the Guideline as follows:

- The aggregate credit exposure of a non-bank deposit-taking institution to any entity and its related parties, which was previously not included, shall not exceed 25 per cent of its net owned funds;
- In comparison to the previous guideline that required all credits of a bank that are individually over 15 per cent of the bank's capital base, not to exceed 600 per cent of its capital base in aggregate, the proposed guideline will require that all credits of a financial institution that are individually over 15 per cent of the financial institution's capital base, not to exceed in aggregate 800 per cent of its capital base; and
- A financial institution is allowed to set-off the following collaterals against its individual and aggregate large credit exposure:
  - The amount of deposits pledged as security against the facility.
  - Any firm guarantee acceptable to the Bank of Mauritius given by a parent financial institution, a head office of the financial institution or members within its group, as security for a credit facility.

The Guideline also makes provision, as it deems fit, to exempt on a case to case basis the part of banking business that is conducted in currencies other than the Mauritian rupee.

Mauritius Credit Information Bureau

The Mauritius Credit Information Bureau (MCIB) was set up as per section 52 of the Bank of Mauritius Act 2004. The establishment of the MCIB is in line with the Bank's objective of promoting a sound financial system. Eleven banks participate presently in the MCIB.

The MCIB aims at facilitating credit decision-making for banks by providing them with a summary of the borrowers' overall indebtedness towards other participating institutions.

Institutions involved in the MCIB update information on their customers' debts which is in turn compiled by the MCIB and provided on an on-line basis to participating banks. It is mandatory for all participating banks to make the necessary enquiry from the MCIB as from 1 December 2005 before approving or renewing any credit facility.

Basel II

The original Basel Accord was based on narrow guidelines for capital calculation. The Basel Committee on Banking Supervision introduced Basel II, which is viewed as more sophisticated and risk sensitive. The risk weightings take into account the underlying risk characteristics of the assets. As opposed to maintaining capital against corporate or residential mortgages, the proposed Accord looks at the quality of particular loans and allocates varying amounts of capital accordingly. Basel II provides for a common system of managing risks in the global banking industry and also incorporates a capital charge for market and operational risks.

In Mauritius, the target date for implementation of Basel II has been set tentatively to early 2008. The Bank of Mauritius has adopted a participative approach to Basel II implementation and the following eight Working Groups constituting representatives of the Bank of Mauritius as well as those of banks have been set up:

1. Scope of Application
2. Credit Risk (Foundation)
3. Market Risk
4. Credit Risk (Advanced)
5. Operational Risk
6. External Credit Assessment Institutions
7. Eligible Capital
8. Market Discipline

The implementation of Basel II is a challenge for Mauritius as well as for other emerging economies that have fundamentally different characteristics. The "one size fits all" solution of Basel I will not suit the growing complexities of the banking sector. To implement international best practice is, indeed, a challenge, which demands a fundamental change in credit cultures, attitudes and policies.

Full implementation of Basel II is demanding for banks and regulators alike. Capacity building is imperative on both sides as Basel II puts forward complex models. Supervisory capacity to assess and validate these models must be enhanced and developed. The magnitude of the investment in technology by banks must be justified in a business sense and banks should ensure that the cost of compliance does not outweigh the benefits of Basel II.

Banking Sector

Banking Activity

During 2005-06, the on-balance sheet assets of banks increased by Rs74,579 million, or 17.9 per cent, from Rs416,712 million as at end-June 2005 to Rs491,291 million as at end-June 2006, compared to a growth rate of 15.9 per cent in the preceding fiscal year. Off-balance sheet items, consisting of acceptances, documentary credits and guarantees, increased by 8.9 per cent, from Rs32,181 million as at end-June 2005 to Rs35,056 million as at end-June 2006.

Banks' foreign currency assets increased by Rs130,848 million to Rs160,138 million as at end-June 2006 and represented 32.6 per cent of their total assets compared to 7.0 per cent as at end- June 2005.

Shareholders'/Head Office funds went up by 37.2 per cent to Rs35,098 million as at end-June 2006 compared to a negative growth rate of 1.1 per cent in 2004-05. Shareholders' funds accounted for 7.1 per cent of total resources of banks as at end-June 2006.

Banks' total advances, including financing by way of subscription to debentures, increased by Rs56,809 million, or 31.9 per cent, from Rs178,149 million as at end-June 2005 to Rs234,958 million as at end-June 2006, compared to a rise of 4.0 per cent in the preceding fiscal year. The ratio of total advances to total assets stood at 47.8 per cent as at end-June 2006 compared to 42.8 per cent as at end-June 2005.

Total deposits of banks went up by Rs34,437 million, or 11.1 per cent, from Rs310,004 million as at end-June 2005 to Rs344,441 million as at end-June 2006, compared to a growth rate of 49.9 per cent in the previous fiscal year. Deposits accounted for 70.0 per cent of banks' total funds as at end-June 2006 compared to 74.4 per cent as at end-June 2005.

Banks' investment in Treasury Bills, other Government Securities and Bank of Mauritius Bills increased by Rs2,204 million, from Rs45,684 million as at end-June 2005 to Rs47,888 million as at end-June 2006 as against an increase of Rs893 million, or 2.0 per cent in 2004-05. The share of such investment in banks' total assets decreased from 11.0 per cent as at end-June 2005 to 9.7 per cent as at end-June 2006.

Banks' investment in equity and quasi-equity of other companies decreased by Rs15,113 million, or 50.8 per cent, to Rs14,619 million as at end-June 2006 as against a significant growth of 96.6 per cent in 2004-05. As at end-June 2006, they represented 2.8 per cent of total assets.

Institutional Developments

During 2005-06, two additional banks introduced the use of plastic money in the form of credit and/or debit cards, bringing the total number of banks providing such services to ten. Phone-banking facilities are offered by four banks. Internet banking services (transactional) are also being provided by five banks.

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 from 24,812 as at end-June 2005 to 33,253 as at end-June 2006. Over the same period, the number of customers making use of phone banking increased from 52,830 to 61,185.

Between end-June 2005 and end-June 2006, the number of ATMs in operation in Mauritius rose by 28, from 293 to 321, and the number of cards in circulation increased from 908,676 to 1,038,089. Outstanding advances on credit cards increased from Rs907 million as at end-June 2005 to Rs1,009 million as at end-June 2006. The monthly average number of transactions involving the use of credit cards, debit cards, ATMs and Merchant Points of Sale amounted to 2.9 million for an average value of Rs4,909 million for the period July 2005 to June 2006 compared to a monthly average of 2.6 million for an average value of Rs4,451 million in 2004-05.

Risk Weighted Capital Adequacy Ratio

One of the most important objectives of banking supervision is to ensure that banks operate in a safe and sound manner. To do this, banks must hold capital and reserves sufficient to support the risks that arise in their business.

An adequate capital base serves as a safety net for a variety of risks as it provides banks with a cushion to absorb any unexpected loss caused by events either within their control or due to external factors. It also serves as a foundation for a bank's future growth. Hence the level of capital maintained by a bank should be consistent with its overall risk profile and business strategy. The board of directors should ensure that, at all times, banks hold capital, which is commensurate with their risk profile. A strong capital base reassures creditors as it strengthens the financial condition of a bank and helps maintain public confidence in the banking system.

The financial landscape and risk management methodologies are continuously evolving. As a result of current trend in risk management practices, capital regulation and banks' management of capital adequacy are becoming more and more complex. In order to carry out a prudent management of those risks, bank regulators have adopted minimum capital adequacy requirements in line with the Basel Capital Accord 1988. To improve the soundness of financial system worldwide, the Basel Committee came forward with a new capital adequacy framework (Basel II) which is more representative of banks' risk management practices. One of the important characteristics of the new capital adequacy framework is that it provides for more sensitive risk weightings against credit risk and an explicit measure for operational and market risks. The Bank has embarked, in collaboration with the industry, on a programme for the scheduled implementation of Basel II, with necessary modifications for the domestic environment. In the meantime, Basel I requirements continue to be in force, except insofar as new measures are being adopted for the phased implementation of Basel II. With the growing sophistication in financial technology and the introduction of complex financial instruments, the risk of operational loss has increased in the banking industry. Operational risks, if not controlled in a timely manner, can lead to other major losses and disrupt the normal operations of a bank.

Following consultation with the banking industry, the Bank issued the Guideline on Operational Risk Management and Capital Adequacy Determination in February 2005. This guideline sets out the minimum requirements for an effective operational risk measurement and management framework. It provides three main approaches for computing capital charge for operational risk in a continuum of increasing sophistication and risk sensitivity, namely the Basic Indicator Approach, the Standardised Approach and the Advanced Measurement Approach. Under the first two approaches capital charges are based on the gross income of banks. In addition there is an Alternative Standardised Approach, which allows banks to use outstanding balance of loans and advances in lieu of gross income. The Advanced Measurement Approach involves the calculation of capital charge based on banks' internal operational risk measurement system using their past loss experiences as a guide. While no approach has been imposed on banks, the latter are expected to use the Basic Indicator Approach as a minimum and are encouraged to move to more sophisticated approaches for a more accurate assessment of operational risk.

Banks are required to maintain a minimum capital adequacy ratio of 10 per cent. As at end-June 2006, the whole banking sector reported risk weighted capital adequacy ratios, which were well above the prescribed minimum of 10 per cent.

Table 2.1 and Chart 2.1 show the overall risk weighted capital adequacy ratio for credit risk, the composite ratio for credit and operational risks and ratios of Tier 1 and Tier 2 capital to risk weighted assets.

The overall risk weighted capital adequacy ratio for credit risk maintained by banks went up

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

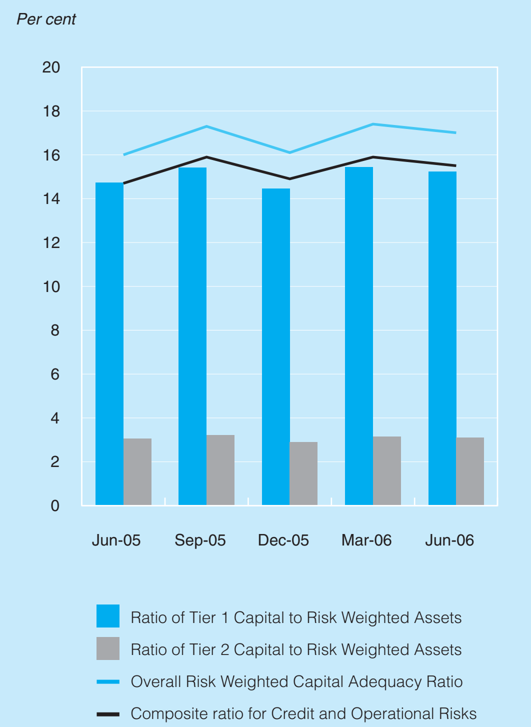


Table 2.1: Overall risk weighted Capital Adequacy Ratio for credit and operational risks

(Rs million)

As at end of period	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06
Tier 1 Capital	23,445	25,647	26,241	28,065	26,990
Tier 2 Capital	4,874	5,371	5,272	5,728	5,504
Total Gross Capital	**28,319**	**31,018**	**31,513**	**33,793**	**32,494**
Capital Deductions	2,894	2,186	2,192	2,234	2,424
Total Net Capital (A)	**25,425**	**28,832**	**29,321**	**31,559**	**30,070**
Total Risk Weighted Assets (B)	**158,978**	**166,400**	**181,631**	**181,873**	**177,269**
of which:					
Risk weighted on-balance sheet assets	*144,465*	*150,154*	*163,758*	*164,316*	*160,109*
Risk weighted off-balance sheet assets	*13,503*	*14,391*	*16,070*	*16,270*	*15,554*
Foreign exchange rate and interest rate related contracts	*486*	*858*	*539*	*434*	*471*
Foreign currency exposure	*524*	*997*	*1,264*	*853*	*1,135*
Risk Weighted Capital Adequacy Ratio for credit risk(A/B) %	**16.0%**	**17.3%**	**16.1%**	**17.4%**	**17.0%**
Total Risk Weighted Assets for Operational Risk	**14,481**	**14,464**	**14,603**	**16,496**	**16,580**
Total Risk Weighted Assets	**173,460**	**180,865**	**196,234**	**198,368**	**193,849**
Composite ratio for Credit and Operational Risks	**14.7%**	**15.9%**	**14.9%**	**15.9%**	**15.5%**

from 16.0 per cent as at end-June 2005 to 17.0 per cent as at end-June 2006. This rise was the result of a higher growth rate of 14.7 per cent registered in the aggregate capital base as compared to an increase of 11.5 per cent in the total risk weighted assets for credit risk. On the other hand, the inclusion of risk weighted assets for operational risk in the calculation of the total risk weighted assets led to an overall drop in the risk weighted capital adequacy ratios during 2005-06. The composite ratios varied within a range of 14.7 to 15.5 per cent during the period June 2005 to June 2006.

The aggregate capital base of banks is made up of Tier 1 capital (Core Capital) and Tier 2 capital (Supplementary Capital) net of capital deductions. Aggregate capital base increased by Rs4,645 million, or 18.3 per cent, from Rs25,425 million as at end-June 2005 to Rs30,070 million as at end-June 2006. The share of Tier 1 capital in gross capital (Tier 1 and Tier 2) increased marginally from 82.8 per cent as at end-June 2005 to 83.1 per cent as at end-June 2006.

Total risk weighted assets for credit risk comprise risk weighted on-balance sheet assets, risk weighted off-balance sheet exposures, foreign exchange rate and interest rate related contracts and foreign currency exposures. During 2005-06, total risk weighted assets increased by Rs18,291 million, from Rs158,978 million as at end-June 2005 to Rs177,269 million as at end-June 2006. This was mainly due to risk weighted on-balance sheet assets and off-balance sheet assets increasing by Rs15,644 million and Rs2,051 million, respectively.

The risk weighted assets for operational risk went up by 14.5 per cent thereby increasing the total risk weighted assets (including both the credit and operational risks) from Rs173,460 million in June 2005 to Rs193,849 million in June 2006.

During the year ended 30 June 2006, banks had invested the largest proportion of their on-balance sheet assets in the 100 per cent risk weight buckets, representing 42.9 per cent of the share of total on-balance sheet assets. Investment made by banks in the zero per cent risk weight buckets represented 27.6 per cent of their share of total on-balance sheet assets. As for the 20 per cent and 50 per cent risk weight buckets, investment represented 24.6 per cent and 4.9 per cent of the share of total on-balance assets, respectively. High-risk assets as a proportion of total risk weighted assets rose from 51.4 per cent as at end-June 2005 to 77.1 per cent as at end-June 2006. As for the share of low-risk assets, it rose from 33.6 per cent to 49.6 per cent over the same period.

The relationship between capital adequacy ratio and total assets cannot, however, be interpreted in isolation, as it does not provide an accurate assessment of capital requirements. A bank's capital adequacy ratio can be rendered meaningless or highly misleading if other important ratios, such as asset quality, are not taken on board. For a proper measurement of capital adequacy, an accurate assessment of asset quality is important. Similarly, an accurate evaluation of loan loss provisions is a critical input in the process of capital adequacy assessment.

Foreign Exchange Exposure

The Banking Act 2004 requires former category 1 banks to observe limits on their foreign exchange exposure in relation to their Tier 1 capital. This measure is meant to ensure that banks manage their foreign exchange positions oversold or overbought in a prudent manner. In July 1996, the Bank of Mauritius issued guidelines for the calculation and reporting of foreign exchange exposures on a daily basis.

The overall foreign exchange limit is defined as the ratio of the higher of the sum of all spot and forward spot and forward positions in different currencies to Tier 1 capital. Effective 2005, banks are required to observe a daily foreign exchange exposure limit not exceeding 30 per cent of their Tier 1 capital and to report on a daily basis their foreign exchange exposure in major currencies as well as their overall foreign exchange exposure. This limit was revised from the previous limit of 15 per cent.

Table 2.2 shows the maturity pattern of foreign currency assets and liabilities of banks as at end-June 2005, end-December 2005 and end-June 2006.

As at end-June 2006, banks carried an overall excess of foreign currency liabilities over assets amounting to Rs3,045 million for all maturities of assets and liabilities taken together. Banks had a shorter position of Rs8,266 million in the shorter maturity period of less than one month with the net exposure shifting to a net long position of Rs6,239 million in the longer maturity period of over 12 months.

Concentration of Risks

Individual and Aggregate Large Credit Exposure

Prior to the promulgation of the Banking Act 2004, banks holding a Category 1 Banking Licence were subject to limitation on concentration of risks as per section 21 of the Banking Act 1988 and the Guideline on Credit Concentration Limits issued in March 2000. This Guideline stipulates, *inter alia*, that:

- the aggregate credit exposure of a bank, together with its subsidiary, associated and related companies as defined in section 3 of the Companies Act 2001, to any entity and its related parties, shall not exceed 25 per cent of the total capital base of the bank;
- the credit exposure of a subsidiary or branch of a foreign bank to an entity and its related parties, shall not exceed 50 per cent of the capital base of the subsidiary or branch; and
- all credits of a bank that are individually over 15 per cent of the bank's capital base, shall not in aggregate exceed the regulatory concentration limits of 600 per cent of its capital base.

With the promulgation of the Banking Act 2004 and the subsequent elimination of the distinction

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

(Rs million)

Maturity Period	End June-2005			End Dec-2005			End June-06		
	Assets (1)	Liabilities (2)	Net Assets (1) – (2)	Assets (1)	Liabilities (2)	Net Assets (1) – (2)	Assets (1)	Liabilities (2)	Net Assets (1) – (2)
Less than 1 Month	16,809	23,044	-6,235	25,385	33,675	-8,290	25,405	33,671	-8,266
Over 1 Month and Up to 3 Months	2,273	2,786	-513	3,203	4,896	-1,693	4,563	4,925	-362
Over 3 Months and Up to 12 Months	1,479	3,206	-1,727	2,295	3,178	-883	6,315	6,971	-656
Over 12 Months	8,729	2,149	6,580	12,496	3,134	9,362	12,878	6,639	6,239
Total	**29,290**	**31,185**	**-1,895**	**43,379**	**44,883**	**-1,504**	**49,161**	**52,206**	**-3,045**

between banks holding Category 1 and Category 2 banking licences, all banks are subject to limitation on concentration of risks under section 29 (1) of the Act. However, the Bank may, as per section 29 (4) of the same Act, exempt from compliance with this section as it deems fit, the part of a bank's banking business or investment banking business that is conducted in currencies other than Mauritius currency.

In May 2006, the Bank has issued, for consultation, a "Draft Guideline on Credit Concentration Limits" which takes on board all the provisions of the Guideline on Credit Concentration Limits issued in March 2000, while proposing a number of changes.

Further to the issuance by the Bank of the Guideline on Segmental Reporting Under a Single Banking Licence Regime in June 2005, all banks are providing, on a quarterly basis, data regarding their credit facilities including commitments to provide funds for amounts aggregating more than 15 per cent of their capital base.

Returns on fund based and non-fund based facilities extended by former Category 2 banks are being submitted to the Bank as from the quarter ended 30 September 2005. As at end-June 2006, the total fund and non-fund based facilities of all banks, exceeding the threshold of 15 per cent of their capital base, totalled Rs127,236 million and represented 52 per cent of the overall on and off-balance sheet commitments. This amount involved extensions of funds to the tune of Rs39,561 million and Rs87,675 million to companies engaged in local activities and international activities, respectively. As at end-June 2005, the total fund and non-fund based facilities, exceeding the threshold of 15 per cent of banks' capital base, were available for former Category 1 banks only and amounted to Rs39,331 million, representing 31 per cent of the overall on and off-balance sheet commitments of former Category 1 banks. The significant increase of Rs87,905 million over the total fund based and non-fund based facilities of Rs39,331 million of end-June 2005 is mainly explained by the inclusion of credit facilities extended by former Category 2 banks.

Non-Performing Advances

Credit risk management is of paramount importance to the safety and soundness of lending institutions and to the overall stability of the financial system.

Although banks act with discernment before advancing funds to potential customers, past experience demonstrates that some of the borrowers will fail to honour their liabilities. Eventually, the credit may become impaired. In November 2004, the Bank of Mauritius issued a new guideline on Credit Impairment Measurement and Income Recognition. The objective of the guideline was to ensure that all lending institutions falling under the purview of the Bank of Mauritius have adequate processes for determining allowance for credit losses and that there is a timely recognition of identified losses.

The focal point of the guideline is for banks to determine whether there is objective evidence that a financial asset has become impaired. If such evidence exists, banks should estimate the recoverable value of the financial asset either individually or on a portfolio basis to calculate the impairment loss.

Individually Assessed Credits

If a borrower misses a contractual instalment payment on principal or interest, the bank must carry out an assessment of the degree of impairment within sixty days. The bank must then estimate the expected future cash flows of the loan, which will serve as a basis to calculate the recoverable amount.

In the case of large credits to businesses that are past due for 180 days or more, there should be a reliable business plan. Similarly, large credits to retail customers must be backed by a reliable repayment plan. Future cash flows not supported by realistic business plan or repayment plan shall be considered as inappropriate for determining the recoverable value of a credit.

The recoverable value of the collateral is also necessary for the calculation of the amount of provision. The realizable value of the collateral must be supported by a written opinion of an independent and qualified appraiser. As a prudential measure, the recoverable value of the collateral should not exceed 50 per cent of the appraised value of the collateral, discounted to its present value using the loan's effective rate.

The amount of provision to be made is obtained by netting off the present value of expected future cash flows and the discounted net

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

(Rs million)		
	2004/05	**2005/06**
Charge for Bad and Doubtful Debts (for the period)	855	548
Total Advances of Banks (as at end of period)	189,628	207,780
Ratio of Charge for Bad and Doubtful Debts to Total Advances (Per cent, for the period)	0.45	0.26

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

realizable value of the collateral from the carrying amount of the loan.

Portfolio Assessed Loans

Loans that have not been assessed individually should be assessed on a portfolio basis. The bank should classify loans in the portfolio into groups with similar credit risk characteristics and loss attributes. In calculating the portfolio provision, banks should deduct loans secured by cash collateral as well as credits extended directly to the Government of Mauritius or to public sector entities backed by Government of Mauritius guarantees. Banks should then make a portfolio provision of at least 1 per cent of the amount outstanding unless the experience of the banks demonstrates that their loan loss profile has been markedly different, following which they can submit a request to the Bank of Mauritius to maintain a portfolio provision of less than 1 per cent.

General Provision

In addition to provision on individually assessed and portfolio assessed credits, banks may also maintain a general provision to cover potential losses that have not been captured in the allowances for individually assessed loans and portfolio assessed loans. The general provision is over and above the provision made on loans assessed individually or on a portfolio basis where judgement is made on the basis of past experience.

Non-performing advances of the banking sector fell from Rs7,931 million in 2004/05 to Rs7,150 million in 2005/06. The ratio of non-performing advances to total advances in the banking sector dropped from 4.18 per cent in 2004/05 to 3.44 per cent in 2005/06.

Total provisions (inclusive of general provisions) for bad and doubtful debts increased from Rs5,732.6 million in 2004/05 to Rs6,123.8 million in 2005/06. As a proportion of total non-performing advances, total provisions for bad and doubtful debts went up from 72.3 per cent in 2004/05 to 85.6 per cent in 2005/06.

The Mauritius Credit Information Bureau (MCIB), which was launched in 2005, serves as a repository of credit information on borrowers. In this connection, it will be a useful instrument to the eleven participating banks in reducing the level of non-performing advances in their loan portfolio. Although the decision to extend credit to a borrower is a matter of the commercial judgement of the management of a bank, it is expected that banks will have valuable insight on the track record of the borrower vis à vis other participating banks. The lenders will therefore have an aggregate picture of the existing exposure of potential borrowers and the status of their credits before considering any additional requests for financial accommodation from prospective borrowers.

Profitability

Four banks close their accounts on 30 June, eleven on 31 December, and four on 31 March. The consolidated position of the profit and loss accounts of the nineteen banks are thus based on the combined audited data available at these different financial year-ends and are referred to as 2005/06. During the year, with the exception of one bank, all banks have realised profits.

During 2005/06, the banking sector maintained strong profit performance. The aggregate pre-tax profits of banks for the year under review went up by Rs1,542 million, or 24.4 per cent, from Rs6,312 million in 2004/05 to Rs7,854 million in 2005/06. Growth in profits was mainly driven by higher revenue derived from

Table 2.4: Consolidated Profit Performance[1]

(*Rs million*)

	2004/05	2005/06
Interest Income from Advances, Placements and Investments	17,741	21,252
Less Interest Expense on Deposits and Borrowings	9,730	12,000
Net Interest Income	**8,011**	**9,252**
Add Non-interest Income	3,795	4,091
Operating Income	**11,806**	**13,343**
Less Staff and Other Operating Expenses	4,727	5,163
Operating Profit before Bad and Doubtful Debts and Taxation	**7,079**	**8,180**
Less Charge for Bad and Doubtful Debts	855	548
Operating Profit before Taxation	**6,224**	**7,632**
Add Share of Profits in Subsidiaries and Associates	217	232
Less Exceptional Items	129	10
Profit before Tax	**6,312**	**7,854**

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

Table 2.5: Financial Performance

(*Rs million*)

	2004/05	2005/06
Profit after Charge for Bad and Doubtful Debts but before Tax	6,224	7,632
Profit after Tax	5,506	6,869
Pre-tax Return on Average Assets (Per cent)	1.81	1.93
Pre-tax Return on Equity (Per cent)	20.10	21.38
Post-tax Return on Equity (Per cent)	17.53	18.70

interest and non-interest income as well as a lower charge for bad and doubtful debts.

Total interest income, which represented 83.9 per cent of total income, went up by Rs3,511 million, or 19.8 per cent, from Rs17,741 million in 2004/05 to Rs21,252 million in 2005/06. This is mainly attributed to the increase in banking assets and to the general increase in interest rates worldwide. It may be noted that income derived from loans went up by Rs1,735 million or 15.2 per cent mainly due to a higher investment in those types of assets.

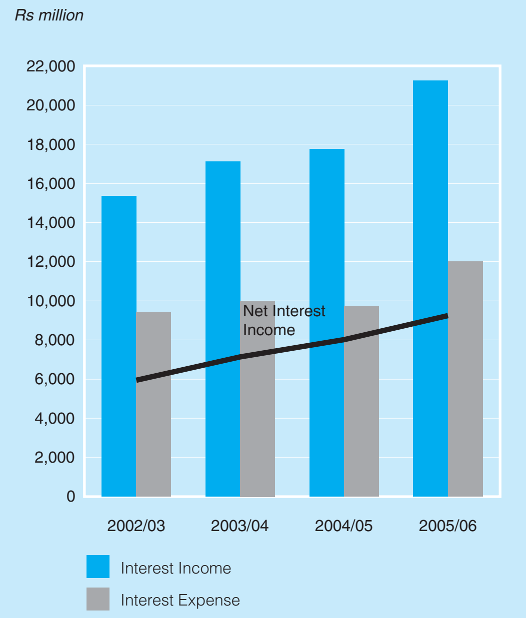
On the other hand, total interest expense rose by Rs2,270 million, or 23.3 per cent, to reach Rs12,000 million in 2005/06 while average cost per Rs100 of deposits decreased from Rs3.48 in 2004/05 to Rs3.25 in 2005/06.

Net interest income, that is interest received on advances, placements and investments net of interest paid on deposits and borrowings, increased by Rs1,241 million, or 15.5 per cent, from Rs8,011 million in 2004/05 to Rs9,252 million in 2005/06. This is mainly attributed to an increase in the spread between interest earned per Rs100 of advances and cost per Rs100 of deposits as well an increase in income derived from placements and loans to banks. On an overall basis, the spread in interest rate between advances and deposits in the banking sector increased by 73 basis points from 3.05 per cent in 2004/05 to 3.78 per cent in 2005/06.

The ratio of staff costs to operating income rose marginally from 14.9 per cent in 2004/05 to 15.5 per cent in 2005/06.

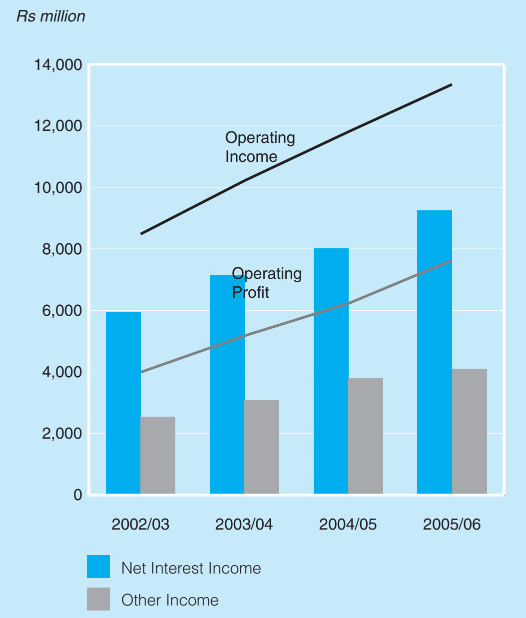
Charts 2.2 and 2.3 depict the trends in the components of net interest income and income of banks, respectively, for the period 2002/03 through 2005/06. Table 2.5 gives the consolidated financial performance of banking institutions in 2004/05 and 2005/06.

Chart 2.2: Components of Net Interest Income



All figures are for the period.

Chart 2.3: Components of Income



All figures are for the period.

Non-interest income, comprising mainly fee-based income, profits from foreign exchange transactions, dividend income and net profit on sale of securities increased by Rs296 million, or 7.8 per cent, to reach Rs4,091 million in 2005/06. This improvement was mainly attributed to a higher income generated from fees and commission and net gains on sales of securities.

The ratio of revenue derived from fees and commission to operating income increased from 10.7 per cent in 2004/05 to 15.9 per cent in 2005/06 as a result of a higher volume of banking activities during the year under review.

The charge for bad and doubtful debts dropped by Rs307 million, or 35.9 per cent, from Rs855 million in 2004/05 to Rs548 million in 2005/06, potentially reflecting better quality assets due to improved credit risk management.

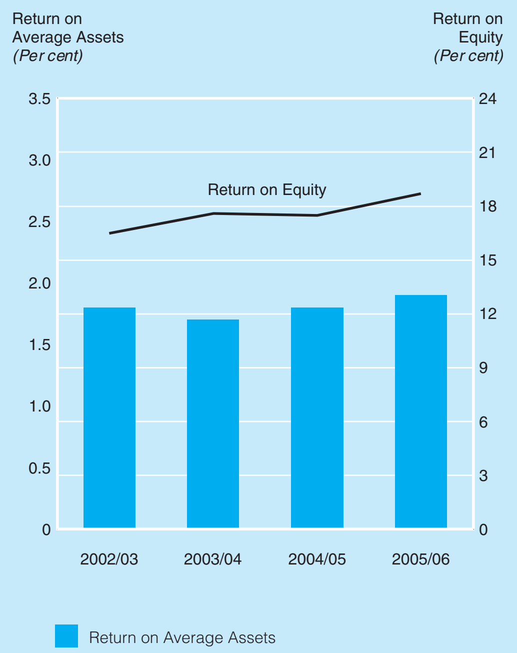
The return of banking institutions, as measured by the pre-tax return on average total assets, improved from 1.81 per cent in 2004/05 to 1.93 per cent in 2005/06, reflecting higher returns on assets. The pre-tax return on average assets of individual banks ranged between –1.21 per cent and 3.25 per cent in 2005/06. Eight banks achieved a pre-tax return on average assets of over 2.0 per cent during 2005/06.

The post-tax return on equity of banks improved from 17.53 per cent in 2004/05 to reach 18.70 per cent in 2005/06 despite an increase of Rs178 million in tax charge during the year under review. For individual banks, the post-tax return on equity ranged between -9.7 per cent and 47.8 per cent in 2005/06. Four banks achieved a return on equity of over 20 per cent during 2005/06.

Chart 2.4 shows the returns on equity and on average assets for banks for the period 2002/03 through 2005/06. Chart 2.5 depicts the evolution of the consolidated operating profit and the profit after tax of banks for the period 2002/03 through 2005/06.

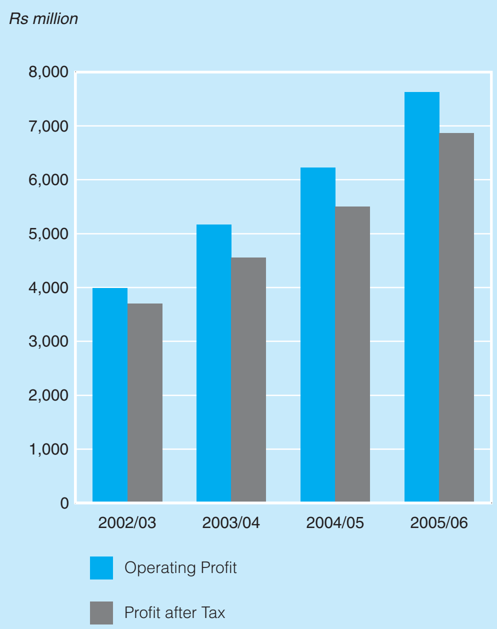
It may be noted that during the year 2005/06, international banking activities generated Rs3,672 million, or 39.7 per cent of total net interest income of the banking sector while non-interest income, derived mainly from fees and commission, net gains on sale of securities and translation of currencies, amounted to Rs724 million, or 17.7 per cent of total non-interest income of the overall banking sector. On the other hand, post-tax profit in respect of cross-border activities stood at Rs3,602 million, or 52.4 per cent of total post-tax profit of the banking

Chart 2.4: Returns on Equity and on Average Assets



All figures are for the period.

Chart 2.5: Consolidated Operating Profit and Profit after Tax



All figures are for the period.

sector.

Non-Bank Financial Institutions

As at 30 June 2006, thirteen non-bank deposit-taking institutions were licensed under section 12 of the Banking Act 2004, to undertake deposit-taking business in Mauritius. General Leasing Co. Ltd changed its name to Cim Leasing Ltd on 24 October 2005. On 15 June 2006, the former Capital Leasing Ltd and MUA Leasing Company Limited merged, following which, the amalgamated company is known as Capital Leasing Ltd.

Total funds for the thirteen non-bank deposit-taking institutions in operation as at end-June 2006 amounted to Rs29,827 million, of which net owned funds accounted for 13.4 per cent, or Rs3,990 million. Total deposits raised from the public stood at Rs19,089 million, representing 64.0 per cent of their resources. Debenture holdings as at end-June 2006 stood at Rs345 million and long-term loans availed of by these institutions amounted to Rs1,175 million. Advances extended to customers aggregated to Rs13,699 million, while an amount of Rs9,593 million was invested in leased assets, representing 45.9 per cent and 32.2 per cent of total assets, respectively. Total investment in Treasury/Bank of Mauritius Bills and other Government securities amounted to Rs2,113 million as at end-June 2006 and represented 7.1 per cent of total assets.

3 Financial Market Developments

During 2005-06, interest rates were raised both in the United States and in the euro area. In the United States, amid inflationary pressures and an increasing current account deficit, the Fed raised interest rates by 25 basis points nine times to 5.25 per cent in June 2006 whilst in the euro zone, concerns about inflation led to three consecutive increases of 25 basis points in interest rates, from 2.0 per cent to 2.75 per cent in June 2006. The Pound sterling, Australian dollar and New Zealand dollar continued to benefit from relatively high interest rates.

The domestic market in 2005-06 was characterised by mild economic growth, an overall balance of payments deficit with a worsening of the current account deficit, and by inflationary pressures arising both from high oil prices and rapid monetary expansion. Against the background of rising interest rates on the international markets and in an effort to contain inflation and maintain the relative attractiveness of rupee-denominated assets, the Bank increased its signalling rate, the Lombard Rate, on two occasions by a cumulative amount of 150 basis points, from 10.00 per cent to 11.50 per cent per annum during 2005-06.

The domestic money market continued to be characterised by excess liquidity with an estimated monthly average excess of around Rs1,268 million during 2005-06 compared to Rs762 million in 2004-05. Yields on Bills issued at primary auctions reflected the increases in the Lombard Rate in 2005-06. As such, the weighted average yield on 91-day Bills went up by 152 basis points to 6.81 per cent, that on 182-day Bills increased by 151 basis points to 7.32 per cent, and that on 364-day Bills rose by 146 basis points to 7.77 per cent. The overall weighted average yields went up from 6.00 per cent in 2004-05 to 7.11 per cent in 2005-06. The issue of Government of Mauritius Treasury Bills and Bank of Mauritius Bills with a maturity of 728 days was discontinued as from 19 August 2005.

In line with the liquidity situation on the money market in 2005-06, seven reverse repurchase transactions were conducted to remove excess liquidity from the system. The yields at which these transactions were conducted were fixed at 2.50 per cent effective September 2005 and at 3.50 per cent effective January 2006 to take into account the 100 basis points increase in the Lombard rate. Two repurchase transactions at fixed yields of 5.25 per cent and 5.75 per cent were also undertaken in August and December 2005, respectively, to inject liquidity into the system.

In the secondary market for Bills, as liquidity remained excessive, the value of primary dealer transactions recorded a decrease of Rs1,341 million, from Rs8,814 million in 2004-05 to Rs7,473 million in 2005-06. Sales by the Bank, through its Secondary Market Cell, in an effort to spur secondary market trading remained subdued with Rs29 million traded on the Stock Exchange and Rs1 million sold over the counter in Rodrigues.

During 2005-06, the Bank, acting as agent of Government, issued long-term Government securities for a total amount of Rs5,800 million in line with the decision to lengthen the maturity profile of Government debt. Thus, Five-Year Government of Mauritius Bonds were issued every two months for a total amount of Rs3,000 million and Mauritius Development Loan Stocks with maturities ranging from 7 to 13 years were issued on three occasions for a total amount of Rs2,800 million. In addition, to offer a wider variety of instruments to investors, the Bank issued, on a monthly basis starting October 2005, Treasury Notes with maturities of 2, 3 and 4 years with interest payable on a semi-annual basis for a total amount of Rs9,607 million.

On 9 June 2006, with a view to avoiding the bunching of interest payments in 2007-08 arising out of the 3-Year Treasury Notes issued in 2004-05 with interest payable at maturity, the Bank, acting as agent for Government, allowed the holders of these 3-Year Treasury Notes to convert part or the full amount of their holdings at par into 2, 3 and 4-Year Treasury Notes. Interests on these Treasury Notes are payable semi-annually at the rates of 8.00, 8.15 and 8.35 per cent per annum, respectively. A total amount of Rs12,898 million, out of the total amount issued of Rs13,928 million, was converted into the 2, 3 and 4-Year Treasury Notes.

On the domestic foreign exchange market, conditions remained tight throughout most of 2005-06. Banks experienced continued demand pressure for foreign currencies, stemming mainly from an increase in imports relative to exports. In an effort to render the domestic foreign exchange market more liquid, the Bank of Mauritius intervened to sell a total amount of US$108.7 million on the local interbank foreign exchange market during 2005-06. The rupee remained on a depreciating trend against major currencies over the period under review.

Money Market Activity

On the money market, conditions remained liquid with an estimated monthly average excess of around Rs1,268 million during 2005-06. The Bank conducted open market operations to reduce the amount of excess liquidity in the system based on its Reserve Money Programme and daily liquidity-forecasting framework.

Primary Auctions of Treasury/Bank of Mauritius Bills

During 2005-06, the Bank continued to issue Treasury Bills for Government borrowing requirements and Bank of Mauritius Bills for monetary policy purposes. The issue of Government of Mauritius Treasury and Bank of Mauritius Bills with a maturity of 728 days was discontinued as from 19 August 2005. Bills of 91-day, 182-day and 364-day maturities continued to be issued through weekly auctions under the existing terms and conditions.

During 2005-06, 50 primary auctions were carried out and Treasury/Bank of Mauritius Bills totalling Rs58,450 million were put on tender. Bids to the tune of Rs110,104 million were received, of which a total amount of Rs51,422 million was accepted, including Bank of Mauritius Bills for Rs5,600 million. The total amount of bids accepted represented 88.0 per cent of the total tender

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)*				
2005									
Jul	5	7,175.0	9,363.6	7,175.0	5.29	5.81	6.31	7.11	**6.60**
Aug	4	4,275.0	4,315.0	3,473.4	5.69	6.29	6.78	7.46	**6.66**
Sep	4	3,575.0	7,473.4	3,575.0	5.82	6.38	6.86	-	**6.39**
Oct	4	2,900.0	6,162.0	2,900.0	5.80	6.35	6.80	-	**6.42**
Nov	3	2,325.0	3,729.1	1,796.1	5.83	6.36	6.81	-	**6.38**
Dec	4	8,075.0	5,582.0	4,280.2	6.84	7.36	7.84	-	**7.45**
2006									
Jan	4	3,775.0	7,953.4	3,775.0	6.90	7.39	7.85	-	**7.52**
Feb	4	2,175.0	9,769.9	2,175.0	6.90	7.37	7.85	-	**7.49**
Mar	5	6,925.0	22,318.9	6,925.0	6.90	7.37	7.85	-	**7.53**
Apr	4	3,400.0	12,802.6	3,400.0	6.90	7.37	7.85	-	**7.49**
May	4	3,675.0	8,879.2	3,675.0	6.89	7.37	7.85	-	**7.47**
Jun	5	10,175.0	11,755.3	8,272.1	6.81	7.32	7.77	-	**7.33**
2005-06	**50**	**58,450.0**	**110,104.4**	**51,421.8**	**6.40**	**7.12**	**7.46**	**7.17**	**7.11**
2004-05	**49**	**67,320.0**	**133,762.0**	**63,902.0**	**5.14**	**5.64**	**6.23**	**6.89**	**6.00**

[1] *Excludes underwriting by the Secondary Market Cell (SMC) of the Bank of Mauritius.*
Note: Effective 19 August 2005, the issue of Bills with maturity of 728 days has been discontinued.

Chart 3.1: Auctioning of Treasury / Bank of Mauritius Bills

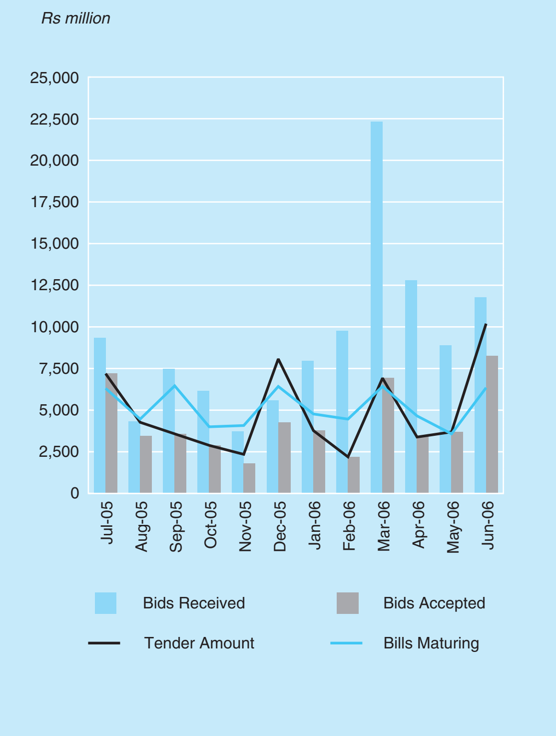
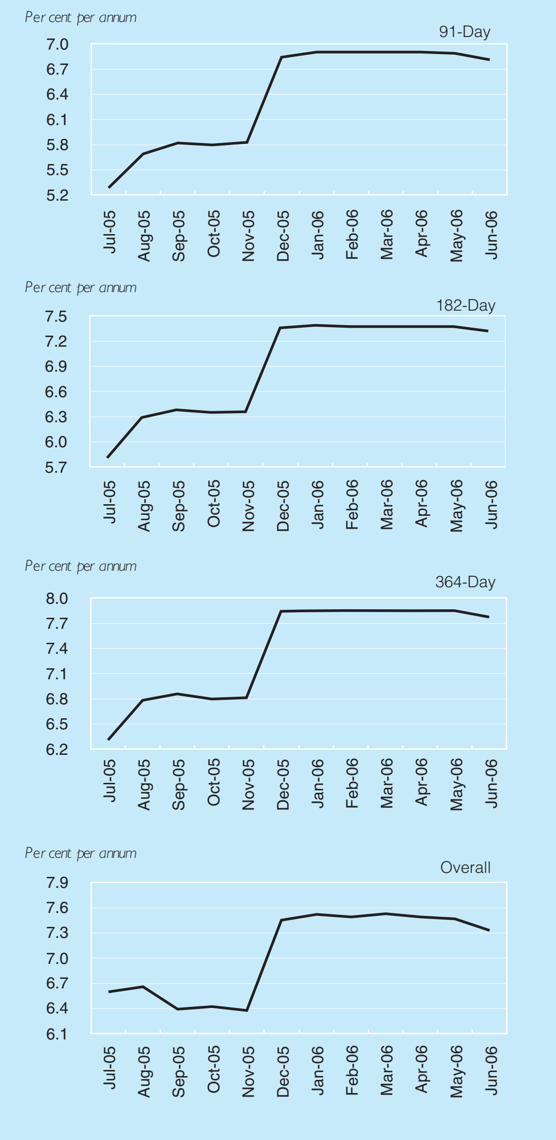


Chart 3.2: Weighted Average Yields on Treasury / Bank of Mauritius Bills at Primary Auctions



amount compared to 94.9 per cent in 2004-05, and 46.7 per cent of the total amount of bids received compared to 47.8 per cent in the preceding year.

The shares of banks and of the non-bank sector in total bids received were 77.5 per cent and 22.5 per cent in 2005-06 compared to 75.0 per cent and 25.0 per cent, respectively, in 2004-05. During the period under review, a total nominal amount of Rs3,233 million of Treasury/Bank of Mauritius Bills was underwritten by the Secondary Market Cell of the Bank of Mauritius at the primary auctions.

In 2005-06, the share of bids received for 364-day Treasury/Bank of Mauritius Bills accounted for 41.3 per cent of total bids received while the 91-day and 182-day Treasury/Bank of Mauritius Bills accounted for 20.2 per cent and 32.6 per cent, respectively, of total bids received.

The weighted average yields on Treasury/Bank of Mauritius Bills of all three maturities generally increased in 2005-06 in line with the hikes in the Lombard Rate. The weighted average yield on 91-day Treasury/Bank of Mauritius Bills moved up by 161 basis points, from 5.29 per cent in July 2005 to a peak of 6.90 per cent, which was maintained from January to April 2006, before going down to 6.81 per cent in June 2006. The weighted average yield on 182-day Treasury/Bank of Mauritius Bills increased by 158 basis points from 5.81 per cent in July 2005 to peak at 7.39 per cent in January 2006, before moving down to 7.37 per cent from February to May 2006 and finally to 7.32 per cent in June 2006. The weighted average yield on 364-day Treasury/Bank of Mauritius Bills rose by 154 basis points, from 6.31 per cent in July 2005 to a high of 7.85 per cent during the period January to May 2006, before falling to 7.77 per cent in June 2006. The weighted average yield on 728-day Treasury/Bank of Mauritius Bills increased by 35 basis points, from 7.11 per cent in July 2005 to 7.46 per cent in August 2005, when it was discontinued.

The monthly overall weighted average yield on Treasury/Bank of Mauritius Bills, which stood at 6.60 per cent in July 2005 peaked at 7.53 per cent in March 2006 before decreasing to 7.33 per cent in June 2006. The overall weighted average yield for 2005-06 increased to 7.11 per cent from 6.00 per cent in 2004-05.

Table 3.1 and Charts 3.1 and 3.2 give detailed information on the auctioning of Treasury/Bank of Mauritius Bills in 2005-06.

Repurchase Transactions

Repurchase (repos) and reverse repurchase (reverse repos) transactions are conducted by the Bank through an auctioning process as and when warranted by the liquidity conditions prevailing in the money market. Both Government of Mauritius Treasury Bills and Bank of Mauritius Bills are used as underlying securities for these transactions.

In the light of liquidity conditions prevailing in the market during 2005-06, the Bank conducted mostly reverse repurchase (reverse repos) transactions with banks in order to mop up the excess liquidity. The yields at which the reverse repo transactions were conducted were fixed at 2.50 per cent effective September 2005 and at 3.50 per cent effective January 2006 after the increase in the Lombard rate.

A total of seven reverse repos were carried out by the Bank in 2005-06. Bids totalling Rs24,315 million were received, of which a total amount of Rs4,600 million was accepted. The reverse repurchase periods varied between 2 to 3 days. The overall weighted yield on reverse repos rose to 3.13 per cent in 2005-06 from 1.19 per cent in 2004-05.

During 2005-06, only two repo transactions were conducted by the Bank for repurchase periods varying between 2 to 7 days. Bids totalling Rs1,370 million were received and were accepted in full. The weighted yields on the repo transactions were also fixed at 5.25 per cent in August 2005 and at 5.75 per cent in December 2005. The overall weighted yield on repo transactions was 5.49 per cent in

Table 3.2: Repurchase Transactions Between the Bank of Mauritius and Banks

	Repurchase Transactions							Reverse Repurchase Transactions						
	Number of Transactions	Amount Received	Amount Accepted	Repurchase Period	Range of Yields on Bids Received	Lowest Yield Accepted	Weighted Yield on Bids Accepted	Number of Transactions	Amount Received	Amount Accepted	Repurchase 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)*		
2005														
Jul	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug	1	720	720	2	5.25	5.25	5.25	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	2	7,560	1,000	2 - 3	2.50	2.50	2.50
Oct	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nov	-	-	-	-	-	-	-	1	1,680	700	3	2.50	2.50	2.50
Dec	1	650	650	7	5.75	5.75	5.75	-	-	-	-	-	-	-
2006														
Jan	-	-	-	-	-	-	-	2	7,605	1,500	3	3.50	3.50	3.50
Feb	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar	-	-	-	-	-	-	-	1	4,450	700	2	3.50	3.50	3.50
Apr	-	-	-	-	-	-	-	1	3,020	700	3	3.50	3.50	3.50
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2005-06	**2**	**1,370**	**1,370**	**2 - 7**	**5.25-5.75**	**5.25**	**5.49**	**7**	**24,315**	**4,600**	**2-3**	**2.50-3.50**	**3.50**	**3.13**
2004-05	**4**	**2,695**	**2,225**	**1 - 3**	**1.15-5.00**	**1.75**	**2.99**	**17**	**33,120**	**15,600**	**2-7**	**1.00-2.00**	**1.50**	**1.19**

Notes: (1) Effective 20 September 2005, the Bank has conducted reverse repurchase transactions at a fixed rate.
(2) Effective 08 February 2005, repurchase transactions have also been conducted at a fixed rate.

2005-06 compared to 2.99 per cent in 2004-05.

Since March 2005, banks that are signatories to a Master Repurchase Agreement are able to conduct repurchase and reverse repurchase transactions among themselves. These transactions are collateralised through either Treasury Bills or Bank of Mauritius Bills contrary to interbank lending and borrowing which are not collateralised. During the year under review, repurchase transactions among banks were carried out for a total amount of Rs240 million.

Table 3.2 provides details on repurchase transactions carried out by the Bank in 2005-06.

Interbank Transactions

The interbank money market allows liquidity redistribution among banks. Funds are available either at call (overnight), at short notice (up to seven days) or at term (more than seven days) on a non-collateralised basis.

In 2005-06, a decrease of 7.0 per cent was recorded in the value of interbank transactions, which amounted to Rs101,496 million compared to Rs109,124 million in 2004-05. The daily average amount of interbank transactions decreased from Rs315 million in 2004-05 to Rs296 million in 2005-06.

Transactions were mainly carried out in the call money market where they totalled Rs93,461 million, representing a decrease of 9.0 per cent compared to the previous fiscal year. This represented a daily average transactions amount of Rs296 million in 2005-06 compared to Rs303 million in 2004-05. Call money transactions peaked at Rs1,125 million in December 2005 and January 2006 and were at a low of Rs6 million in June 2006.

During 2005-06, there were eleven transactions at short notice on the interbank money market for a total amount of Rs1,225 million, representing an average amount of Rs111 million per transaction. Transactions at short notice were at a peak of Rs300 million in December 2005 and at a trough of Rs40 million in October 2005 and January 2006.

Two transactions at term were effected in February and March 2006 and totalled Rs90 million. This represented an average amount of Rs45 million per transaction.

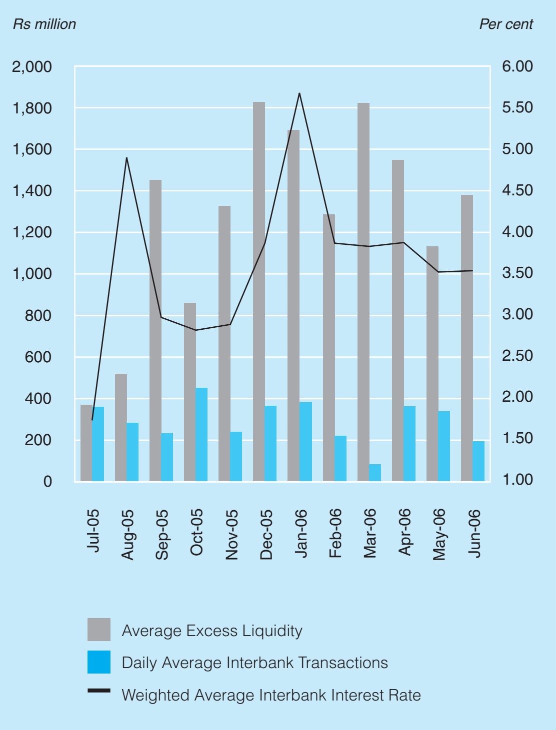
Interbank interest rates fluctuated within a

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
2005												
Jul	1,080	35	361	-	-	-	-	-	-	**1,080**	**35**	**361**
Aug	635	45	275	50	50	50	-	-	-	**635**	**45**	**282**
Sep	525	20	233	-	-	-	-	-	-	**525**	**20**	**233**
Oct	965	140	401	125	40	85	-	-	-	**965**	**140**	**453**
Nov	690	100	239	-	-	-	-	-	-	**690**	**100**	**239**
Dec	1,125	40	355	300	50	175	-	-	-	**1,175**	**40**	**366**
2006												
Jan	1,125	25	383	200	40	104	-	-	-	**1,175**	**40**	**382**
Feb	665	27	334	-	-	-	60	30	42	**725**	**30**	**220**
Mar	280	18	99	-	-	-	60	30	30	**280**	**19**	**82**
Apr	580	44	301	220	50	120	-	-	-	**630**	**44**	**363**
May	1,000	15	332	50	50	50	-	-	-	**1,050**	**15**	**337**
Jun	625	6	194	-	-	-	-	-	-	**625**	**6**	**194**
2005-06	**1,125**	**6**	**296**	**300**	**40**	**110**	**60**	**30**	**38**	**1,175**	**6**	**296**
2004-05	**1,170**	**5**	**303**	**200**	**140**	**186**	**40**	**20**	**32**	**1,170**	**5**	**315**

Chart 3.3: Excess Liquidity, Interbank Transactions and Weighted Average Interbank Interest Rate



range of 1.40-10.00 per cent in 2005-06 compared to a range of 1.00-9.75 per cent in 2004-05, reflecting increases in the Lombard rate. Rates on the call money market fluctuated between 1.40 per cent and 10.00 per cent in 2005-06 compared to a range of 1.00-9.75 per cent in 2004-05. The range of interest rates on money at short notice varied between 2.75-7.50 per cent in 2005-06 compared to a range of 1.50-1.75 per cent in 2004-05 while the interest rate on transactions at term was in the range 4.50-6.50 per cent in 2005-06 compared to a range of 1.50-4.75 per cent in 2004-05.

The weighted average call money interest rate increased by 200 basis points, from 1.53 per cent in 2004-05 to 3.53 per cent in 2005-06, while the weighted average interest rate on transactions at short notice increased by 325 basis points, from 1.62 per cent in 2004-05 to 4.87 per cent in 2005-06. The weighted average interest rate on transactions at term also went up, from 2.26 per cent in 2004-05 to 6.07 per cent in 2005-06. Overall, the monthly weighted average interbank interest rate increased by 211 basis points, from 1.54 per cent in 2004-05 to 3.65 per cent in 2005-06.

Tables 3.3 and 3.4 as well as Chart 3.3 give details on interbank transactions and interbank interest rates in 2005-06.

Lombard Facility

The Lombard Facility was introduced by the Bank with effect from 15 December 1999 to provide overnight collateralised advances to banks which encounter unexpected funding shortfalls, as part of the Bank's Lender of Last Resort function. For this purpose, 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 2005-06, banks had recourse to the Lombard Facility on several occasions for a total amount of Rs1,686 million.

The Lombard Rate, which is used by the Bank as a signalling mechanism of its monetary policy stance, stood at 10.00 per cent on 1 July 2005. It was increased by 50 basis points to 10.50 per cent on 5 August 2005 and by 100 basis points to 11.50 per cent on 7 December 2005.

Secondary Market Trading

Primary Dealer System

In its efforts to boost the development of a secondary market for securities and to enhance liquidity of the domestic market for these securities, the Bank of Mauritius established, effective 1 February 2002, a Primary Dealer System for Mauritius. Currently, five banks, namely, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited, The Mauritius Commercial Bank Ltd, State Bank of Mauritius Ltd and the Mauritius Post and Cooperative Bank Ltd operate as primary dealers under this system.

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.

Dealing activity by the primary dealers involves instruments such as Government of Mauritius Treasury Bills and Bank of Mauritius Bills. Bills are classified into eleven bands representing days to maturity ranging from 2 to 728 days. Prospective investors are able to either purchase or sell across the range of eligible securities through the primary dealers of their choice at all times during normal banking hours. Given that 728-day Bills are no longer issued effective 19 August 2005, no bills were being offered in Bands 10 and 11 as at 30 June 2006.

During the period under review, 899 transactions for a total amount of Rs7,473 million were conducted by the primary dealers compared to 1,170 transactions for a total value of Rs8,814 million during 2004-05. Yields varied between 4.00 per cent and 8.06 per cent during 2005-06 compared to a range of 2.50 per cent to 7.13 per cent in 2004-05.

The largest number of transactions, that is, 357 transactions for a total amount of Rs2,546 million, was recorded in Band 8, where Treasury/Bank of Mauritius Bills with maturities ranging from 301 to 364 days are traded. Significant transactions for Rs1,150 million and Rs1,045 million, respectively, also occurred in band 5, where Treasury/Bank of Mauritius Bills with maturities ranging from 136 to 180 days, and in band 3, where Treasury/Bank of Mauritius Bills with maturities ranging from 61 to 90 days, are traded. The remaining bands registered an average of 38 transactions, the least being 20 transactions within band 7 for a total amount of Rs122 million.

During 2005-06, the number of sale transactions effected by the primary dealers, including sales to other primary dealers, summed up to 805 for a total amount of Rs6,156 million while 113 purchase transactions amounting to Rs2,120 million were effected by the primary dealers, including purchases from other primary dealers.

At the start of 2005-06, yields on transactions by primary dealers ranged from 4.50 per cent to 7.11 per cent, depending upon the trading band within which transactions were effected. They rose subsequently over the year in line with the increases in the Lombard rate and yields obtained at primary auctions to reach a range of 6.10 per cent to 8.06 per cent in January 2006. As yields on the primary auctions thereafter remained more or less constant, yields on primary dealer transactions ended 2005-06 within a range of 6.00-6.75 per cent.

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
2005								
Jul	1.74	1.40-2.50	-	-	-	-	**1.74**	**1.40-2.50**
Aug	4.90	1.75-6.75	4.00	4.00	-	-	**4.90**	**1.75-6.75**
Sep	2.98	2.00-3.50	-	-	-	-	**2.98**	**2.00-3.50**
Oct	2.81	2.50-4.00	2.87	2.75-3.00	-	-	**2.82**	**2.50-4.00**
Nov	2.89	2.50-4.00	-	-	-	-	**2.89**	**2.50-4.00**
Dec	3.86	2.50-10.00	3.93	3.75-5.00	-	-	**3.87**	**2.50-10.00**
2006								
Jan	5.50	3.50-10.00	6.64	3.50-7.50	-	-	**5.68**	**3.50-10.00**
Feb	3.51	3.50-3.75	-	-	5.93	4.50-6.50	**3.87**	**3.50-6.50**
Mar	3.50	3.50	-	-	6.50	6.50	**3.83**	**3.50-6.50**
Apr	3.50	3.50	5.40	4.75-5.50	-	-	**3.88**	**3.50-5.50**
May	3.50	3.50	4.75	4.75	-	-	**3.52**	**3.50-4.75**
Jun	3.54	3.50-5.00	-	-	-	-	**3.54**	**3.50-5.00**
2005-06	3.53	1.40-10.00	4.87	2.75-7.50	6.07	4.50-6.50	**3.65**	**1.40-10.00**
2004-05	1.53	1.00-9.75	1.62	1.50-1.75	2.26	1.50-4.75	**1.54**	**1.00-9.75**

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	26	330.4	4.00-7.00
2	31 to 60	31	392.4	4.75-7.00
3	61 to 90	124	1,045.0	5.00-7.00
4	91 to 135	47	719.7	5.55-7.30
5	136 to 180	116	1,150.1	5.60-7.50
6	181 to 240	29	250.5	5.65-7.45
7	241 to 300	20	122.3	6.00-7.70
8	301 to 364	357	2,546.0	6.15-7.90
9	365 to 485	55	274.9	6.25-8.00
10	486 to 606	14	301.7	7.00-8.06
11	607 to 728	80	339.7	6.80-8.00
2005-06		**899**	**7,472.7**	**4.00-8.06**
2004-05		**1,170**	**8,813.5**	**2.50-7.13**

Note: With effect from 16 May 2005, the number of Primary Dealers has increased from four to five.

Table 3.6: Purchases and Sales of Treasury/Bank of Mauritius Bills by Primary Dealers

	Purchases		Sales		Total Transactions [1]		Range of Yields *(Per cent per annum)*
	Volume	Value *(Rs million)*	Volume	Value *(Rs million)*	Volume	Value *(Rs million)*	
2005							
Jul	6	52.7	53	307.3	**59**	**360.0**	**4.50-7.11**
Aug	10	220.5	74	625.4	**80**	**682.7**	**5.00-7.56**
Sep	2	30.4	66	546.9	**68**	**577.3**	**5.60-7.30**
Oct	6	3.3	67	351.0	**73**	**354.3**	**5.65-7.05**
Nov	10	113.2	53	419.4	**57**	**444.8**	**5.35-7.25**
Dec	26	403.5	72	612.9	**97**	**1,001.7**	**5.65-8.05**
2006							
Jan	16	597.7	104	1,092.5	**115**	**1,182.5**	**6.10-8.06**
Feb	11	379.4	73	279.0	**84**	**658.4**	**4.10-7.85**
Mar	4	56.7	97	697.9	**98**	**724.6**	**4.00-7.82**
Apr	8	78.3	62	339.1	**70**	**417.4**	**6.50-7.82**
May	4	61.5	49	496.7	**53**	**558.2**	**6.40-7.82**
Jun	10	122.6	35	388.2	**45**	**510.8**	**6.00-6.75**
2005-2006	**113**	**2,119.8**	**805**	**6,156.3**	**899**	**7,472.7**	**4.00-8.06**
2004-2005	**201**	**2,545.1**	**983**	**6,710.4**	**1,170**	**8,813.5**	**2.50-7.13**

[1] Figures do not add up to total purchases and sales as inter-primary dealer transactions, that is, purchases and sales of Treasury/BOM Bills among primary dealers, are accounted for only once.
Note: With effect from 16 May 2005, the number of Primary Dealers has increased from four to five.

Overall, during 2005-06, yields varied between 4.00 per cent and 8.06 per cent compared to a range of 2.50 per cent to 7.13 per cent in 2004-05.

Table 3.5 gives details of transactions conducted by primary dealers within the eleven bands from July 2005 to June 2006 while Table 3.6 shows purchase and sale transactions effected over the same period.

Secondary Market Cell

As part of its efforts to develop the secondary market, the Bank of Mauritius carries out trading of Government Securities out of its own portfolio through its Secondary Market Cell (SMC).

As such, the Bank of Mauritius, in collaboration with the SEM and the CDS, offers three types of Bills, namely 182-day, 364-day and 728-day Bills on the Stock Exchange of Mauritius through licensed stockbroking companies to Mauritian citizens only. Trading is restricted to Rs2 million per order.

During 2005-06, no trade of 182-day and 364-day Bills was conducted on the Stock Exchange of Mauritius. Trading in 728-day Bills stood at Rs29 million with yields ranging from 5.84 per cent to 6.88 per cent per annum.

The Bank of Mauritius continued its sale of Treasury/Bank of Mauritius Bills Over the Counter at its Rodrigues office. During the period July 2005 to June 2006, total sales amounted to Rs1 million.

Overall in 2005-06, Bills purchased and sold by the SMC amounted to Rs7,500 million and Rs4,197 million, respectively, and were higher than in 2004-05 when purchases and sales totalled Rs4,144 million and Rs2,867 million, respectively.

Total amount of Bills transacted outside SMC, comprising mostly of transactions by Primary Dealers, went down to Rs7,473 million in 2005-06 from Rs8,820 million in 2004-05.

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 to Rs48,120 million in 2005-06 from Rs62,625 million in 2004-05.

The weighted yield to buyers on Bills sold by SMC went up by 31 basis points, from 6.46 per cent in 2004-05 to 6.77 per cent per annum in 2005-06.

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 the sugar sector for an initial amount of Rs1.5 billion, which was subsequently increased to Rs2.0 billion on 5 April 2002 to enable banks support the restructuring of the Sugar Industry in the context of the Sugar Sector Strategic Plan 2001-2005. On 14 December 2004, this line of credit was further increased to Rs2.45 billion.

Initially, funds were made available to banks at an interest rate of 5.5 per cent per annum for them to on-lend to the Sugar Industry at a rate not exceeding 7.5 per cent per annum. The amounts disbursed by the Bank of Mauritius were repayable within 6 years after disbursement with a moratorium period of 2 1/2 years on the capital from the date of its disbursement.

Effective 17 December 2004, new conditions were applied to the Special Line of Credit. The repayment period for loans already disbursed was extended from 6 to 7 years and the moratorium period was also extended from 2 1/2 to 3 years. For new loans disbursed after 17 December 2004, the rate of interest was decreased by 1 percentage point and funds were made available to banks at 4.5 per cent for on-lending at 6.5 per cent to the Sugar sector. The repayment period on these new loans was also extended to 7 years after disbursement and the moratorium period to 3 years on the capital from the date of its disbursement. Payment of interest on the loan facilities, however, remain the same as in the initial conditions, that is, interest accrues as from the date of disbursement and is payable in arrears on a calendar quarterly basis.

During 2005-06, a total amount of Rs337 million was disbursed under this facility, thereby bringing the total amount disbursed under the Line of Credit to Rs2,093 million.

Equity Fund

To support the financing of the National Equity Fund set up in July 2003, the Bank of Mauritius made available to the Development Bank of Mauritius Ltd (DBM) a Special Line of Credit of Rs700 million to be drawn down within 2 years of the setting up of the Fund. Out of the amount of Rs700 million, an amount of Rs450 million was to be utilised by the DBM towards its own participation in the Fund and the balance of Rs250 million was for on-lending by the DBM to the State Investment Corporation (SIC) for its participation in the Equity Fund. There is a moratorium period of 3 years on interest and capital repayments.

The drawdown period of 2 years expired on 9 July 2005. However, in view of expected future drawdowns up to January 2007, the Bank of Mauritius reactivated the Special Line of Credit for the National Equity Fund in February 2006 for an amount of Rs90 million on the existing terms and conditions.

The interest rate applicable under the line of credit advanced by the Bank is set at 5.0 percentage points below the prevailing Lombard Rate. Interest, which is payable in arrears quarterly on a calendar year basis, starts accruing on the loan facilities as from the date of its disbursement and is capitalised during the moratorium period of 3 years.

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.

Following the reactivation of the Special Line of Credit in February 2006, an amount of Rs50 million was disbursed, thereby bringing the total amount disbursed to Rs122.5 million.

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 Average Yield to Buyers on Bills Sold by SMC [3]
	(Rs million)						*(Per cent per annum)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2005							
Jul	360.0	0.0	4.8	7,175.0	7,179.8	0.0	6.67
Aug	682.7	930.0	130.6	3,473.0	2,673.6	0.0	6.57
Sep	577.3	166.4	470.6	3,575.0	3,879.2	0.0	6.88
Oct	354.3	526.7	371.0	2,900.0	2,744.3	0.0	6.86
Nov	444.8	977.1	488.5	1,796.0	1,307.4	0.0	6.84
Dec	1,001.7	996.8	817.1	4,280.0	4,100.3	0.0	6.84
2006							
Jan	1,182.5	340.3	722.1	3,775.0	4,156.8	0.0	6.76
Feb	658.4	505.3	144.6	2,175.0	1,814.3	0.0	6.80
Mar	724.6	644.7	859.2	6,925.0	7,139.5	0.0	6.78
Apr	417.4	245.4	26.5	3,400.0	3,181.1	0.0	6.61
May	558.2	45.6	115.1	3,675.0	3,744.5	0.0	6.72
Jun	510.8	2,120.6	47.2	8,272.1	6,198.7	0.0	6.69
2005-06	**7,472.7**	**7,498.9**	**4,197.3**	**51,421.1**	**48,119.5**	**0.0**	**6.77**
2004-05	**8,820.3**	**4,143.5**	**2,866.5**	**63,902.3**	**62,625.3**	**0.0**	**6.46**

[1] *Include transactions by primary dealers*
[2] *Include Treasury Bills sold Over The Counter in Rodrigues and on the Stock Exchange of Mauritius Ltd.*
[3] *Only on Outright Transactions Over the Counter and on the Stock Exchange of Mauritius Ltd.*
SMC: Secondary Market Cell of the Bank of Mauritius

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, to be drawn down within 2 years, was created in May 2004 within the National Equity Fund for the purpose of extending concessionary financing to these enterprises. The level of participation in the Sub-Fund by DBM and SIC are in the same proportion as the original Line of Credit of Rs700 million.

Disbursements under the Sub-Fund carry a fixed rate of interest of 3.0 per cent per annum.

Drawdowns from the Sub-Fund benefit from a moratorium period of four years on capital and interest. Interest, which is payable quarterly on a calendar year basis, starts accruing as from the date of disbursement and is capitalised during the moratorium period of four years.

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.

During 2005-06, no disbursement was made under the Sub-Fund. The drawdown period of 2 years expired in May 2006.

Foreign Exchange Market

During 2005-06, liquidity on the domestic foreign exchange market remained tight throughout most of the year as banks experienced continued demand pressure for foreign currencies, stemming mainly from an increase in imports relative to exports.

Banks registered shortfalls estimated at around an equivalent of US$31 million on a monthly average basis in their net foreign exchange positions. The total net forward receipts outstanding as at end June 2006 stood at an equivalent amount of US$89 million.

The Bank intervened regularly throughout the fiscal year to supply banks with foreign exchange to assist them in meeting demand and thereby smoothen out exchange rate volatilities.

Table 3.8: Trading of Treasury/Bank of Mauritius Bills on the Stock Exchange of Mauritius

	Amount Transacted				Yield
	182-Day	364-Day	728-Day	Total	*(Per cent*
	(Rs million)				*per annum)*
2005					
Jul	-	-	4.8	4.8	5.94-6.75
Aug	-	-	1.8	1.8	5.84-6.88
Sep	-	-	5.2	5.2	6.88
Oct	-	-	2.8	2.8	6.84-6.88
Nov	-	-	0.1	0.1	6.84
Dec	-	-	1.0	1.0	6.84
2006					
Jan	-	-	6.9	6.9	6.59-6.81
Feb	-	-	4.6	4.6	6.78-6.81
Mar	-	-	0.5	0.5	6.78
Apr	-	-	0.4	0.4	6.72-6.75
May	-	-	0.4	0.4	6.72
Jun	-	-	0.1	0.1	6.69
2005-06	**0.0**	**0.0**	**28.6**	**28.6**	**5.84-6.88**
2004-05	**0.0**	**2.5**	**89.7**	**92.2**	**4.84-6.78**

Chart 3.4 shows the monthly average foreign exchange liquidity position of banks and intervention by the Bank during 2005-06.

Interbank Foreign Exchange Market

During 2005-06, turnover on the interbank foreign exchange market increased to an equivalent amount of US$62.37 million compared to an equivalent amount of US$60.84 million in 2004-05. Out of this turnover, purchases of US dollars against the rupee amounted to US$18.13 million in 2005-06 compared to a higher amount of US$36.24 million in 2004-05.

The monthly average level of transactions amounted to US$5.20 million in 2005-06, compared to a monthly average of US$5.07 million in 2004-05. Total interbank transactions peaked at US$17.60 million in December 2005 and reached a trough of US$1.64 million in May 2006. The opening interbank Rs/US$ ask rate for the period under review moved within the range of Rs29.3100 in July 2005 to Rs30.9550 in June 2006.

Chart 3.4: Monthly Average Liquidity and Intervention on the Foreign Exchange Market

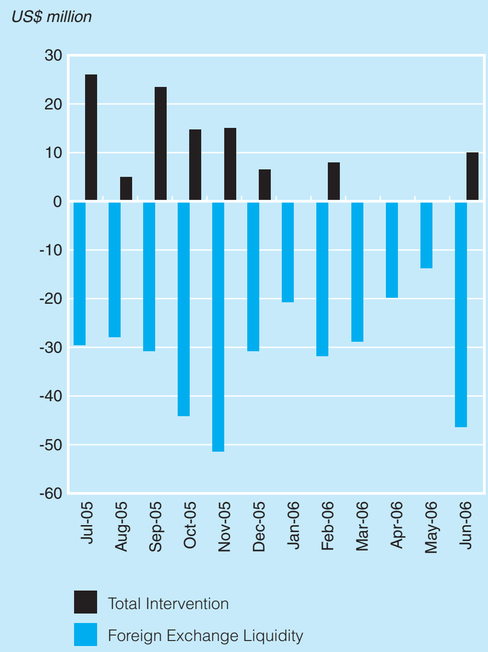


Table 3.9: Interbank Foreign Exchange Market

	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: US dollar Equivalent (US$ million)	Total Purchases: Rupee Equivalent (Rs million)	Opening Interbank Min - Max Ask Rate[1] (Rs/US$)
2005						
Jul	2.03	1.00	0.41	3.44	100.76	29.3100-29.5350
Aug	0.80	1.63	0.53	2.96	87.60	29.5350-29.6325
Sep	5.11	0.66	1.25	7.02	210.70	29.6325-30.4625
Oct	0.23	1.19	0.58	2.00	61.02	30.4700-30.5150
Nov	0.40	1.36	0.49	2.25	68.89	30.5100-30.7000
Dec	5.91	0.70	10.99	17.60	540.69	30.7000-30.7325
2006						
Jan	1.66	1.57	1.61	4.84	148.76	30.7000-30.7325
Feb	0.17	0.26	1.32	1.75	53.89	30.7600-30.8300
Mar	0.36	0.67	12.40	13.43	414.24	30.8300-30.9025
Apr	0.74	0.25	2.76	3.75	116.01	30.9025-30.9225
May	0.23	0.94	0.47	1.64	50.61	30.9225
Jun	0.49	0.76	0.44	1.69	52.15	30.9225-30.9550
2005-06	**18.13**	**10.99**	**33.25**	**62.37**	**1,905.32**	**29.3100-30.9550**
2004-05	**36.24**	**3.33**	**21.27**	**60.84**	**1,747.47**	**28.3300-29.3100**

[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 banks.*

Intervention by the Bank of Mauritius during 2005-06 reflected the foreign exchange liquidity condition of the market. During the first half of 2005-06, the Bank sold US$90.7 million on the market. As the foreign exchange liquidity position of the market showed a tendency for improvement during the second half of the fiscal year, the Bank intervened to sell US$18.0 million during this period, which brought total intervention during 2005-06 to US$108.7 million. The range of intervention rates for the sale of US dollars to the market moved between Rs28.93 to Rs30.95 per US dollar.

Table 3.9 gives details of monthly transaction on the interbank foreign exchange market and Table 3.10 provides the amount and range of intervention by the Bank of Mauritius.

Foreign Exchange Transactions by Banks

Banks report on a daily basis to the Bank of Mauritius transactions of US$30,000 and above or their equivalent in other foreign currencies. During 2005-06, total transactions reported amounted to an equivalent of US$2,423.0 million compared to US$2,590.8 million in 2004-05, with 50.8 per cent of total transactions being carried out in US dollar, 31.1

Chart 3.5: Banks' Transactions above US$30,000: Total Purchases and Sales

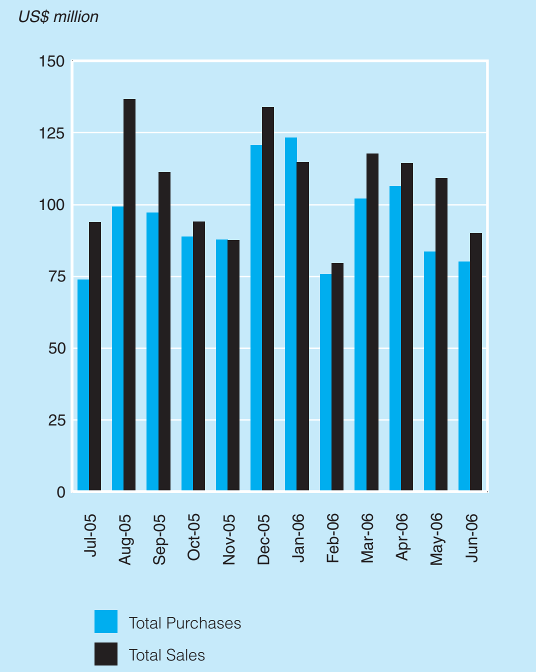


Table 3.10: Intervention by the Bank of Mauritius on the Interbank Foreign Exchange Market

	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)
2005				
Jul	26.0	28.93-28.94	0.0	-
Aug	5.0	28.94	0.0	-
Sep	23.5	29.00-30.30	0.0	-
Oct	14.7	30.35-30.36	0.0	-
Nov	15.0	30.35-30.36	0.0	-
Dec	6.5	30.55	0.0	-
2006				
Jan	0.0	-	0.0	-
Feb	8.0	30.67	0.0	-
Mar	0.0	-	0.0	-
Apr	0.0	-	0.0	-
May	0.0	-	0.0	-
Jun	10.0	30.95	0.0	-
2005-06	**108.7**	**28.93-30.95**	**0.0**	**-**
2004-05	**184.8**	**28.25-28.93**	**0.0**	**-**

per cent in Euro, 9.7 per cent in Pound sterling, 3.3 per cent in South African rand, 2.0 per cent in Japanese yen, 1.2 per cent in Australian dollar and 1.9 per cent in other foreign currencies. Total monthly transactions peaked at an equivalent of US$254.5 million in December 2005 and reached a trough equivalent to US$155.6 million in February 2006.

The Rs/US$ weighted average dealt ask rates at which transactions over US$30,000 were effected moved in line with developments on the international markets and the evolution of foreign exchange liquidity conditions in the domestic market. Between July 2005 and June 2006, the Rs/US$ weighted average dealt ask rates fluctuated between a high of

Chart 3.6: Banks' Transactions above US$30,000: Turnover by Currency

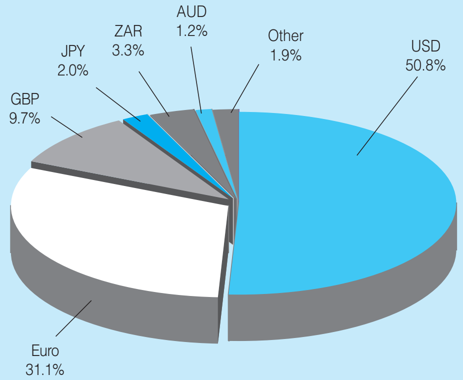
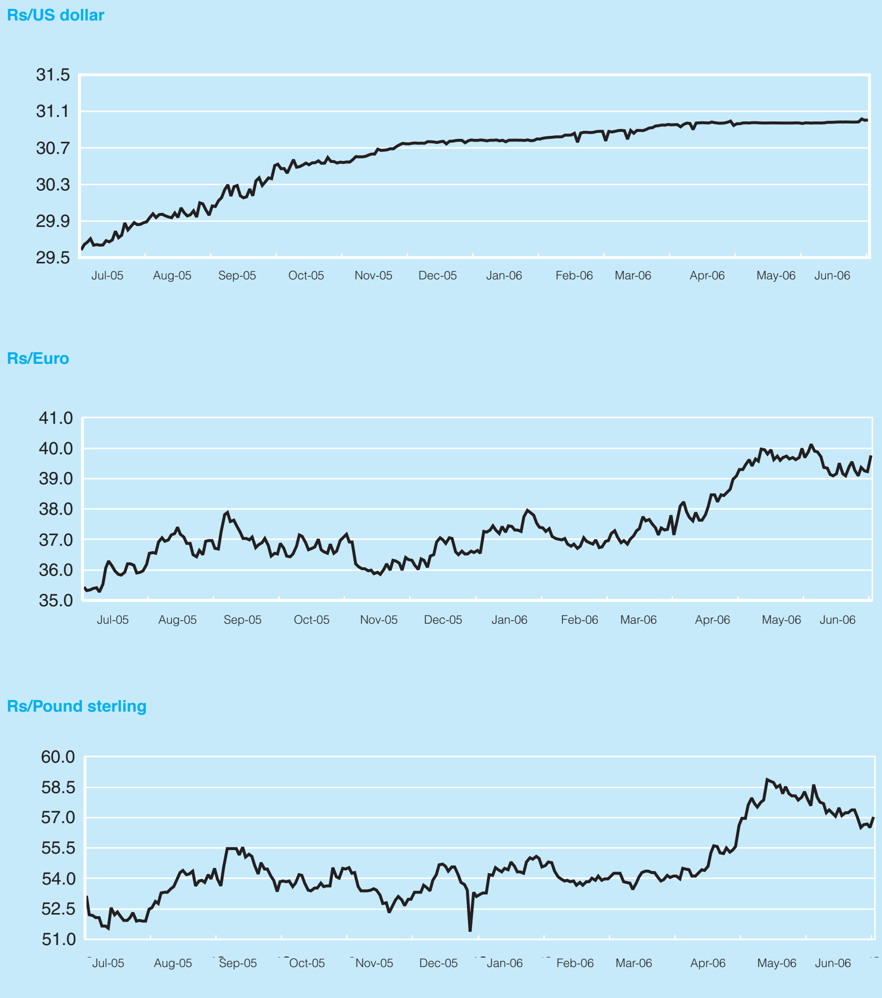


Chart 3.7: Weighted Average Dealt Rates of the Rupee Against Major Currencies [1]



[1] *Daily basis.*

Table 3.11: Weighted Average Dealt Selling Rates of the Rupee [1]

	Rs/USD	Rs/EUR	Rs/GBP	Rs/USD	Rs/EUR	Rs/GBP
	(End of Period)			(Period Average)		
2005						
Jul	29.882	36.169	52.500	29.737	35.824	52.159
Aug	30.059	36.679	53.621	29.986	36.853	53.770
Sep	30.473	36.720	53.858	30.288	37.067	54.591
Oct	30.546	36.914	54.257	30.527	36.782	53.935
Nov	30.745	36.331	52.976	30.656	36.145	53.134
Dec	30.782	36.631	53.210	30.766	36.577	53.700
2006						
Jan	30.796	37.385	54.652	30.784	37.405	54.524
Feb	30.881	36.766	53.976	30.840	36.948	54.027
Mar	30.956	37.785	54.120	30.894	37.264	54.014
Apr	30.993	38.975	55.578	30.965	38.086	54.847
May	30.973	39.991	58.263	30.971	39.641	57.973
Jun	31.005	39.756	57.028	30.982	39.451	57.306

[1] Calculated on spot transactions of USD30,000 and above, or equivalent, of banks.

Rs31.016 and a low of Rs29.584. Against the euro, the weighted average dealt ask rates varied between a trough of Rs35.288 in July 2005 and a peak of Rs40.124 in June 2006 while, against the Pound sterling, they moved between Rs51.371 in December 2005 and Rs58.860 in May 2006.

As at end-June 2006, the weighted average dealt ask rate of the rupee stood at Rs31.005 against the US dollar, Rs39.756 against the euro and Rs57.028 against the Pound sterling.

Charts 3.5 and 3.6 give details on transactions above US$30,000 effected by banks while Chart 3.7 and Table 3.11 show the weighted average dealt rates of the rupee against major currencies.

Public Debt Management

With a view to lengthening the maturity profile of Government debt, the Bank of Mauritius, acting as agent of the Government, raised a total amount of Rs5,800 million through the issues of Five-Year Government of Mauritius Bonds and Mauritius Development Loan Stocks compared to Rs5,000 million in the preceding year.

Of that amount, a total of Rs3,000 million was raised through Five-Year Government of Mauritius Bonds and Rs2,800 million through Mauritius Development Loan Stocks with maturities ranging between 7 and 13 years. In order to offer investors with additional investment instruments, Treasury Notes with maturities of 2, 3 and 4 years were also issued during 2005-06 on a monthly basis starting October 2005.

Issue of Five-Year Government of Mauritius Bonds

Given the significant interest noted in Five-Year Government of Mauritius Bonds in 2004-05, decision was taken in 2005-06 to increase the frequency of their issue from every quarter to every two months. The amount put on tender at each auction was maintained at Rs500 million and, as such, six issues of Five-Year Government of Mauritius Bonds were held in 2005-06 for a total amount of Rs3,000 million.

The first issue of Bonds for 2005-06 was held on 31 August 2005 and the remaining five issues took place on 31 October 2005, 30 December 2005, 28 February 2006, 28 April 2006 and 30 June 2006.

The interest rate for the first two issues was fixed at 8.25 per cent per annum and with the 100-basis point increase in the Lombard Rate in December 2005, the interest rate on the Five-Year Government of Mauritius Bonds was increased to 8.75 per cent per

Table 3.12: Auctions of Five-Year Government of Mauritius Bonds

	Auction held on					
	31-Aug-05	31-Oct-05	28-Dec-05[1]	28-Feb-06	27-Apr-06[2]	28-Jun-06[3]
1. Amount of Bonds put on Tender (Rs mn)	500.0	500.0	500.0	500.0	500.0	500.0
2. Value of Bids Received (Rs mn)	842.2	1,717.2	814.6	1,521.5	997.0	1,227.2
3. Value of Bids Accepted (Rs mn)	500.0	500.0	500.0	500.0	500.0	500.0
4. Interest Rate (% p.a.)	8.25	8.25	8.75	8.75	8.75	8.75
5. Highest Yield Accepted (% p.a.)	8.70	8.45	9.05	8.95	8.95	8.92
6. Weighted Yield on Bids Accepted (% p.a.)	8.54	8.34	8.95	8.94	8.92	8.90
7. Weighted Price of Bids Accepted (%)	98.840	99.638	99.208	99.247	99.326	99.405

[1] *For Issue on 30 December 2005.* [2] *For Issue on 28 April 2006.* [3] *For Issue on 30 June 2006.*

annum for the remaining four issues.

As in the past years, all the auctions of Five-Year Government of Mauritius Bonds held in 2005-06 were oversubscribed with total value of bids received amounting to Rs7,120 million compared to a total tender amount of Rs3,000 million. Total nominal value of bids accepted stood at Rs3,000 million.

At the first auction in August 2005, the weighted yield stood at 8.54 per cent per annum. It fell by 20 basis points at the second auction to 8.34 per cent per annum due to heavy oversubscription of over Rs1,200 million. Following the rise in the Lombard Rate in December 2005, the weighted yield on Five-Year Government of Mauritius Bonds went up by 61 basis points to 8.95 per cent per annum at the auction held on 28 December 2005 before slowly declining to 8.94, 8.92 and 8.90 per cent per annum at the last three auctions held respectively in February, April and June 2006.

Table 3.12 provides details of the six auctions of Five-Year Government of Mauritius Bonds held in 2005-06.

Issue of Mauritius Development Loan Stocks (MDLS)

In order to spread Government's debt over a longer period of time, MDLS with maturities of 7, 8, 11, 12 and 13 years were issued in 2005-06 for a total nominal amount of Rs2,800 million, split in three auctions held on 16 September 2005, 16 December 2005 and 19 May 2006.

MDLS with maturities of 7, 11 and 13 years were put on tender at the first two auctions. Total value of bids received at the first auction held on 16 September 2005 was Rs2,139 million compared to a total tender amount of Rs1,100 million and bids accepted for an amount of Rs1,100 million. Total value of bids received at the second auction held on 16 December 2005 was Rs1,666 million compared to a tender amount of Rs1,100 million and bids accepted for an amount of Rs1,100 million. The interest rates on the 7, 11 and 13-year stocks were fixed at 8.50 per cent, 8.75 per cent and 9.00 per cent per annum, respectively. The weighted yields on bids accepted at the first auction stood at 8.87 per cent, 10.15 per cent and 10.22 per cent per annum for the 7, 11 and 13-year stocks, respectively, and those at the second auction went up to 9.53 per cent, 10.26 per cent and 10.53 per cent per annum, respectively, reflecting the 100 basis points increase in the Lombard Rate on 7 December 2005.

MDLS with maturities of 8 and 12 years were put on tender at the third and last auction held on 19 May 2006. Total value of bids received amounted to Rs1,438 million compared to the tender amount of Rs600 million and bids accepted of Rs600 million. The interest rates were fixed at 9.00 per cent and 9.25 per cent, respectively, for the 8 and 12-year Stocks and the weighted yields stood at 9.75 per cent and 10.33 per cent per annum, respectively.

Total value of bids received at the three auctions of MDLS thus amounted to Rs5,243 million, of which a total amount of Rs2,800 million was accepted.

Details of the auctions of MDLS are given in Table 3.13.

Issue of Treasury Notes

Following the discontinuation of the issue of 728-day Bills in August 2005 and the need to lengthen the maturity profile of Government debt and offer investors with a wider variety of investment instruments, the Bank, acting as agent of the Government, issued Treasury Notes with maturities of 2, 3 and 4 years on a monthly basis starting October 2005. The 2, 3 and 4-year Treasury Notes were issued in multiples of Rs100,000 with interest payable semi-annually.

The total tender amount during 2005-06 for the three maturities was Rs11,600 million with the value of total bids received amounting to Rs15,217 million and that of bids accepted to Rs9,607 million.

The interest rates on the three types of Treasury Notes were fixed at 7.25 per cent, 7.50 per cent and 7.80 per cent per annum, respectively, for

Table 3.13: Auctions of Mauritius Development Loan Stocks

	Auction held on							
	16 September 2005[1]			16 December 2005[2]			17 May 2006[3]	
Amount of Stocks put on Tender (Rs mn)	Rs1,100.0			Rs1,100.0			Rs600.0	
	Stock 1	Stock 2	Stock 3	Stock 1	Stock 2	Stock 3	Stock 1	Stock 2
1. Value of Bids Received (Rs mn)	1,089.6	454.6	594.6	644.6	401.1	619.8	958.7	479.7
2. Value of Bids Accepted (Rs mn)	517.8	283.1	299.1	425.7	264.9	409.4	399.9	200.1
3. Interest Rate (% p.a.)	8.50	8.75	9.00	8.50	8.75	9.00	9.00	9.25
4. Highest Yield Accepted (% p.a.)	9.15	10.19	10.29	10.00	10.75	11.00	9.85	10.39
5. Weighted Yield on Bids Accepted (% p.a.)	8.87	10.15	10.22	9.53	10.26	10.53	9.75	10.33
6. Weighted Price of Bids Accepted (%)	98.101	90.849	91.330	94.825	90.179	89.297	95.899	92.667

[1] Issue of 16 September 2005:
Stock 1: 8.50% Mauritius Development Loan Stock 2012 (16 Sep 2012).
Stock 2: 8.75% Mauritius Development Loan Stock 2016 (16 Sep 2016).
Stock 3: 9.00% Mauritius Development Loan Stock 2018 (16 Sep 2018).

[2] Issue of 16 December 2005:
Stock 1: 8.50% Mauritius Development Loan Stock 2012 (16 Dec 2012).
Stock 2: 8.75% Mauritius Development Loan Stock 2016 (16 Dec 2016).
Stock 3: 9.00% Mauritius Development Loan Stock 2018 (16 Dec 2018).

[3] For issue on 19 May 2006:
Stock 1: 9.00% Mauritius Development Loan Stock 2014 (19 May 2014).
Stock 2: 9.25% Mauritius Development Loan Stock 2018 (19 May 2018).

Table 3.14: Auctions of Treasury Notes

Issue Date	Amount put on Tender	Value of Bids Received			Value of Bids Accepted			Interest Rate			Weighted Yield on Bids Accepted		
		2Y-TN	3Y-TN	4Y-TN	2Y-TN	3Y-TN	4Y-TN	2Y-TN	3Y-TN	4Y-TN	2Y-TN	3Y-TN	4Y-TN
	(Rs million)							(Per cent per annum)					
2005													
7-Oct	800.0	969.4	397.6	733.1	423.3	171.7	205.0	7.25	7.50	7.80	7.24	7.47	8.06
11-Nov	800.0	750.1	459.7	759.2	444.7	209.9	145.4	7.25	7.50	7.80	7.25	7.50	7.96
2-Dec	2,400.0	673.3	579.9	1,157.8	673.3	579.9	1,146.8	7.25	7.50	7.80	7.30	7.55	8.05
2006													
6-Jan	1,600.0	761.1	106.6	175.4	36.1	99.4	171.4	7.60	7.90	8.25	7.92	8.26	8.65
3-Feb	1,200.0	915.1	491.9	575.6	553.9	297.7	348.4	7.60	7.90	8.25	7.95	8.26	8.59
10-Mar	1,200.0	747.7	525.2	722.8	449.6	315.8	434.6	7.60	7.90	8.25	7.94	8.26	8.62
7-Apr	1,400.0	264.1	461.5	720.9	255.6	446.7	697.7	7.60	7.90	8.25	7.94	8.27	8.65
5-May	1,400.0	406.7	280.6	413.2	306.7	180.6	213.2	7.60	7.90	8.25	7.99	8.28	8.67
2-Jun	800.0	650.4	244.5	274.0	425.4	167.4	207.2	7.60	7.90	8.25	8.04	8.30	8.69
2005-06	**11,600.0**	**6,137.9**	**3,547.5**	**5,532.0**	**3,568.6**	**2,469.1**	**3,569.7**	**7.25-7.60**	**7.50-7.90**	**7.80-8.25**	**7.24-8.04**	**7.47-8.30**	**7.96-8.69**

the first three issues held in October, November and December 2005. Following the 100-basis point increase in the Lombard Rate in December 2005, the interest rates were increased to 7.60 per cent, 7.90 per cent and 8.25 per cent per annum, respectively, for the three maturities. These remained unchanged until the last issue for 2005-06.

The weighted yields on bids accepted at the first issue were at 7.24 per cent, 7.47 per cent and 8.06 per cent per annum, respectively, for the three maturities. These subsequently went up quite significantly following the increase in the Lombard Rate to 7.92 per cent, 8.26 per cent and 8.65 per cent per annum, respectively, at the fourth issue held in January 2006. Thereafter, the weighted yields increased slightly and stood at 8.04 per cent, 8.30 per cent and 8.69 per cent per annum, respectively, at the end of the fiscal year.

On 9 June 2006, with a view to avoiding the bunching of payments in fiscal year 2007-08 arising mainly due to the maturity of the 3-Year Treasury Notes issued in 2004-05 with interest payable at maturity, the Bank, acting as agent for Government, allowed the holders of these 3-Year Treasury Notes to convert part or the full amount of their holdings at par into 2, 3 and 4-Year Treasury Notes. Interests on these Treasury Notes are payable semi-annually at the rates of 8.00, 8.15 and 8.35 per cent per annum, respectively. Thus, out of a total amount of Rs13,928 million for 3-Year Treasury Notes issued in 2004-05, around Rs4,250 million was converted into 2-Year Treasury Notes, Rs4,989 million into 3-Year Treasury Notes and Rs3,659 million into 4-Year Treasury Notes, that is, a total amount of Rs12,898 million, representing over 90 per cent of the total amount of 3-Year Treasury Notes issued in 2004-05.

Details of the auctions of Treasury Notes during 2005-06 are given in Table 3.14.

4 Accounting, Budgeting and Payment System

The Accounting, Budgeting and Payment System Department is responsible for the maintenance and safekeeping of accounting records and for the preparation of financial statements of the Bank. As such, it provides back office services to the Bank's Financial Markets Department, Administration Department and Banking and Currency Division.

As provider of back office services, the Department exercises separate levels of control. The Department also prepares and monitors the budget of the Bank and maintains records pertaining to transactions carried out by Primary Dealers. The Department fulfils one of the key functions of central banking in managing and exercising an oversight of the payment and settlement systems.

Accounting

The Department maintains accounting records pertaining to, *inter alia*, foreign exchange transactions and open market operations for Government of Mauritius Securities and Bank of Mauritius Bills.

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 of Government are credited to their accounts maintained at the Bank.

The Committee of Officials, comprising representatives from the Bank, the Accountant General's Office and the Government Debt Management Unit, meets regularly to discuss issues relating to the cash flow and borrowing requirements of Government. The Committee is chaired by the Director-Accounting, Budgeting and Payment System. A sub-committee meets on Wednesdays to decide on the weekly borrowing requirements of Government.

The Department undertakes the processing of transactions of Government with international financial organisations such as the International Monetary Fund, International Bank for Reconstruction and Development and International Development Association. Dealings with these organisations include currency valuation adjustments, use of rupees under the operational budget and maintenance of value.

Auctions of Government of Mauritius Treasury Bills/Bank of Mauritius Bills on the primary market are conducted every Friday. Transactions pertaining to successful bids are recorded in book entry form at the Bank except in cases where certificates of holdings are issued on request. Further, holders of Bills whose transactions are kept in book entry form at the Bank are provided with monthly statements.

The Department also records transactions relating to Treasury Notes, Five Year Bonds and Mauritius Development Loan Stocks which are issued in accordance with the Issuance Plan. Treasury Notes are recorded in book entry form whereas certificates of holdings are issued for Five Year Bonds and Mauritius Development Loan Stocks.

Section 31 (1) of the Bank of Mauritius Act 2004 requires the accounting of the Bank to be carried out in conformity with accounting principles applicable to central banks and best international practices. The Bank therefore prepares its accounts in accordance with International Financial Reporting Standards in so far as they are practically applicable to Central Banks. In keeping with international standards and with a view to enhancing transparency, the Bank 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 2006 together with comprehensive notes are presented in this report.

The Bank also prepares a monthly statement of assets and liabilities which it publishes in the Gazette and monthly bulletin. A copy of the assets and liabilities is submitted to the Minister in accordance with section 32 (6) of the Bank of

Mauritius Act 2004. The statement of assets and liabilities can also be viewed on the Bank's website.

Profitability of the Bank

Section 11(1) of the Bank of Mauritius Act 2004 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 provisions as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies. The Bank's accounts for the year ended 30 June 2005 was approved by the Board on 7 December 2005.

The Bank realised a profit of Rs906.1 million for the year ended June 2006, which was slightly lower compared to June 2005 (Rs967.3 million) mainly due to lower interest received on foreign investments. Nonetheless, expenses declined mainly due to lower cost of servicing of Bank of Mauritius Bills, which went down from Rs560.6 million in 2004-05 to Rs342.8 million in 2005-06.

Bank of Mauritius Bills

Bank of Mauritius Bills are issued by the Bank on the same terms and conditions as Government of Mauritius Treasury Bills. The cost of servicing of the Bank of Mauritius Bills is accounted for as an expense in the accounts of the Bank.

Bank of Mauritius Bills issued and outstanding are revalued at the end of each month and are marked to market in line with the requirements of International Financial Reporting Standards. The nominal amount of Bank of Mauritius Bills outstanding in the books of the Bank stood at Rs4,286.1 million as at 30 June 2006.

Repurchase Transactions

A repurchase (repo) transaction is one under which the Bank lends liquid funds to another bank that provides collateral in the form of securities. The Bank conducts a repo transaction when a bank's liquidity situation is tight. A reverse repurchase (reverse repo) transaction is one under which the Bank mops up the temporary excess liquidity of a bank by providing collateral to that bank 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 on the principle of delivery against payment.

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.

The volume of repurchase transactions conducted by the Bank during the financial year 2005-06 amounted to Rs5,970 million.

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 by the Management of the Bank during the budget year and is geared towards continuously improving the efficiency of the various areas of operations of the Bank.

The budgeting process involves all the departments of the Bank and inputs from them are used to prepare the master budget of the Bank. These inputs are categorised under three items namely, "Recurrent Expenditure-Personal Emoluments", "Recurrent Expenditure-Other Charges" and "Capital Expenditure". A zero-base approach is recommended as far as possible.

The master budget is discussed with Management and then presented to the Audit Committee of the Bank before submission to the Board of Directors for approval. The budget of the Bank for the year 2006-07 was presented to the Audit Committee on 7 June 2006 and approved by the Board on 8 June 2006.

The financial performance of the Bank is continuously monitored against the budget. Budget reports, which are prepared and submitted to management, act as an early warning system that triggers strategic decisions in a timely manner. Material variances and trends are highlighted with a view to taking corrective action as appropriate. An Annual Budget Report comparing the actual results with the budget is prepared after the end of each financial year and submitted for the attention of the Board of Directors of the Bank. The Budget report for the year 2004-05 was presented to the Board on 7 December 2005.

The budget is also being monitored on a departmental basis. Reports on the budget performance of each Department are prepared and submitted to the management of the Bank at regular intervals. The reports compare actual and budgeted performance and also provide a basis for feedforward control. Heads of departments are also provided with actual figures pertaining to their respective departments. These figures are compared with departmental budgets and appropriate control actions are taken at the level of each department within the overall budgetary control framework of the Bank.

Payment System

Mauritius Automated Clearing and Settlement System (MACSS)

The statutory task of setting up an electronic system for the settlement of payments rests with the Bank of Mauritius as per section 48 of the Bank of Mauritius Act 2004. The Bank launched, in December 2000, a real time gross settlement system known as the Mauritius Automated Clearing and Settlement System (MACSS). The MACSS is the Systemically Important Payment System for Mauritius and complies with the Core Principles of Systemically Important Payment Systems (CPSS) issued by the Bank for International Settlements (BIS).

Transactions routed through the system have been on the increase over the years both in terms of volume and value. On a monthly average basis, the number of transactions has increased at an annual rate of a range of 25 to 30 per cent from

Table 4.1: Mauritius Automated Clearing and Settlement System (MACSS): Total Transactions

	Number of Transactions	Value of Transactions (Rs million)	Number of Days	Daily Average	
				Number of Transactions	Value of Transactions (Rs million)
2005					
Jul	6,984	46,017	21	333	2,191
Aug	8,029	48,508	23	349	2,109
Sep	7,582	44,096	21	361	2,100
Oct	7,833	47,226	21	373	2,249
Nov	7,349	35,419	19	387	1,864
Dec	9,067	63,802	22	412	2,900
2006					
Jan	7,704	51,168	21	367	2,437
Feb	7,104	36,099	19	374	1,900
Mar	8,427	50,220	22	383	2,283
Apr	7,692	44,237	20	385	2,212
May	9,086	46,113	22	413	2,096
Jun	8,943	58,024	22	407	2,638
2005-06	**95,800**	**570,929**	**253**	**379**	**2,257**
2004-05	**78,985**	**552,756**	**252**	**313**	**2,193**

3,210 in 2001-02 to reach 7,984 in 2005-06. The monthly average value of transactions also went up from Rs29,624 million in 2001-02 to Rs47,577 million in 2005-06.

The MACSS is enhanced as and when required in order to derive maximum benefit from the system. The Automated Clearing Module, incorporated in the system, caters for the electronic transmission of settlement files for the Port Louis Automated Clearing House (PLACH). The system also accommodates the electronic submission of statistical returns by banks as well as the communication of data for the Mauritius Credit Information Bureau (MCIB).

The MACSS Terms and Conditions and Participant Procedures are available on the Bank's website.

Table 4.1 provides details of transactions routed through the MACSS for the period July 2005 through June 2006.

Port Louis Automated Clearing House

Section 48(1) of the Bank of Mauritius Act 2004 provides for the Bank to organise, in conjunction with banks, a clearing house to facilitate the clearing of cheques and other payment and credit instruments and to issue instructions concerning such instruments, their processing, collection, payment and retention and the functioning of other clearing houses that the Bank may authorise.

Further, section 48(6) of the Act empowers the Bank to issue instructions or to make regulations for the smooth functioning of a clearing house and payments system.

In line with the above provisions of the law, the Bank of Mauritius, in collaboration with other participant banks, operates the Port Louis Automated Clearing House (PLACH) on terms and conditions that have been stipulated in a set of rules known as the Port Louis Automated Clearing House Rules which are available on the Bank's website.

These Rules serve to provide, *inter alia*, the basic understanding and agreement by and among participating banks in the Clearing House, the objectives and responsibilities of the Port Louis

Table 4.2: Cheque Clearances

	Number of Cheques	Amount (Rs '000)	Number of Days	Daily Average	
				Number of Cheques	Amount (Rs '000)
2005					
Jul	430,522	15,436,409	21	20,501	735,067
Aug	461,262	15,799,768	23	20,055	686,946
Sep	433,512	16,297,517	21	20,643	776,072
Oct	456,504	17,204,923	21	21,738	819,282
Nov	437,853	15,295,120	19	23,045	805,006
Dec	517,651	19,673,266	22	23,530	894,239
2006					
Jan	415,257	15,089,958	21	19,774	718,569
Feb	393,028	15,556,794	19	20,686	818,779
Mar	440,973	15,512,484	22	20,044	705,113
Apr	407,807	14,854,989	20	20,390	742,749
May	465,729	16,211,566	22	21,170	736,889
Jun	440,302	16,544,426	22	20,014	752,019
2005-06	**5,300,400**	**193,477,220**	**253**	**20,950**	**764,732**
2004-05	**5,218,903**	**186,836,077**	**252**	**20,710**	**741,413**

Automated Clearing House (PLACH), the liabilities and responsibilities of the participating banks and the relationship between the Bank of Mauritius and the participating banks.

Following the enactment of the Banking Act 2004, section 44A of the Bills of Exchange Act has been amended to provide for the presentment of cheques for payment by electronic means. Accordingly, a banker may present a cheque for payment to the banker on whom it is drawn by notifying him of its essential features by electronic means or by any other means as may be specified by the Bank of Mauritius instead of presenting the cheque itself.

Cheques in Mauritius are standardised and use Magnetic Ink Character Recognition (MICR) technology. The use of reader/sorter machines enables the exchange of details on cheques among participants and settlement is effected electronically via the MACSS. The Department is responsible for the supervision of settlements.

The accreditation for the printing and encoding of MICR cheques is granted by the Cheque Standards Committee, which is chaired by the Director-Accounting, Budgeting and Payment System and comprises representatives from banks, the Association of Printers of Mauritius and the Mauritius Bankers Association.

As at 30 June 2006, 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) Excel Secure Technologies Ltd.

Standard Continuous Stationery Ltd ceased to be an accredited printer/encoder of MICR cheques as from 25 November 2005.

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.

Intrabank cheques are cheques that are drawn by customers of a particular bank and are presented over the counter at that bank. These cheques are not channelled through the Port Louis Automated Clearing House. Table 4.3 provides details on cheques cleared over the counters of banks on the last working day of each month.

Table 4.3: Intra Bank Cheque Clearing Data

Last working day of	Number of Cheques	Amount (Rs' 000)
2005		
Jul	29,346	1,159,534
Aug	23,220	788,459
Sep	31,298	1,361,673
Oct	33,230	1,026,586
Nov	25,271	968,553
Dec	37,439	1,556,899
2006		
Jan	25,827	939,827
Feb	25,352	896,448
Mar	32,606	1,739,074
Apr	31,802	1,238,346
May	23,004	916,144
Jun	34,143	1,894,562

Payment Systems Oversight

One of the objects of the Bank of Mauritius as laid down in the Bank of Mauritius Act 2004 is to ensure the stability and soundness of the financial system of Mauritius. One of the means of achieving this objective is the oversight of the payment systems. The Bank of Mauritius has the responsibility of promoting the safety and efficiency of existing and planned systems, assessing them against objectives set and, where necessary, inducing change.

The oversight function aims at maintaining systemic stability and protecting and ensuring the transmission channel of monetary policy. It 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.

In Mauritius, payment streams comprise large value payments, settlement of securities and low value payments. Large value payments and the settlement of 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.

The ongoing oversight function comprises the collection of information from daily reports on the movement of liquidity among participants of the MACSS and data from other sources, the analysis of the information and the initiation of action as appropriate. The oversight function is conducted by the Accounting, Budgeting and Payment System Department in close collaboration with the Banking Supervision and the Financial Markets Departments and the Banking and Currency Division.

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 and Settlement System. During 2005-06, settlements for a total amount of Rs2,394 million were effected through the MACSS. The settlement of secondary trading of Bills on The Stock Exchange of Mauritius Ltd, which amounted to Rs26.3 million in 2005-06, is however excluded from this figure.

Abandoned Funds

Under section 59 of the Banking Act 2004, banks are required to transfer to the Bank of Mauritius deposits or monies lodged with them for any purpose that have been left untouched and not claimed for 10 years or more and the customer has not responded within 6 months to a letter from the financial institution about the dormant deposit or money. These funds once transferred to the Bank of Mauritius do not carry interest and are only refunded to the financial institution for repayment to owners of the funds or their heirs or assigns on rightful claims being established to the satisfaction of the central bank.

Further, section 57 (6) of the Act stipulates that where a customer's deposit or money lodged with a financial institution for any purpose, becomes less than the minimum balance requirement in force in a financial institution from time to time and it has been left untouched for a period of one year and the customer has not responded within six months to a letter from the financial institution informing him of any service fees or charges that may be applicable on the deposit or money for having fallen below the minimum balance, the deposit or money shall without formality be handed over forthwith by the financial institution to the customer concerned in person, failing which it shall be transferred to the central bank to be dealt with in the manner referred to in section 59.

Accordingly, transfers to the Bank in respect of abandoned funds amounted to Rs140.3 million, USD24,687.44 and GBP3,581.79 as at 30 June 2006.

International Bank Account Number

Banks in Mauritius are increasingly engaging in cross-border banking transactions. In this connexion, the Bank of Mauritius initiated action with a view to adopting an IBAN format for Mauritius. Extensive consultations were held with banks during the year 2005-06. A consensus was thereby reached on the IBAN format, which was implemented by banks as from March 2006. Banks were requested to issue an IBAN to their clients as from 1 April 2006.

The IBAN consists of 30 alphanumeric characters as shown below:

MU67BOMM0101123456789101000000

The first two letters represent the Country Code for Mauritius

The next two digits represent the Check Digits for validation purposes.

The next four letters represent the SWIFT code of the Bank of Mauritius.

The next two digits the Bank Code.

The next two digits the Branch Code.

The next twelve digits the National Account Number.

The next three characters have been reserved for any future needs (to be filled in with zero for the time being).

The next three characters have been reserved for the currency code.

The IBAN format for Mauritius has been registered with the European Committee for Banking Standards (ECBS).

Future Developments

Cheque Truncation System

The cheque is still currently the most visible and significant mode of payment in Mauritius. This has prompted the Bank of Mauritius to introduce, through the Bank of Mauritius Act 2004, a new framework for the implementation of cheque truncation.

Cheque Truncation System is an image-based clearing system, which replaces the physical cheque flow with electronic information flow throughout clearing cycle. This process eliminates the actual cheque movement involved in clearing and hence reduces the delays associated with the movements of cheques.

Section 44 A of the Bills of Exchange Act, which has been amended by the Bank of Mauritius Act 2004, provides as follows:

" 44 A Presentment of cheque for payment by electronic means

A banker may present a cheque for payment to the banker on whom it is drawn by notifying him of its essential features by electronic means or by any other means as may be specified by the Bank of Mauritius instead of presenting the cheque itself."

It is expected that cheque truncation will have the following benefits:

- Faster clearance times between branches of different banks.
- Greater efficiency in the banking sector leading to improved customer service.
- Reduced risk of fraud as cheques are processed and verified electronically rather than manually.
- Meeting cheque clearing deadlines;
- Reduce excessive cash usage and holdings;
- Enhanced security and finality on the transfer of value through payment systems;
- Enhanced confidence in the usage of cheques;
- Improved processing efficiency;
- Reduction in 'float', speed up circulation of funds, and increase efficiency in funds transmission;
- Faster resolution of queries;
- Easy accessibility of information;
- Easy integration with the Retail System;
- Electronic images and code-line data enable down-stream reporting;
- Motivate staff by enhancing and streamlining the cheque handling process;
- Provide greater understanding of specific business, technical and operations training requirement and needs.

A Steering Committee comprising members from banks, the Mauritius Bankers' Association Ltd and the Bank of Mauritius has been set up for implementing a Cheque Truncation System in Mauritius.

Banking & Currency Division

The Banking & Currency Division of the Bank is entrusted with the responsibilities relating to the issue and management of the domestic currency and the maintenance of current accounts.

Currency Office

During 2005-06, coins in circulation rose by Rs30 million, or 8 per cent, from Rs359 million to Rs389 million, with total issues amounting to Rs33 million and deposits to Rs3 million. Over the same period, banknotes in circulation rose by Rs316 million, or 3 per cent, from Rs11,463 million to Rs11,779 million, with total issues amounting to Rs10,775 million and deposits to Rs10,459 million.

About 23.7 million banknotes were examined at the Bank and 57 per cent of that amount was found to be fit for circulation.

Banking Office

The Banking Office is a provider of front office services for the Government, parastatal organisations, 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

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 prices of industrial gold, based on prevailing international gold market prices, are posted daily in the Banking Hall of the Bank.

With effect from 1 September 2005, the sale of industrial gold by the Bank is exempted from Value Added Tax (VAT).

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 Bank of Mauritius and at banks engaged in Segment A business. 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 under-mentioned commemorative coins are also on sale at Bank of Mauritius to members of the public.

(a) *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.

(b) *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.

(c) *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.

(d) *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 as well as to banks engaged in Segment A business. The Office also conducts over the counter sales of Government of Mauritius Treasury Bills to individuals and to non-financial corporations.

Consignments of banknotes and coins are regularly made to and from the office in order to meet the needs of Rodrigues in cash and to maintain the good quality of banknotes and coin in circulation.

5 Information Technology

The major project which the IT Department attended to this year was the implementation of the Mauritius Credit Information Bureau (MCIB) which is now complete and operational.

MCIB

The MCIB system, which has been fully designed and developed by the IT Department, became operational since 1st December 2005 but on a soft launch basis. The system is currently accessible by all banking institutions. These institutions post their credit information on the MCIB system on a daily basis and in turn they can query a customer's credit profile on a 24 hour basis.

General-user training and master-user training were imparted to participants. XML technical training was also given to IT staff of the banks. An MCIB Unit has been created at the Bank and necessary training has also been provided to officers of the Unit.

Prior to the soft launch, the system underwent extensive testing. Participants tested the generation of XML data files on their system and their posting on the MCIB system using a test database which was set up in parallel to the live system. The MCIB system finally went live on 31st January 2006.

The MCIB database contained information on some 110,000 customers, both individuals and companies. The number of credits recorded was around 300,000. The total number of queries made on the system was around 90,000 up to June 2006.

The table below shows the monthly MCIB system usage since the official launch as at end January 2006. The daily usage of the system is about 900 to 1000 credit profile reports.

Table 5.1: Monthly MCIB System Usage

	Number of new credits	Number of new customers	Number of report profiles queried
2006			
Feb	10,073	2,220	12,758
Mar	11,105	2,069	14,566
Apr	14,263	2,966	11,894
May	10,645	2,104	14,590
Jun	11,232	2,947	12,521

As at 31 January 2006, the number of credit records and customers in the MCIB database stood at 239,575 and 96,096 respectively.

New Headquarters Building

The new Headquarters Building is nearing completion. The IT network and infrastructure will also undergo uplift. The IT Department has been involved in designing the network infrastructure which will henceforth include data, internet and IP telephony. Particular attention has been paid to security from external threats and internal usage efficiency.

IT Audit

A General Computer audit exercise was carried out on the IT systems in June 2006 by the Bank's external auditors. The audit was focused mainly on the general ledger and its related applications.

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 is given in Appendices I, II and III. The Organisation Chart of the Bank is shown in Appendix IV.

As at end-June 2006, there were 260 staff members at the Bank.

Conferences, Seminars, Training Courses and Overseas Missions

Mr Y. Googoolye, Director-Accounting, Budgeting and Payment System, attended the SADC Payment System Project Annual Regional Conference in Durban, South Africa, from 3 to 5 August 2005.

Mr H.O. Jankee, Director-Research attended:

(i) a Workshop on Regional Indicative Strategic Development Plan in Tshwane, South Africa, on 12 and 13 July 2005.

(ii) a Seminar on Monetary Policy, as a resource person, in Manzini, Swaziland, from 10 to 14 October 2005.

(iii) the Second Meeting of the Monetary and Exchange Rate Policies Sub Committee of COMESA in Lusaka, Zambia, on 7 and 8 November 2005.

(iv) the Tenth Meeting of the Committee of Experts from Central Banks on Finance and Monetary Affairs held in Bujumbura, Burundi, on 16 and 17 November 2005.

(v) the Tenth Meeting of the COMESA Committee of Governors of Central Banks in Bujumbura, Burundi, on 19 and 20 November 2005.

Mrs H.S. Sewraj-Gopal, Secretary, attended a Seminar on "Corporate Governance for Central Banks: The Role of the Board" organised by the Central Banking Publications Ltd in London, United Kingdom, from 13 to 16 June 2006.

Mr J.K. Ramtohul, Assistant Director-Accounting, Budgeting and Payment System, attended the SADC Financial Sector Assessment Programme Peer Review Workshop held in Centurion, South Africa, from 29 to 31 March 2006.

Mr R. Chinniah, Assistant Director-Supervision, attended:

(i) the SADC Sub-Committee on Banking Supervision Steering Committee Meeting held in Pretoria, South Africa, on 9 and 10 February 2006.

(ii) the Meeting of the Committee of Central Bank Governors (CCBG) in SADC in Maseru, Lesotho, from 5 to 8 April 2006.

Mr N.C.J. Li Yun Fong, Assistant Director-Information Technology, attended the SADC Central Banks IT Forum Annual Conference in Mbabane, Swaziland, from 20 to 24 February 2006.

Mr M.K. Yerukunondu, Assistant Director-Legal, attended a "Séminaire de formation pour les pays du Marché Commun d'Afrique orientale et australe (COMESA) sur la coopération internationale en matière de lutte contre le terrorisme et son financement" held in Djibouti from 14 to 16 March 2006.

Mr M.V. Punchoo, Assistant Director-Research, attended:

(i) a training Course on External Debt Statistics at the IMF Institute in Washington DC, U.S.A., from 11 to 29 July 2005.

(ii) the Meeting of the Committee of Central Bank Officials in SADC held in Johannesburg, South Africa, from 31 August to 2 September 2005.

Mr J.N. Bissessur, Assistant Director-Research (Statistics), attended a training course on "Monetary Policy in Developing Countries" in Gerzenzee, Switzerland, from 1 to 19 August 2005.

Mr N. Kowlessur, Senior Research Officer, attended the Workshop on Regional Indicative

Strategic Development Plan in Tshwane, South Africa, on 12 and 13 July 2005.

Mrs P.S. Hurree Gobin, Senior Research Officer, attended the Meeting of the Committee of Central Bank Governors (CCBG) in SADC in Maseru, Lesotho, from 5 to 8 April 2006.

Mr Y.W. Khodabocus, Senior Economist, attended a Course on "Policy Challenges for Central Banks in Africa" at the Centre for Central Banking Studies of the Bank of England in London, U.K., from 27 to 29 March 2006.

Mr K. Ramnauth, Research Officer, attended a course on Research Methodology held at the South African Reserve Bank (SARB) College in Johannesburg, South Africa, from 20 to 23 September 2005.

Mr D. Audit, Research Officer, attended a course on External Debt Statistics in Tunis, Tunisia, from 7 to 18 November 2006.

Mr D. Gukhool, Analyst Programmer, attended the "SWIFT Regional Conference in Africa" in Maputo, Mozambique, from 22 to 25 May 2006.

Mr A. Jhary, Administrative Officer, attended:

(i) the SADC Payment System Project Annual Regional Conference in Durban, South Africa, from 3 to 5 August 2005.

(ii) the Third Annual General Assembly of the African Bankers Forum and Twelfth General Meeting of the Shareholders of the African Export-Import Bank (AFREXIMBANK) in Harare, Zimbabwe, from 1 to 3 December 2005.

Mrs N. Sajadah-Aujayeb, Legal Officer, participated in an ESAAMLG training Workshop for Assessors on Mutual Evaluations and Assessments using the Revised FATF Recommendations and the 2004 AML/CFT Methodology in Cape Town, South Africa, from 21 to 25 November 2005.

Miss L. Appadoo, Administrative Officer, attended a Conference on Corporate Governance in Johannesburg, South Africa, on 27 and 28 October 2005.

Miss S. Appiah, Senior Bank Examiner, attended:

(i) a Regional Seminar on Credit Risk in the New Capital Adequacy Framework (Basel II) conducted by the Reserve Bank of Zimbabwe in collaboration with the Financial Stability Institute and the International Monetary Fund at the Victoria Falls, Zimbabwe, from 5 to 8 July 2005.

(ii) a Market Risk Analysis Seminar conducted by the Division of Banking Supervision and Regulation of the Federal Reserve System in Washington DC, U.S.A., from 8 to 12 August 2005.

Mr Y. Toynoo, Senior Bank Examiner, attended a Workshop of the SADC Heads of Supervision in Maseru, Lesotho, from 14 to 18 November 2005.

Mr L. Ramful, Senior Bank Examiner, attended the Regional Seminar on Problem Bank Resolution, organised by the Financial Stability Institute (FSI) in Maputo, Mozambique, from 11 to 13 October 2005.

Mr J.M.J.D. Bonnafaire, Senior Accounts Officer, attended the "SWIFT Regional Conference in Africa" in Maputo, Mozambique from 22 to 25 May 2006.

Mr N. Mundboth, Technical Officer Grade A, attended a training course on the operation, maintenance and trouble shooting of the Banknote Processing System at Giesecke and Devrient FZE in Dubai, United Arab Emirates, from 28 May to 22 June 2006.

Local Training

Mr J.K. Ramtohul, then Assistant Director-Supervision, Mr M.K. Yerukunondu, Assistant Director-Legal, and Mr Y.W.M. Khodabocus, Senior Economist, attended the Mauritius Islamic Finance Forum at the International Conference Centre, Grand Baie, on 25 and 26 July 2005.

Mr N. Mundboth, Technical Officer Grade A, attended a Course on "Inspection and Testing of Electrical Installations" conducted at Integral Engineering Services Limited, Curepipe, on 12, 16, 20 and 23 September 2005.

Mr J.K. Ramtohul, then Assistant Director-Supervision, and Mr M.K. Yerukunondu, Assistant Director-Legal, attended the Steering Committee of the Mauritius Islamic Finance in the Conference Room of the Ministry of Arts Culture on 17 October 2005.

Mr M.K. Yerukunondu, Assistant Director-Legal, attended the Anti-Money Laundering Seminar organised by the Institute for Security Studies at Le Suffren Hotel & Marina from 26 to 28

October 2005.

Miss M.M. Lauricourt, Senior Bank Examiner, attended a Workshop on Financial Delinquency and Money Laundering at Domaines Les Pailles from 26 to 28 October 2005.

Mrs S. Hurrymun, Chief Bank Examiner, attended a training course on Managing Fraud and Money Laundering conducted by Euromoney Training and the Mauritius Bankers Association from 16 to 19 November 2005.

Mr H.O. Jankee, Director-Research, attended the Executive Seminar on WTO Issues and Resulting Impact on Firms' Competitiveness at Hotel La Plantation, Balaclava, on 21 and 22 February 2006.

Mrs A. Jang, Assigned Dealer, and Mrs V. Ramful, Junior Dealer, attended a Workshop on Derivatives -"Understanding Foreign Exchange Options"- at Le Meridien, Pointe aux Piments, on 22 and 23 March 2006.

Miss M.G. Philibert, Bank Examiner Grade I, attended the Third Annual Seminar on "Working Together to Fight Money Laundering and Terrorist Financing" organised by the Financial Intelligence Unit at Hilton Hotel, Flic-en-Flac, on 18 April 2006.

Mr N.C.J. Li Yun Fong, Assistant Director-Information Technology, attended a Seminar on "Take back Control with SurfControl" organised by Harel Mallac Technologies at Le Labourdonnais Hotel, Port Louis, on 30 May 2006.

Mrs N. Nabee, Senior Bank Examiner, attended a training seminar on Basel II organised by KPMG at Labourdonnais Hotel, Port Louis, on 25 and 26 May 2006.

Mr N. Ramtohul, Senior Bank Examiner, attended the 2nd International Conference on Business Process Outsourcing and Modelling at the University of Mauritius from 28 to 30 June 2006.

Overseas Missions

The Governor attended the Meeting of the Committee of Central Banks Governors of the SADC held in Tshwane, South Africa, from 31 August to 2 September 2005.

The Governor attended the Commonwealth Finance Ministers' Meetings in Barbados and the IMF/IBRD Annual Meetings held in Washington DC in September 2005.

The Governor attended the Conference on Global Banking Paradigm Shift organized in Mumbai, India, by the Federation of Indian Chambers of Commerce and Industry in October 2005.

The Governor attended a meeting and seminar organised by the Bank for International Settlements for African Governors on 14 and 15 March 2006 in Basel, Switzerland.

The Governor attended the SADC Governors Meeting in Lesotho on 5 April 2006. Mr R. Chinniah, Assistant Director-Supervision and Mrs P.S.Hurree Gobin, Senior Research Officer, accompanied the Governor.

The Governor attended the 13th Meeting of Central Bank Governors of French Speaking Countries held in Sofia, Bulgaria, from 11 to 13 May 2006.

The Governor, accompanied by Mrs S. Hurrymun, Chief Bank Examiner, attended the Bank of England's Central Bank Governors Meeting, the Commonwealth Business Council Sixth Global Banking and Finance Meeting held from 21 to 22 June 2006 in London and the Annual General Meeting of the Bank for International Settlements (BIS) in Basel, Switzerland, from 24 to 26 June 2006.

Seminars and Conferences

The Bank, in collaboration with the Commonwealth Secretariat, organised a Workshop on the "Challenges and Solutions to Implementing Internationally Compliant and Domestically Robust Banking Regulation in Emerging Market Economies" on 6 and 7 April 2006 as well as a Seminar on "Incremental Costs Versus Benefits of Enhanced Anti-Money Laundering and Countering the Financing of Terrorism Regulation" on 10 and 11 April 2006 at Maritim Hotel, Balaclava.

Training Attachment

Mr Srichander Ramasawmy and Mr Robert Scott from the Bank for International Settlements provided an in-house training to officers of the Bank on recent developments in reserve management and evolving credit risk management practices in central banks on 13 and 14 July 2005.

Mr Stephen Kaboyo, Deputy Director, and Mr Stephen Mulema, Principal Officer, at the Bank of Uganda were on a study visit at the Bank to learn from our experience on monetary policy implementation and open market operations on 22

September 2005.

Adviser Financial Sector

Mr. Larry R. Mote has been appointed by the International Monetary Fund as Financial Sector Adviser at the bank of Mauritius with effect from 29 January 2006, for an initial period of six months. Mr. L.R. Mote has been working on the New Monetary Policy Framework. His contract has been renewed for a further period of six months ending January 2007.

Overseas Visitors

An IMF Mission, headed by Arnim Schwidrowski, Deputy Division Chief in the African Department, was at the Bank for the IMF Article IV Consultation Mission from 1 to 14 September 2005. The other members of the mission were Ms L. Schumacher, Ms B. Barkbu, Mr C. Hoveka and Mr Y. Yang.

Human Resource Matters

Appointment

Mr Arvind Kumar Dowlut, Analyst Programmer, was appointed Senior Analyst Programmer with effect from 1 July 2005.

Recruitment

Mr Balram Cunniah was appointed Technical Officer – Grade A with effect from 7 November 2005.

Retirement

Miss Raschida Chojoo, Assistant Manager, retired from the service of the Bank with effect from 31 July 2005.

Mr Arvind Prem Kumar Nundah, Administrative Officer, retired from the service of the Bank with effect from 6 September 2005.

Mr Mohamud Peerbye Owasil, Manager, retired from the service of the Bank with effect from 16 January 2006.

Mrs Leila Hawoldar, Senior Confidential Secretary, retired from the service of the Bank with effect from 30 January 2006.

Mrs Marie Josee Yolande Bruneau, Senior Confidential Secretary, retired from the service of the Bank with effect from 27 April 2006.

Mrs Beebee Faeeza Nahaboo-Karbary, Bank Officer Grade I, retired from the service of the Bank with effect from 31 May 2006.

Resignation

Mr Sooriyur Kumar Ramessur, Senior Analyst Programmer, resigned from the service of the Bank with effect from 11 July 2005.

Miss Marilyn Whan Kan, Research Officer, resigned from the service of the Bank with effect from 4 January 2006.

Termination of Contract

The contract of employment of Mr Ouma Parsad Halkhoree, Office Superintendent, was terminated on 30 April 2006.

The contract of employment of Mr Rajeev Bungsy, part-time Health & Safety Officer, was terminated on 30 June 2006.

Completion of Studies

Mr Asdeho Seeburn, Documentation Officer, was awarded a Diploma in Information and Library Studies by the University of Mauritius in August 2005.

Mrs Gowrie Shaktimala Juggernauth, Bank Officer Grade I, was awarded the degree of ICSA by the Institute of Chartered Secretaries and Administrators – London in August 2005.

Mrs Sarita Devi Ramkooleea, Bank Officer Grade III, was awarded the Professional Graduate Diploma by the British Computer Society in September 2005.

Mr Shardhanand Gopaul, Internal Auditor, was awarded the degree of MSc (Conversion) in Information Systems by the University of Technology, Mauritius, in October 2005.

Mrs Malini Ramdhan, Senior Bank Examiner, was awarded the degree of MSc Finance by the University of Mauritius in October 2005.

Mr Veeramdeve Nem, Senior Bank Examiner, was awarded the degree of MSc Finance by the University of Mauritius in February 2006.

Mr Leckraz Ramful, Senior Bank Examiner, was awarded the degree of MSc Finance by the University of Leicester, United Kingdom, in February 2006.

The undermentioned members of staff were awarded the degree of BSc (Hons) in Banking Studies by the University of Mauritius in February 2006.

Mr Marie Roger Christian Noël	Chief Bank Examiner
Mr Noel Josue Cangy	Administrative Officer
Mr Narainduth Juddoo	Administrative Officer
Mr Anil Kumar Ramkurrun	Senior Bank Officer
Mr Ramchandradeo Naggea	Senior Bank Officer
Mr Gunness Gonpot	Senior Bank Officer
Mr Razcoomar Ramtale	Bank Officer Grade I
Mr Rajcoomarsing Dawonath	Bank Officer Grade I
Mr Krishnaduth Kissoon	Bank Officer Grade I
Mrs Yasmatee Seeburrun	Bank Officer Grade I
Mrs Marie Lily Claude Bastien Sylva	Bank Examiner Grade I
Miss Marie-Line Gilberte Philibert	Bank Examiner Grade I
Mr Grooduth Daboo	Research Assistant
Mr Janayswur Moosoohur	Junior Dealer
Mr Ved Prakash Anand Koonjul	Junior Dealer

Report on the positions held by Bank of Mauritius Officials in other Organisations

Mr Y. Googoolye, Director-Accounting Budgeting and Payment System	Member of the Board of the National Investment Trust Ltd.
Mr H.O. Jankee, Director-Research	Member of the Board of the First Republic Fund Ltd.
Mr R. Sooben, Assistant Director-Research	Member of the Statistics Advisory Council.
Mr J.N. Bissessur, Assistant Director-Research (Statistics)	Member of the Advisory Council of the Mauritius Sugar Authority.
Mr N.C.J. Li Yun Fong, Assistant Director-Information Technology	Member of the Board of the Central Depository & Settlement Co Ltd.
Mr N. Kowlessur, Senior Research Officer	Member of the Advisory Group on Debt Management.

Governance

Governor

Salary	Rs200,000 plus compensation per month
Entertainment Allowance	Rs15,000 per month
Rent Allowance	Rs10,000 per month

First Deputy Governor

Salary	Rs120,000 plus compensation per month
Entertainment Allowance	Rs10,000 per month
Rent Allowance	Rs5,000 per month

7 Audit Committee Report

Report of the Audit Committee to the Bank of Mauritius

The Audit Committee (Committee) was reconstituted by the Bank on 12 January 2006 and consists of three non-executive Members of the Board namely Mr S.R. Seebun (Chairman), Mr M. Ramphul and Mr J.G.A. Lascie. Mrs H.S. Sewraj-Gopal, Secretary of the Bank, continues to act as Secretary to the Committee.

Activities of the Committee

The Committee met on several occasions during the year under review and considered the following:

(i) The Committee reviewed the estimated profit of the Bank for the year ended 30 June 2006 and recommended to the Board that the relevant allocations and transfers be effected.

(ii) Subsequently, the Committee recommended to the Board for covering approval to the final profit figures for the year ended 30 June 2006.

(iii) The Committee reviewed the financial statements for the year ended 2006 and recommended to the Board that approval be given for the accounts to be signed.

(iv) The Committee reviewed the Budget Report for the financial year 2005/06 where actual figures were compared with budgeted figures for the year ended 30 June 2006. Explanations were sought in respect of material variances.

(v) The Committee also met with the external auditors of the Bank in respect of the Management Letter submitted by the latter on the audit of the Bank's accounts for the year ended 30 June 2006. The auditors had submitted a General Computer Controls Review and a Business Cycle Controls Review in respect of the audit performed.

(vi) The Committee had also reviewed the reports submitted by the Manager-Internal Audit on internal audit work conducted by the Internal Audit Section. Recommendations were made by the Committee to management following the reports of the Internal Audit Section. The latter then ensured a follow-up of these recommendations.

(vii) The Committee is presently working on an Internal Audit Charter to be approved by the Board. The charter will act as a guideline to the Internal Audit Section.

(S.R. Seebun)	(M. Ramphul)	(J.G.A. Lascie)
Chairman	*Member*	*Member*

8 Financial Statements

BANK OF MAURITIUS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Contents

INTRODUCTION

Section 11(1) of the Bank of Mauritius Act 2004 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 provisions as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

The Bank realised a profit of Rs906.1 million for the year ended 30 June 2006 compared to Rs967.3 million in 2005.

Assets

The Bank's foreign assets have decreased as a result of a decline in Other Balances and Placements partly offset by an increase in Cash and Cash Equivalents.

Local assets have risen mainly due to an increase in Property, Plant and Equipment.

Liabilities

Liabilities have decreased mainly due to a decline in the amount of Bank of Mauritius Bills which was partly offset by an increase in Notes and Coins in Circulation.

Capital and Reserves

The net increase in Reserves arises mainly from net appreciation of Foreign Assets which has been transferred to the Special Reserve Fund together with the increase in the General Reserve Fund allocated from net profits.

Statement of Responsibilities of the Board of Directors of the Bank of Mauritius

Section 31(2) of the Bank of Mauritius Act 2004 requires the accounts of the Bank to be audited at least once a year by such auditors as may be appointed by the Board.

The Board of Directors of the Bank is responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Bank in conformity with accounting principles applicable to Central Banks and best international practices in accordance with Section 31(1) of the Bank of Mauritius Act 2004. The Bank's policy is to prepare financial statements in accordance with International Financial Reporting Standards. The Board 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.

The general policy of the affairs and business of the Bank are entrusted to a Board of Directors. The Board consists of the Governor as Chairperson, two Deputy Governors and not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister for a period not exceeding five years and on such terms and conditions as may be specified in the instrument of appointment. The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the Board and the general supervision of the Bank of Mauritius. The Deputy Governors are under the general supervision of the Governor and responsible for the day-to-day administration of the Bank. The Non-Executive Directors of the Bank hold office for a term not exceeding three years and are appointed by the Minister of Finance. At 30 June 2006, there was only one Deputy-Governor in post and the Board comprised only six non-executive directors. The directors are eligible for reappointment at the end of their term of office. The Board meets at the seat of the Bank and six members constitute the quorum.

REPORT OF THE AUDITORS TO THE SHAREHOLDER OF BANK OF MAURITIUS

We have audited the financial statements of the Bank of Mauritius ('the Bank') for the year ended 30 June 2006, set out on pages 173 to 197.

This report is made solely to the shareholder of the Bank, as a body. Our audit work has been undertaken so that we might state to the shareholder of the Bank those matters we are required to state to them in an auditor's 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 and the shareholder of the Bank, 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 is responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Bank in conformity with accounting principles applicable to Central Banks and best international practices in accordance with Section 31(1) of the Bank of Mauritius Act 2004. The Bank's policy is to prepare the financial statements in accordance with International Financial Reporting Standards.

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 opinion 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 TO THE SHAREHOLDER OF BANK OF MAURITIUS (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 in terms of Section 11 of the Bank of Mauritius Act 2004 has been ascertained in accordance with Section 11 of the Bank of Mauritius Act 2004; and
- the financial statements give a true and fair view of the financial position of the Bank as at 30 June 2006, 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.

Kemp Chatteris Deloitte
Chartered Accountants
28 September 2006

BANK OF MAURITIUS BALANCE SHEET AT 30 JUNE 2006

	Note	2006 Rs	2005 (Restated) Rs
ASSETS			
Foreign Assets:			
Cash and Cash Equivalents	6	**12,946,294,561**	8,091,047,833
Other Balances and Placements	7	**29,105,342,783**	34,282,694,644
Interest Receivable		**388,225,449**	342,849,588
Other Investments		**18,742,743**	17,810,128
		42,458,605,536	42,734,402,193
Loans and Advances	8	**1,817,119,262**	1,907,563,783
Financial Assets Available-For-Sale	9	**3,856,115,144**	3,127,174,946
Computer Software	10	**724,886**	1,183,333
Property, Plant and Equipment	11	**1,473,041,621**	814,001,037
Other Assets	12	**381,525,777**	471,007,176
TOTAL ASSETS		**49,987,132,226**	**49,055,332,468**
LIABILITIES			
Notes in Circulation	13	**11,892,736,355**	11,612,303,035
Coins in Circulation	13	**434,778,427**	404,506,302
		12,327,514,782	12,016,809,337
Demand Deposits:			
Government		**2,278,507,262**	2,402,167,234
Banks		**9,047,459,221**	5,971,268,745
Other Financial Institutions		**225,902,470**	125,580,657
Others		**411,436,649**	368,171,537
		11,963,305,602	8,867,188,173
Other Financial Liabilities	14	**4,250,181,872**	9,351,145,716
Provision	15	**100,000,000**	100,000,000
Employee Benefit Obligations	16	**34,720,000**	34,720,000
Other Liabilities	17	**1,099,190,648**	1,031,977,042
TOTAL LIABILITIES		**29,774,912,904**	31,401,840,268
CAPITAL AND RESERVES	5		
Stated and Paid Up Capital		**1,000,000,000**	1,000,000,000
Reserves		**19,212,219,322**	16,653,492,200
TOTAL CAPITAL AND RESERVES		**20,212,219,322**	17,653,492,200
TOTAL LIABILITIES AND CAPITAL		**49,987,132,226**	49,055,332,468

Authorised for issue on 28 September 2006.

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BANK OF MAURITIUS
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 Rs	2005 Rs
Income			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	18	**1,245,742,525**	1,605,386,220
Interest and Similar Income on Local Assets	18	**126,317,521**	116,649,354
Others	18	**194,597,000**	137,090,019
	18	**1,566,657,046**	1,859,125,593
Loss on Foreign Exchange Transactions		**(10,314,556)**	(4,609,439)
Other Income	19	**8,696,718**	9,682,569
		1,565,039,208	1,864,198,723
Expenditure			
Expenditure on Financial Liabilities			
Interest Expense and Similar Charges	20	**349,016,616**	571,891,236
Staff Salaries and Other Benefits	21	**139,596,160**	144,541,924
General Expenditure		**51,364,681**	54,677,768
Fees Payable		**20,361,006**	26,285,159
Coin Issue Expenses		**24,304,731**	35,141,453
Note Issue Expenses		**24,243,090**	25,792,547
Depreciation of Property, Plant and Equipment		**21,787,069**	19,067,953
Directors' Remuneration	22	**6,464,919**	6,135,751
IMF Charges		**5,879,190**	1,037,259
Other Expenditure	23	**15,883,549**	12,277,917
		658,901,011	896,848,967
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 OF THE BANK OF MAURITIUS ACT 2004		**906,138,197**	967,349,756
Net Foreign Exchange Gains and Gains on Revaluation of Gold and SDR		**2,252,588,925**	2,570,419,141
NET PROFIT FOR THE YEAR IN TERMS OF IFRS		**3,158,727,122**	3,537,768,897
Less: Transfer to Special Reserve Fund		**(2,252,588,925)**	(2,570,419,141)
Less: Transfer to General Reserve Fund		**(306,138,197)**	(367,349,756)
PROFIT AVAILABLE TO THE GOVERNMENT OF MAURITIUS FOR TRANSFER TO CONSOLIDATED FUND		**600,000,000**	600,000,000

BANK OF MAURITIUS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Stated and Paid Up Capital	General Reserve Fund	Foreign Exchange Rate Fluctuations Reserve	Special Reserve Fund	Accumulated Profit	Other Reserves	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2004		10,000,000	23,000,000	13,000,437,057	-	-	1,682,286,246	14,715,723,303
Transfer from Foreign Exchange Rate Fluctuations Reserve	5	-	-	(13,000,437,057)	13,000,437,057	-	-	-
Net Profit for the Year in terms of IFRS		-	-	-	-	3,537,768,897	-	3,537,768,897
Increase in Capital	1	990,000,000	-	-	(990,000,000)	-	-	-
Transfer to Special Reserve Fund		-	-	-	2,570,419,141	(2,570,419,141)	-	-
Transfer to General Reserve Fund		-	367,349,756	-	-	(367,349,756)	-	-
Profit available to the Government of Mauritius for transfer to Consolidated Fund		-	-	-	-	(600,000,000)	-	(600,000,000)
At 30 June 2005		**1,000,000,000**	**390,349,756**	**-**	**14,580,856,198**	**-**	**1,682,286,246**	**17,653,492,200**
At 1 July 2005		1,000,000,000	390,349,756	-	14,580,856,198	-	1,682,286,246	17,653,492,200
Net Profit for the Year in terms of IFRS		-	-	-	-	3,158,727,122	-	3,158,727,122
Transfer to Special Reserve Fund		-	-	-	2,252,588,925	(2,252,588,925)	-	-
Transfer to General Reserve Fund		-	306,138,197	-	-	(306,138,197)	-	-
Profit available to the Government of Mauritius for transfer to Consolidated Fund		-	-	-	-	(600,000,000)	-	(600,000,000)
At 30 June 2006		**1,000,000,000**	**696,487,953**	**-**	**16,833,445,123**	**-**	**1,682,286,246**	**20,212,219,322**

BANK OF MAURITIUS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 Rs	2005 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Inflow from Operating Activities	24	**1,488,300,353**	1,255,544,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(Increase) in Other Balances and Placements		**5,177,351,861**	(529,842,234)
Increase in Financial Assets Available-For-Sale		**(728,940,198)**	(1,489,875,837)
Additions to Intangible Assets		**(195,557)**	(1,766,369)
Acquisition of Property, Plant and Equipment		**(682,579,023)**	(373,649,214)
Proceeds from Sale of Property, Plant and Equipment		**680,500**	645,014
Proceeds from Sale of Shares in DBM		**-**	35,000,000
Proceeds from Sale of Shares in Les Pailles International Conference Centre Ltd		**200,000,000**	-
Dividend Received		**628,792**	3,044,244
Net Cash Generated from/ (Used in) Investing Activities		**3,966,946,375**	(2,356,444,396)
Cash Flows from Financing Activities			
Profit paid to the Government of Mauritius		**(600,000,000)**	-
Net Increase/(Decrease) in Cash and Cash Equivalents		**4,855,246,728**	(1,100,900,051)
Cash and Cash Equivalents at 1 July	6	**8,091,047,833**	9,191,947,884
Cash and Cash Equivalents at 30 June	6	**12,946,294,561**	8,091,047,833

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. LEGAL FRAMEWORK

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004, the Bank of Mauritius ('the Bank') is established to act as the Central Bank for Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and 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:

- conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius;
- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;
- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;
- collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

Under Section 10 of the Bank of Mauritius Act 2004, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve.

Under Section 11(1) of the Bank of Mauritius Act 2004, the Board 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.

Under Section 11(2) of the Act, the Bank shall establish a General Reserve Fund to which shall be allocated, at the end of every financial year of the Bank, 15 per cent of the net profits of the Bank.

Under Section 11(3) of the Act, the balance of the net profits for the financial year remaining after the allocation made under subsection (2) shall, subject to subsection (4), be paid into the Consolidated Fund as soon as practicable after the end of every financial year. Section 11(4) of the Act provides that subject to subsection (5), the balance in the General Reserve Fund shall be at least equivalent to the amount paid as capital of the Bank. Under section 11(5) of the Act, where, at any time, the balance in the General Reserve Fund is less than the amount paid as capital of the Bank, the Bank shall endeavour to bring the balance to the required level.

Further under Section 11(6) of the Bank of Mauritius Act 2004, no allocation under subsection (3) shall be made where, in the opinion of the Board-

(a) the assets of the Bank are, or after such allocation would be, less than the sum of its liabilities and paid up capital; or

(b) the Bank would not be in a financial position to conduct its activities properly.

Under Section 31(1) of the Act, the financial statements shall be prepared in conformity with accounting principles applicable to Central Banks and best international practices.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Since the Bank's policy is to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS's"), it has adopted the new and revised Standards and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.

Specifically, IAS 32 (Revised 2003) and IAS 39 (Revised 2003) as well as the early adoption of the "Amendment to IAS 39 - The Fair Value Option" permit the Bank to designate any financial asset or financial liability as at fair value with changes in fair value recognised through profit or loss ("at FVTPL") provided that the financial asset or financial liability satisfies certain conditions.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1	*Amendments to IAS 1: Presentation of Financial Statements - Capital Disclosures*
IAS 19	*(Revised 2004) Employee Benefits*
IFRS 6	*Exploration for and Evaluation of Mineral Resources*
IFRS 7	*Financial Instruments: Disclosure*
IFRIC 4	*Determining whether an Arrangement cont*ains a Lease
IFRIC 5	*Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
IFRIC 8	*Scope of IFRS 2*
IFRIC 9	*Reassessment of Embedded Derivatives*
IFRIC 10	*Interim Financial Reporting and Impairment*

The adoption of the relevant Standards and Interpretations in future periods will not have a material impact on the financial statements of the Bank.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank are as follows:

Basis of accounting

The financial statements are presented in Mauritian Rupee. The financial statements are prepared in conformity with accounting principles applicable to Central Banks and best international practices in accordance with Section 31(1) of the Bank of Mauritius Act 2004. The Bank's policy is to prepare financial statements under the historical cost convention as modified by the fair valuation of certain available-for-sale financial assets and in accordance with International Financial Reporting Standards (IFRS) in so far as they are practically applicable to Central Banks.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments

(i) Classification

Asset or liabilities classified as Held-For-Trading, which is a subset of the Fair-Value-Through-Profit-or-Loss ("FVTPL") category, 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 of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These may include certain investments, certain purchased loans and derivative financial instruments.

Held-To-Maturity investments are non-derivative 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 and advances and certain debt investments.

Loans and Receivables are non-derivative financial assets created by the Bank by providing money, other than those created with the intention of short-term profit taking. Loans and Receivables comprise loans and advances to commercial banks.

Available-For-Sale assets are those non-derivative financial assets that are not classified as financial assets at FVTPL, loans and receivables or Held-To-Maturity. Available-For-Sale instruments include equity investments, Government of Mauritius Treasury Bills, Bank of Mauritius Bills and Other Government Securities.

The Bank has the possibility to designate any financial asset or financial liability at FVTPL, i.e. at fair value with changes in fair value recognised through profit or loss provided that the financial asset or financial liability satisfies certain conditions.

Management determines the appropriate classification of the Bank's financial assets and financial liabilities and re-evaluates such classification on a regular basis.

(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 on a trade date basis.

(iii) Measurement

Financial instruments are initially measured 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 in which case it is stated at amortised cost or cost, depending on whether a fixed maturity or not, less any impairment loss.

FVTPL (including Held-For-Trading) assets and liabilities are normally measured at fair value at subsequent reporting dates.

(a) Financial Instruments (cont'd)

(iii) Measurement (cont'd)

Held-To-Maturity investments and Loans and Receivables of the Bank are measured at amortised cost using the effective interest rate method less impairment losses. Amortised cost represents the amount at which the financial assets 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.

All non-trading financial liabilities are measured at amortised cost using the effective interest rate method.

Gold deposits have been valued using the lowest bid price of gold during the last three months.

A financial asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of a financial asset carried at amortised cost is the present value of expected future cash flows discounted at the original effective interest rate of the asset.

(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.

(v) Gains and losses on subsequent measurement

Gains or losses on FVTPL (including Held-For-Trading) financial assets and financial liabilities arising from changes in their fair value are recognised in the Income Statement in the period in which they arise. Gains or losses on Available-For-Sale financial assets are recognised in equity. 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 the amortisation process.

(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 debt investments with remaining maturities of three months or less.

Swaps

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.

3. ACCOUNTING POLICIES (CONT'D)

(b) Computer software

Under revised IAS 38, Intangible assets, computer software which does not form an integral part of computer hardware, is now classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of 33 1/3% per annum so as to write off the depreciable value of the assets over their estimated useful lives. A full year of amortisation is charged in the year of purchase.

(c) 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 depreciable value of the assets over their estimated useful lives. A full year of depreciation is charged in the year of purchase.

Depreciation is provided at the following annual percentage rates:

Premises	-	2%
Other properties	-	2%
Furniture, equipment, fixtures and fittings	-	10%
Computer hardware	-	33 1/3%
Motor vehicles	-	20%, 40%

No depreciation is provided on freehold land and capital work in progress.

(d) 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 expensed in the Income Statement when incurred.

(e) Retirement Benefits

Defined benefit pension plan

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 periodically by a firm of actuaries.

(f) Income and Expenditure Recognition

Income and expenditure are recognised as they are earned or incurred and are recorded in the financial statements on an accruals basis to accurately reflect the period to which they relate.

Dividend income from equity investments is accounted for in the Income Statement as other income when the right to receive payment is established.

(g) Foreign currencies

Transactions in foreign currencies are recorded in Mauritian Rupees 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 in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). However, for the purpose of determining the net profit of the Bank in terms of Section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with Section 47(2) of the Act. 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.

(h) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication 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.

(i) Taxation

The Bank is exempted from any tax imposed on income, profits or capital gains under Section 64 of the Bank of Mauritius Act 2004.

(j) Comparative figures

Comparative figures have been restated or regrouped where necessary to conform to the current year's presentation.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Particular areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:-

(i) Financial Assets Available-For-Sale (Note 9)

Government of Mauritius Treasury Bills

Government of Mauritius Treasury Bills have been revalued based on the latest market data available for these instruments, after inclusion of liquidity spreads.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(i) Financial Assets Available-For-Sale (Note 9) (cont'd)

Other Government Securities

Other Government Securities which comprise Mauritius Development Loan Variable Interest Rate stocks have been revalued using the discounted cash flow techniques, based on the latest market data available for similar instruments as at the balance sheet date.

(ii) Other Financial Liabilities (Note 14)

Bank of Mauritius Bills

Bank of Mauritius Bills have been revalued using the same valuation method as for Government of Mauritius Treasury Bills.

5. CAPITAL AND RESERVES

Capital

The Stated and Paid Up Capital of the Bank is Rs1 billion in accordance with Section 10 of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government (refer to Note 1).

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with Section 11 of the Bank of Mauritius Act 2004 (refer to Note 1).

Special Reserve Fund

In terms of Section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

In terms of Section 47(3) of the Bank of Mauritius Act 2004, the balance standing in the Foreign Exchange Rate Fluctuations Reserve was transferred to the Special Reserve Fund during the year ended 30 June 2005.

Other Reserves

Other Reserves are reserves set up for unforeseen contingencies which may affect the Bank.

6. CASH AND CASH EQUIVALENTS

	2006 Rs	2005 Rs
Deposit Accounts	**9,077,387,694**	5,032,089,172
IMF Special Drawing Rights (SDR)	**823,704,492**	760,579,794
Repurchase Agreement	**1,434,609,120**	955,331,000
Current Accounts	**431,191,074**	595,099,216
Foreign Currency Notes and Coins	**30,998**	93,189
Gold Deposits	**1,066,241,950**	747,855,462
Foreign Liquid Securities	**113,129,233**	-
	12,946,294,561	8,091,047,833

7. OTHER BALANCES AND PLACEMENTS

	2006 Rs	2005 Rs
Foreign Investments	**13,683,383,052**	24,273,887,207
Deposit Accounts	**15,421,959,731**	10,008,807,437
	29,105,342,783	34,282,694,644

Foreign investments comprise investments made through the Bank's Investment Manager, as follows:

	2006 Rs	2005 Rs
Cash	**36,011,911**	46,960,339
Bonds	**13,646,973,517**	2,890,281,306
Other investments	**397,624**	21,336,645,562
	13,683,383,052	24,273,887,207

8. LOANS AND ADVANCES

	2006 Rs	2005 Rs
Special Line of Credit - Sugar Industry	**1,627,278,849**	1,652,257,951
Special Line of Credit - EPZ	**46,008,908**	166,224,548
Special Line of Credit - National Equity Fund	**130,801,226**	76,291,359
Others	**13,030,279**	12,789,925
	1,817,119,262	1,907,563,783

The above loans and advances are granted to local commercial banks or other financial institutions under special lines of credit mainly for onward lending to their customers.

9. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2006 Rs	2005 Rs
Government of Mauritius Treasury Bills	**3,819,699,315**	3,091,417,641
Other Government Securities	**36,415,829**	35,757,305
	3,856,115,144	3,127,174,946

10. COMPUTER SOFTWARE

	Rs
Cost	
Transfers	81,549,451
Additions	1,766,369
At 30 June 2005	83,315,820
Additions	195,557
At 30 June 2006	83,511,377
Amortisation	
Transfers	80,777,813
Charge for the year	1,354,674
At 30 June 2005	82,132,487
Charge for the year	654,004
At 30 June 2006	82,786,491
Net book value	
At 30 June 2006	724,886
At 30 June 2005	1,183,333

11. PROPERTY, PLANT AND EQUIPMENT

	Premises	Capital Work in Progress	Other Properties	Furniture Equipment Fixtures & Fittings	Computer Equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST							
At 1 July 2004	51,076,749	311,027,350	67,230,999	61,166,696	101,430,011	17,862,865	609,794,670
Transfers to Computer Software	-	-	-	-	(81,549,451)	-	(81,549,451)
Additions	265,622	355,733,868	-	3,237,473	3,157,259	11,254,992	373,649,214
Disposals	-	-	-	(270,934)	(262,273)	(2,634,950)	(3,168,157)
Scrap	-	-	-	-	(80,200)	-	(80,200)
At 1 July 2005	51,342,371	666,761,218	67,230,999	64,133,235	22,695,346	26,482,907	898,646,076
Additions	127,225	660,263,050	-	21,504,297	684,451	-	682,579,023
Disposals	(2,553,372)	-	-	(2,101,374)	(1,484,553)	-	(6,139,299)
Scrap	(6,861,235)	-	(2,015,921)	-	(34,400)	-	(8,911,556)
At 30 June 2006	**42,054,989**	**1,327,024,268**	**65,215,078**	**83,536,158**	**21,860,844**	**26,482,907**	**1,566,174,244**
DEPRECIATION							
At 1 July 2004	7,900,685	-	443,502	30,817,122	98,217,318	13,554,298	150,932,925
Transfers to Computer Software	-	-	-	-	(80,777,813)	-	(80,777,813)
Charge for the year	1,006,963	-	40,318	5,948,926	3,171,492	7,545,580	17,713,279
Disposals	-	-	-	(249,129)	(261,073)	(2,632,950)	(3,143,152)
Scrap	-	-	-	-	(80,200)	-	(80,200)
At 1 July 2005	8,907,648	-	483,820	36,516,919	20,269,724	18,466,928	84,645,039
Charge for the year	6,584,652	-	1,532,101	7,941,844	1,564,486	3,509,982	21,133,065
Disposals	(537,222)	-	-	(1,716,050)	(1,480,653)	-	(3,733,925)
Scrap	(6,861,235)	-	(2,015,921)	-	(34,400)	-	(8,911,556)
At 30 June 2006	**8,093,843**	**-**	**-**	**42,742,713**	**20,319,157**	**21,976,910**	**93,132,623**
NET BOOK VALUE							
At 30 June 2006	**33,961,146**	**1,327,024,268**	**65,215,078**	**40,793,445**	**1,541,687**	**4,505,997**	**1,473,041,621**
At 30 June 2005	42,434,723	666,761,218	66,747,179	27,616,316	2,425,622	8,015,979	814,001,037

The capital work in progress relates to the Bank of Mauritius new Head Office building project.

12. OTHER ASSETS

	2006	2005
	Rs	Rs
Investment in Les Pailles International Conference Centre Ltd	**-**	200,000,000
Net Cheques to be cleared	**148,984,738**	118,615,517
Staff Loans	**79,349,006**	87,800,573
Prepayments	**83,704,381**	44,559,704
Dodo Gold Coins with Banks	**12,641,100**	12,535,950
Interest Receivable	**16,225,382**	1,550,510
Others	**40,621,170**	5,944,922
	381,525,777	471,007,176

The Bank's investment of 20,000,000 redeemable preference shares of Rs10 each in Les Pailles International Conference Centre Ltd, was sold to the Government of Mauritius on 20 June 2006.

Net cheques to be cleared are cheques collected and cleared on the next working day.

13. NOTES AND COINS IN CIRCULATION

	2006	2005
	Rs	Rs
Notes issued		
Face value		
2,000	**822,456,000**	862,328,000
1,000	**7,076,847,000**	6,518,491,000
500	**1,544,672,000**	1,638,235,000
200	**1,163,058,200**	1,266,848,200
100	**871,505,000**	918,293,300
50	**222,477,350**	223,221,150
25	**143,441,100**	136,439,975
20 *	**1,643,580**	1,645,720
10 *	**38,465,480**	38,620,140
5 *	**7,684,945**	7,694,850
Demonetised Notes	**485,700**	485,700
Total	**11,892,736,355**	11,612,303,035
Coins issued		
Face value		
10 rupees	**179,147,950**	164,236,100
5 rupees	**76,814,115**	70,417,305
1 rupee	**93,493,192**	88,689,738
50 cents	**22,142,799**	20,697,606
25 cents *	**6,364,542**	6,378,271
20 cents	**28,115,339**	25,990,423
10 cents *	**2,436,763**	2,438,128
5 cents	**6,138,378**	5,657,450
2 cents *	**330,595**	330,599
1 cent	**221,167**	221,155
Others	**19,573,587**	19,449,527
Total	**434,778,427**	404,506,302
Total Notes and Coins in Circulation	**12,327,514,782**	12,016,809,337

* These denominations have ceased to be issued by the Bank.

14. OTHER FINANCIAL LIABILITIES

	2006	2005
	Rs	Rs
Bank of Mauritius Bills	**4,184,354,362**	9,278,521,984
Bank of Mauritius Savings Bonds	**943,400**	1,159,900
IBRD Financial Sector Infrastructure Project Loan	**64,884,110**	71,463,832
	4,250,181,872	9,351,145,716

The Bank issues Bank of Mauritius Bills ("BOM Bills") as part of its activities and also for monetary policy purposes. The Bills, which are accounted for as non-trading liabilities, may be repurchased by the Bank at market value where repurchase is agreed both by the Bank and the relevant holders. Once the Bills have been repurchased, they are immediately redeemed by the Bank.

At 30 June 2006, the nominal value of the BOM Bills in issue was Rs4,286.1 million (2005: Rs9,526.6 million).

15. PROVISION

	2006	2005
	Rs	Rs
Balance at 1 July and 30 June	**100,000,000**	100,000,000

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Bank may make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds from the realisation of its assets. The liquidation of MCCB Limited is still in progress.

16. EMPLOYEE BENEFIT OBLIGATIONS

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 assets in the funded plan are held independently and are administered by the State Insurance Company of Mauritius Ltd (SICOM).

The Bank carries out actuarial valuation of the funded obligations every two years as the amount in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The contribution paid during the year was Rs15,123,336.

The following employee benefits information is based on the report submitted by the State Insurance Company of Mauritius Ltd (SICOM) dated 30 June 2005.

(i) Amount recognised in Balance Sheet:

	2006	2005
	Rs	Rs
Present value of funded obligation	**358,990,000**	358,990,000
Fair value of plan assets	**(239,810,000)**	(239,810,000)
	119,180,000	119,180,000
Unrecognised actuarial loss	**(84,460,000)**	(84,460,000)
Net liability in Balance Sheet	**34,720,000**	34,720,000

(ii) Movement in liability recognised in the Balance Sheet:

	2006	2005
	Rs	Rs
At 1 July and 30 June	**34,720,000**	34,720,000

(iii) The 2005 figures have been arrived at by using actuarial assumptions as follows:

	2005
	%
Discount Rate	10.5
Expected Return	11.0
Increase in Pension	6.5
Salary Increase	7.5

17. OTHER LIABILITIES

	2006 Rs	2005 Rs
Profit Payable to the Government of Mauritius for Transfer to Consolidated Fund in accordance with Section 11 (3) of the Bank of Mauritius Act 2004	**600,000,000**	600,000,000
Customers Credits	**283,793,093**	299,558,194
Abandoned Funds from Banks	**141,231,992**	88,048,020
Interests and Charges Payable	**39,894,970**	44,074,746
Foreign Bills sent for Collection	**33,998,643**	24,132
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	**169,200**	169,200
Others	**102,750**	102,750
	1,099,190,648	1,031,977,042

18. INCOME FROM FINANCIAL ASSETS

(i) Interest and Similar Income on Foreign Assets

	2006 Rs	2005 Rs
Deposit Accounts	**909,073,701**	845,300,368
Foreign Investments	**264,826,891**	725,220,000
Special Drawing Rights	**24,959,128**	16,775,659
Repurchase Agreements	**41,195,092**	12,756,078
Current Accounts	**5,445,681**	4,902,096
Gold Deposits	**242,032**	432,019
	1,245,742,525	1,605,386,220

(ii) Interest and Similar Income on Local Assets

	2006	2005
Loans and Advances		
Leasing Facilities/Special Lines of Credit to EPZ,Freeport Sectors and Sugar Industry	**115,045,795**	105,501,257
Loans and Advances to Banks	**591,519**	2,491,450
Special Line of Credit - National Equity Fund	**4,519,382**	3,334,648
Advances under Repurchase Transactions	**911,928**	365,846
	121,068,624	111,693,201
Other Government Securities	**3,067,401**	2,686,471
Other Loans	**2,181,496**	2,269,682
	126,317,521	116,649,354

18. INCOME FROM FINANCIAL ASSETS (CONT'D)

(iii) Others

	2006 Rs	2005 Rs
Revaluation of Government Securities	**171,565,736**	104,108,112
Profit on Sale of Government of Mauritius Treasury Bills - Secondary Market Cell	**21,728,325**	12,141,766
Dividend Received	**628,792**	3,044,244
Profit on Sale of Shares in DBM	**-**	10,000,000
Net Profit on Sale of Gold and Gold Coins	**564,611**	353,900
Profit on Sale of BOM Bills	**-**	7,357,851
Profit on Issue of Mauritius Commemorative Coins	**-**	29,361
Profit on issue of Mauritius Conservative Coins	**105,870**	-
Profit on Sale of Notes and Coins	**3,666**	54,785
	194,597,000	137,090,019
Total Income from Financial Assets	**1,566,657,046**	1,859,125,593

19. OTHER INCOME

	2006 Rs	2005 Rs
Processing and Licence Fees	**6,891,110**	7,697,930
MACSS Fees	**1,347,626**	966,420
Commissions	**429,382**	362,960
Premises Rental Account	**28,600**	35,250
Profit on Sale of Property, Plant and Equipment	**-**	620,009
	8,696,718	9,682,569

20. EXPENDITURE ON FINANCIAL LIABILITIES

	2006 Rs	2005 Rs
Interest Expense and Similar Charges		
Bank of Mauritius Bills	**342,780,259**	560,554,517
Reverse Repurchase Transactions	**1,061,698**	2,629,411
Swap Transactions	**-**	3,710,300
IBRD Financial Sector Infrastructure Project Loan	**5,174,659**	4,997,008
	349,016,616	571,891,236

21. STAFF SALARIES AND OTHER BENEFITS

	2006 Rs	2005 Rs
Staff Salaries and Allowances	**115,850,053**	111,118,804
Pension Cost (including Executive Directors)	**15,876,701**	24,350,000
Staff Family Protection Scheme	**7,243,697**	8,508,595
National Savings Fund	**625,709**	564,525
	139,596,160	144,541,924

22. DIRECTORS' REMUNERATION

	2006 Rs	2005 Rs
Executive Directors	**5,244,919**	5,305,751
Non-Executive Directors	**1,220,000**	830,000
	6,464,919	6,135,751

23. OTHER EXPENDITURE

	2006 Rs	2005 Rs
Stationery and Library	**1,896,878**	1,842,671
Postage, Telephone and Reuters	**12,214,854**	10,399,238
Loss on Sale of Property, Plant and Equipment	**1,724,874**	-
Others	**46,943**	36,008
	15,883,549	12,277,917

24. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006	2005 (Restated)
	Rs	Rs
Net Profit for the Year in terms of IFRS	**3,158,727,122**	3,537,768,897
Adjustments for:		
Non-Cash Increase in Employee Benefit Obligations	**-**	8,750,000
Amortisation of Intangible Assets	**654,004**	1,356,707
Depreciation of Property, Plant and Equipment	**21,133,065**	17,711,246
Loss/(Profit) on Sale of Property, Plant and Equipment	**1,724,874**	(620,009)
Dividend Received	**(628,792)**	(3,044,244)
Profit on Sale of Shares in DBM	**-**	(10,000,000)
Fair Value increase on Other Investments	**(932,615)**	(911,272)
Operating Profit Before Working Capital Changes	**3,180,677,658**	3,551,011,325
(Increase)/Decrease in Interest Receivable	**(45,375,861)**	37,307,476
Decrease in Loans and Advances	**90,444,521**	63,458,828
Increase in Other Assets	**(110,518,601)**	(248,557,522)
Increase in Notes and Coins in Circulation	**310,705,445**	1,150,941,261
(Decrease)/Increase in Government Demand Deposits	**(123,659,972)**	13,453,553
Increase/(Decrease) in Banks' Demand Deposits	**3,076,190,476**	(350,652,481)
Increase in Other Financial Institutions' Demand Deposits	**100,321,813**	10,600,419
Increase in Other Demand Deposits	**43,265,112**	239,986,380
Increase in Other Liabilities	**67,213,606**	85,486,312
Decrease in Other Financial Liabilities	**(5,100,963,844)**	(3,297,491,206)
Net Cash Inflow From Operating Activities	**1,488,300,353**	1,255,544,345

25. COMMITMENTS AND OTHER CONTINGENCIES

Commitments and other contingencies not otherwise provided for in the accounts and which existed at 30 June 2006 are as follows:

(i) Numismatic Coins

Numismatic coins 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.

(ii) Capital Subscription in the African Export - Import Bank

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.

25. COMMITMENTS AND OTHER CONTINGENCIES (CONT'D)

(iii) Contract for the Construction of the new Head Office

Commitments for the construction of the second phase of the new Head Office building of the Bank amount to Rs102 million (2005: Rs993 million).

26. FINANCIAL INSTRUMENTS

(i) 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.

(ii) Credit Risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held 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.

(iii) Market Risk

All financial instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous.

26. FINANCIAL INSTRUMENTS (CONT'D)

(iv) Liquidity Risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or to fund increases in assets in full at the time that a commitment or transaction is due for settlement. In the case of the Bank, this risk is not relevant to local assets and liabilities because of the Bank's ability to create Mauritian rupees when required. However, the Bank does face liquidity risk in respect of foreign assets and liabilities.

Maturity Analysis

	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	Between 1 and 5 years	Above 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2006							
Assets							
Foreign Assets	12,984,809,962	5,043,372,306	3,385,463,655	7,342,833,818	13,702,125,795	-	42,458,605,536
Loans and Advances	120,513,232	111,763,509	101,477,117	178,746,739	1,158,045,822	146,572,843	1,817,119,262
Financial Assets Available-For-Sale	559,054,984	1,119,772,290	619,681,288	1,521,190,753	-	36,415,829	3,856,115,144
Computer Software	-	-	-	-	-	724,886	724,886
Property, Plant and Equipment	-	-	-	-	-	1,473,041,621	1,473,041,621
Other Assets	-	-	-	-	-	381,525,777	381,525,777
Total Assets	13,664,378,178	6,274,908,105	4,106,622,060	9,042,771,310	14,860,171,617	2,038,280,956	49,987,132,226
Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	12,327,514,782	12,327,514,782
Demand Deposits	11,963,305,602	-	-	-	-	-	11,963,305,602
Other Financial Liabilities	1,729,827,252	1,620,434,338	369,367,046	465,669,126	-	64,884,110	4,250,181,872
Provision	-	-	-	-	100,000,000	-	100,000,000
Employee Benefit Obligations	-	-	-	-	-	34,720,000	34,720,000
Other Liabilities	204,633,170	600,000,000	-	-	-	294,557,478	1,099,190,648
Total Liabilities	13,897,766,024	2,220,434,338	369,367,046	465,669,126	100,000,000	12,721,676,370	29,774,912,904
Net Liquidity Gap	(233,387,846)	4,054,473,767	3,737,255,014	8,577,102,184	14,760,171,617	(10,683,395,414)	20,212,219,322
At 30 June 2005							
Assets							
Foreign Assets	8,244,309,414	5,564,848,928	2,814,786,578	1,818,759,938	24,291,697,335	-	42,734,402,193
Loans and Advances	115,613,726	120,380,410	122,136,252	123,817,637	1,425,615,758	-	1,907,563,783
Financial Assets Available-For-Sale	298,306,134	210,065,624	680,094,903	669,524,986	1,269,183,299	-	3,127,174,946
Computer Software	-	-	-	-	-	1,183,333	1,183,333
Property, Plant and Equipment	-	-	-	-	-	814,001,037	814,001,037
Other Assets	-	-	-	-	-	471,007,176	471,007,176
Total Assets	8,658,229,274	5,895,294,962	3,617,017,733	2,612,102,561	26,986,496,392	1,286,191,546	49,055,332,468
Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	12,016,809,337	12,016,809,337
Demand Deposits	8,867,188,173	-	-	-	-	-	8,867,188,173
Other Financial Liabilities	2,689,983,160	3,369,489,118	2,112,824,338	369,668,702	737,716,566	71,463,832	9,351,145,716
Provision	-	-	-	-	100,000,000	-	100,000,000
Employee Benefit Obligations	-	-	-	-	-	34,720,000	34,720,000
Other Liabilities	44,098,878	600,000,000				387,878,164	1,031,977,042
Total Liabilities	11,601,270,211	3,969,489,118	2,112,824,338	369,668,702	837,716,566	12,510,871,333	31,401,840,268
Net Liquidity Gap	(2,943,040,937)	1,925,805,844	1,504,193,395	2,242,433,859	26,148,779,826	(11,224,679,787)	17,653,492,200

26. FINANCIAL INSTRUMENTS (CONT'D)

(v) 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 called Special Reserve Fund, which is used to cater for movements due to appreciation/depreciation in foreign exchange.

(vi) Interest Rate Risk

Repricing Analysis

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.

The rates on financial assets and financial liabilities which are interest-bearing 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 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.

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by whether they are at floating rates or, if not, the earlier of contractual repricing or maturity dates.

26. FINANCIAL INSTRUMENTS (CONT'D)

(vi) Interest Rate Risk (cont'd)

	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	Over 12 months	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2006							
Assets							
Foreign Assets	7,076,329,428	2,112,286,350	3,629,709,750	15,549,897,766	13,683,383,052	406,999,190	42,458,605,536
Loans and Advances	120,513,232	113,124,050	101,477,117	178,746,739	1,291,588,386	11,669,738	1,817,119,262
Financial Assets							
Available -For-Sale	281,382,184	482,820,000	1,775,971,351	1,279,525,780	36,415,829	-	3,856,115,144
Computer Software	-	-	-	-	-	724,886	724,886
Property, Plant and Equipment	-	-	-	-	-	1,473,041,621	1,473,041,621
Other Assets	-	-	-	-	-	381,525,777	381,525,777
Total Assets	7,478,224,844	2,708,230,400	5,507,158,218	17,008,170,285	15,011,387,267	2,273,961,212	49,987,132,226
LESS: Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	12,327,514,782	12,327,514,782
Demand Deposits	-	-	-	-	-	11,963,305,602	11,963,305,602
Other Financial Liabilities	420,197,133	1,808,022,543	-	1,173,587,922	847,430,874	943,400	4,250,181,872
Provision	-	-	-	-	-	100,000,000	100,000,000
Employee Benefit Obligations	-	-	-	-	-	34,720,000	34,720,000
Other Liabilities	-	-	-	-	-	1,099,190,648	1,099,190,648
Total Liabilities	420,197,133	1,808,022,543	-	1,173,587,922	847,430,874	25,525,674,432	29,774,912,904
On Balance Sheet Interest Sensitivity Gap	7,058,027,711	900,207,857	5,507,158,218	15,834,582,363	14,163,956,393	(23,251,713,220)	20,212,219,322
AT 30 June 2005							
Assets							
Foreign Assets	8,091,047,833	5,461,398,476	2,762,459,741	1,784,949,220	24,273,887,207	360,659,716	42,734,402,193
Loans and Advances	115,613,726	120,380,410	122,136,252	123,817,637	1,425,615,758	-	1,907,563,783
Financial Assets							
Available -For-Sale	298,306,134	210,065,624	680,094,903	669,524,986	1,269,183,299	-	3,127,174,946
Computer Software	-	-	-	-	-	1,183,333	1,183,333
Property, Plant and Equipment	-	-	-	-	-	814,001,037	814,001,037
Other Assets	-	-	-	-	-	471,007,176	471,007,176
Total Assets	8,504,967,693	5,791,844,510	3,564,690,896	2,578,291,843	26,968,686,264	1,646,851,262	49,055,332,468
LESS: Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	12,016,809,337	12,016,809,337
Demand Deposits	-	-	-	-	-	8,867,188,173	8,867,188,173
Other Financial Liabilities	2,689,983,160	3,369,489,118	2,112,824,338	369,668,702	737,716,566	71,463,832	9,351,145,716
Provision	-	-	-	-	-	100,000,000	100,000,000
Employee Benefit Obligations	-	-	-	-	-	34,720,000	34,720,000
Other Liabilities	-	-	-	-	-	1,031,977,042	1,031,977,042
Total Liabilities	2,689,983,160	3,369,489,118	2,112,824,338	369,668,702	737,716,566	22,122,158,384	31,401,840,268
On Balance Sheet Interest Sensitivity Gap	5,814,984,533	2,422,355,392	1,451,866,558	2,208,623,141	26,230,969,698	(20,475,307,122)	17,653,492,200

26. FINANCIAL INSTRUMENTS (CONT'D)

(vi) Interest Rate Risk (cont'd)

Effective Interest Rates

The interest-bearing assets earn interest at rates ranging from 2.50% p.a. to 10.50% p.a. (2005: 1.08% p.a. to 10.00% p.a.) for assets denominated in Mauritian rupees and from 0.01% p.a. to 7.50% p.a. (2005: 0.01% p.a. to 6.90% p.a.) for assets denominated in foreign currencies.

The interest-bearing liabilities bear interest at rates ranging from 5.02% p.a. to 7.94% p.a. (2005: 3.55% p.a. to 7.06% p.a.) for liabilities denominated in Mauritian rupees and from 5.02% p.a. to 7.85% p.a. (2005: 5.99% p.a. to 7.30% p.a.) for liabilities denominated in foreign currencies.

27. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius, the shareholder, are disclosed in notes 9, 17 and 18 to the accounts.

Short term benefits payable to directors are disclosed in note 22.

The Bank contributes for the post retirement benefits of all its employees including the Executive Directors. Contributions made for the year for the benefit of the Executive Directors are Rs831,002.

28. REPURCHASE TRANSACTIONS

Repurchase transactions are conducted under the umbrella of the Master Repurchase Agreement that has been signed by all Former 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's 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.

29. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND ("IMF")

As a member of the IMF, Mauritius was allocated SDR 15,744,000 on which quarterly charges are payable to IMF. The Fund pays interest to the Bank 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 "Demand Deposits from Other Financial Institutions". The balance in the IMF No. 1 is reflected in "Loans and Advances" as International Subscriptions by Government whereas the Securities Account is kept off Balance Sheet.

Any increase in quota is subscribed in local currency and 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 Mauritian rupees in accordance with the Designation Plan.

Box 1 The IMF's 2004 Coordinated Portfolio Investment Survey (CPIS)

The Coordinated Portfolio Investment Survey (CPIS) is an initiative of the International Monetary Fund (IMF) and aims at significantly improving the coverage of cross-border portfolio investment assets at the country and global level. The CPIS collects information on holdings by domestic residents of securities issued by unrelated nonresidents. The CPIS also intends to provide a disaggregation according to the country of residency of the issuer in order to derive cross-border portfolio investment liabilities, both at the country and global level.

Results of the 2004 CPIS

Total global portfolio investment assets increased from US$19.0 trillion at the end of December 2003 to US$23.3 trillion at the end of December 2004, driven mainly by higher investment in long-term debt and equity securities. For the 2004 CPIS, securities held as reserve assets and holdings of international organizations amounted to US$2.1 trillion, up from US$1.8 trillion at the end of December 2003. The United States, United Kingdom and Japan remained the three largest investing countries with a total share of 33.9 per cent of total portfolio investment assets, which is slightly lower than the share of 34.3 per cent for the 2003 CPIS.

Of total global cross-border holdings, US$8.7 trillion were held as equity securities, US$12.7 trillion as long-term debt and US$1.9 trillion as short-term debt in the 2004 CPIS. As at end-December 2004, the top five economies that were the largest issuers of securities that were traded internationally were the United States, United Kingdom, Germany, France and Netherlands while the top five economies that were the largest holders of such securities were the United States, United Kingdom, Japan, France, and Luxembourg.

The results of the 2001, 2002, 2003 and 2004 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 Coordinated Portfolio Investment Survey for the first time in 2001 with reference date of 31 December 2001, and has been participating, thereafter, in annual CPIS. The IMF has stressed the importance of the participation of offshore financial centres that figure so largely in global cross-border portfolio investment. In fact, 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) have been conducting CPIS jointly since 2001. The survey, which is conducted in accordance with standardised definitions and methodologies and draws on best practices in survey design, was identified in the IMF's Coordinated Portfolio Investment Survey Guide (Second Edition) published in 2002.

As mutually agreed, the Bank of Mauritius surveyed banks for the 2003 and 2004 CPIS while the FSC surveyed non-bank financial institutions together with the global business sector. The response rate for institutions surveyed by the FSC has improved significantly over the last three years especially with regard to the global business sector, which provides almost the totality of its respondents' portfolio investment assets. The data for the 2004 CPIS from both the Bank of Mauritius and the Financial Services Commission were consolidated and forwarded to the IMF at the beginning of October 2005. Total portfolio investment assets of Mauritius, exclusive of foreign exchange reserve assets, stood at US$39,030 million at the end of December 2004, up from US$26,612 million at the end of December 2003. The significant increase in portfolio investment assets at the end of 2004 was essentially driven by the global business sector. As at end-December 2004, India remained the principal destination for our portfolio investments (US$22,974 million or 58.9 per cent), followed by Indonesia (US$5,610 million or 14.4 per cent), Hong Kong (US$2,440 million or 6.3 per cent), China (US$1,111 million or 2.8 per cent) and South Africa (US$1,100 million or 2.8 per cent). Most of the investments were in the form of equities (US$32,066 million or 82.2 per cent) while long-term debt stood at US$6,861 million (or 17.6 per cent). Portfolio investments in short-term debt stood at US$103 million (or 0.2 per cent).

Box 2 Economic Developments in Competitor Countries

Economic Growth

During 2005-06, despite an environment of rising global interest rates and higher energy prices, the economies of our major competitors[1] managed to maintain their growth momentum supported by stronger external demand. Economic growth in these economies, which is mostly export-led, benefited from the broad-based expansion in industrial economies during the same period. Emerging Asian economies[2], to which the United States is a major trading partner, maintained an above trend growth and recorded a strong average GDP growth of 8.5 per cent in 2005, which is expected to slow down marginally to 8.3 per cent in 2006. Several emerging Asian economies have been able to make appropriate adjustments to higher energy costs and inflationary pressures, helped by the greater-than-expected strength of global economy, particularly in China and the emergence of a much more dynamic India. In the other economies, an upturn in investment, strong manufacturing output coupled with strengthening exports continued to support growth into the first half of 2006.

Within the Emerging Asian economies, China, which is considered as the main engine of growth for the Asian economies, posted a rate of growth of 10.2 per cent in 2005. Despite measures to cool down its booming economy, China is expected to grow by 10.0 per cent in 2006. India has been able to maintain its high growth momentum with a significantly above trend GDP expansion of 8.5 per cent in 2005. India's economy is likely to continue its high-growth trend, though expansion is expected to slow to 8.3 per cent in 2006. The Sri Lankan economy grew at an estimated 6.0 per cent in 2005, driven by the non-tourism services industry. Economic growth in Sri Lanka will likely decline somewhat to 5.6 per cent in 2006, which is in line with the country's long-term economic growth trend. The private sector will continue to support growth, especially in textiles and clothing manufacturing and in services. In Bangladesh, GDP growth is projected to remain unchanged at 6.2 per cent in 2006 as a result of strong domestic and external demand. Barring the Asian economies, Morocco and Tunisia experienced slower growth of 1.7 per cent and 4.2 per cent, respectively, in 2005 and are both expected to post higher than 5.0 per cent growth in 2006. Real GDP in Hungary decelerated slightly to 4.1 per cent in 2005 but is expected to accelerate to 4.5 per cent in 2006. Growth in Turkey remained strong at 7.4 per cent in 2005 and due to the high inflation environment and a weak currency, GDP growth is expected at 5.0 per cent in 2006.

Inflation

Despite the significant rise in oil prices and other commodity prices, our major competitor countries, traditionally seen as energy-intensive and therefore vulnerable to energy price rises, appear to have weathered this price shock rather well. However, the energy and commodity price rises have gradually led to an upward bias on inflation and rates have trended up though the extent of the pass-through effect into core inflation has varied across countries. In Thailand, Indonesia, China and India, governments have tried to control price rises faced by the population but with the escalating costs of fuel subsidies to

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1 *Major competitors refer to China, India, South Korea, Indonesia, Thailand, Taiwan, Philippines, Morocco, Turkey, Hungary, Tunisia, Bangladesh, Sri Lanka and South Africa.*

2 *Emerging Asia, according to the Asian Development Bank Report, includes China, the Newly Industrialized Economies (NIEs): Hong Kong, Republic of Korea and Taiwan and the five large ASEAN economies: Indonesia, Malaysia Philippines, Singapore and Thailand.*

their budgets or to the state oil refiners, price rises have been passed on to the consumers.

In the three months to June 2006, though inflation rates in various economies, including China and India have gradually trended up, there was still no strong evidence of any shift in long term wage and price expectations, except for South Africa and Turkey which have experienced a deteriorating inflation outlook. For China, despite rapid demand growth, inflation reached 1.5 per cent in June 2006 and has been contained thus by energy price controls and excess capacity in the manufacturing sector and good harvests. In India, the inflation rate has gradually trended up and stood at 7.7 per cent in June 2006. In South Africa, the inflation rate reached 4.9 per cent in June 2006 and was expected to rise further with worsening inflation expectations. In Turkey, the inflation rate was at 10.1 per cent in June 2006, putting a 5 per cent year-end inflation target virtually out of reach. A weaker lira and higher commodity prices made the inflation outlook considerably more challenging, yet the Turkish authorities have stated that it could tighten more to fight inflation, which it targets at 4 per cent next year. Consumer price inflation in Hungary declined sharply to 3.6 per cent in 2005, down from 6.8 per cent in 2004 and is projected to decelerate marginally to about 3.5 per cent in 2006, mainly as a result of the cut in Value Added Tax (VAT) rates.

Monetary Policy

Against the background of rising global short-term interest rates over the past year, the gradual build up of inflationary pressures and fears of possible economic slowdown in the US, central banks in emerging economies were prompted during 2005-06 to tighten their monetary policy. To help boost their currencies, tightening measures were adopted by several central banks during 2006. China surprised financial markets in April 2006 by raising interest rates for the first time in 18 months. It hiked its benchmark one-year lending rate to 5.85 per cent from 5.58 per cent. The Bank of Korea and the Bank of Thailand raised their key interest rate by 25 basis points to a three-year high of 4.25 per cent and 5.0 per cent, respectively, in June 2006 in order to curb inflationary pressures. In Turkey, the central bank raised the overnight borrowing rate on two occasions in June 2006, first, by 175 basis points to 15 per cent, in order to fight high inflation which stood near 10 per cent in May 2006 and later in the month by 225 basis points, to 17.25 per cent in order to stem the rapid depreciation of the Turkish Lira. For South Africa, the Reserve Bank raised the repo rate by 50 basis points to 7.5 per cent in June 2006 with the deteriorating inflation outlook. However, in Indonesia, besides high inflation, the plunge in stock and currency prices during the major emerging market sell-off in May 2006 was more accentuated, forcing the central bank to cut interest rates by 25 basis points to 12.5 per cent.

At the end of July 2006, India's central bank lifted its reverse repo rate, which it uses to absorb funds from the banking system, by a quarter of a percentage point to 6.0 per cent, its highest in four years, as it sought to fight mounting price pressures in the fast-growing economy. Still, it said that inflation risks remained since government-administered fuel prices had lagged the rise in global prices and credit and money supply growth remained above its projections for the year.

Exchange Rate Developments

Reflecting the improved current account balances and the increased portfolio inflows in the capital account in many of these economies, pressures for appreciation increased in late 2005 and early 2006. The extent to which the exchange rate appreciated varied across economies. Over the period June 2005 to June 2006, the currencies of most economies recorded appreciation ranging between 3.4 per cent for Morocco and 6.7 per cent for Thailand. For the other economies, the global correction in investors' risk appetite, which started in May 2006, however erased much of the earlier gains of their currencies. Among the currencies affected in the emerging market downturn, the Turkish Lira, South African Rand, Indonesian rupiah and Hungarian Florint have been the hardest hit, registering depreciations of around 15.0 per cent, 12.3 per cent, 6.6 per cent and

4.3 per cent vis-à-vis the US dollar, on a point-to-point basis between 11 May 2006 and 30 June 2006.

Trade Issues

The expiry of the MultiFibre Agreement in January 2005 and stiffer competitive environment did not impact considerably on our competitor economies, except Morocco and Tunisia, although a slight slowdown in exports growth was registered and profit margins tightened. Continued export growth in many Asian countries benefited from the strong imports in China where exports growth and domestic demand went up. China remained an important and growing market for Philippines, Singapore and Thailand and a key driver of regional integration. India's textiles industry (includes production of yarn, fabric and garments), which accounts for a quarter of the country's export earnings, was expected to cross the USD16 billion mark in the year to March 2006 but faced output constraints and higher costs. Resource poor economies like Tunisia and Morocco's exports of textile and clothing products have been acutely hit following the expiry of the MFA agreement and they experienced sharp downturns in their merchandise export growth rates. In Sri Lanka, though textile exports to the European Union and the United States have declined, clothing exports have improved slightly such that market shares have remained constant. For Bangladesh, where a decline in woven garments has been offset by an increase in knitwear exports, overall exports remained competitive relative to China and India because of the substantially lower domestic costs. However, for most economies, the clothing industry's future remained dependent on how well China and India would fare in reducing costs, improving efficiency and finding market niches.

Risks and Prospects to the Outlook

Risks to the economic outlook of these economies remained from persistent increases in energy prices and commodity prices, which are expected to remain at elevated levels in the near term, vulnerabilities due to economic overheating in China, a significant deterioration in global financial conditions and a sudden and disruptive adjustment of the global payments imbalances. In light of the above and since growth in most of the above economies are export-led, further policy adjustments will be required to balance efforts to contain inflation and ward off any signs of economic slowdown arising from stiffer competition as the EU and US agreements with China reach an end in 2008. Near-term economic policies are expected to focus on managing the persistently high energy costs and the associated inflationary pressures, amidst an environment of rising global interest rates and rigid competition.

Source: (i) *Asian Development Bank, Asia Economic Monitor (AEM) Reports.*
(ii) *Economic Developments and Prospects 2006, Middle East and North Africa (MENA).*
(iii) *World Economic Situation and Prospects 2006, United Nations.*
(iv) *Reuters*

Table 1: Selected Economic Indicators

(per cent)

	GDP Growth 2005	GDP Growth 2006	Inflation Rate 2005	Appreciation/ Depreciation Against US$ between end-June 2005 and end-June 2006
China	10.2	10.0	1.8	-
Hungary	4.1	4.5	3.6	-4.4
India	8.5	8.3	4.0	-5.4
Indonesia	5.6	5.2	10.5	2.7
Mauritius	2.5	4.6	5.6	-4.7
Morocco	1.7	7.3	1.0	3.4
Philippines	5.0	5.0	7.6	3.9
South Africa	4.9	4.2	3.4	-3.0
Sri Lanka	6.0	5.6	10.6	-3.5
South Korea	4.0	5.0	-0.4	6.0
Taiwan	4.1	4.0	-0.7	-3.4
Thailand	4.5	4.5	4.5	6.7
Turkey	7.4	5.0	8.2	-15.0
Tunisia	4.2	5.8	2.0	-1.3

Sources: (i) World Economic Outlook, IMF, September 2006.
(ii) Reuters.
(iii) Central Statistics Office and Bank of Mauritius.

Box 3 International Oil Prices: 2005-06

During fiscal year 2005-06, oil prices reached new record highs with NYMEX WTI (New York Mercantile Exchange West Texas Intermediate benchmark crude oil) and IPE (International Petroleum Exchange) Brent futures moving from an average of US$48.8 and US$46.5 a barrel, respectively, during 2004-05 to an average of US$64.4 and US$63.2 a barrel, respectively, in 2005-06. NYMEX WTI and IPE Brent peaked at US$75.2 and US$74.7 a barrel, respectively, on 21 April 2006 and touched a low of US$56.2 on 18 November 2005 and US$54.0 on 15 November 2005 a barrel, respectively. The rise in oil prices during fiscal year 2005-06 was due to various factors, namely OPEC's limited spare capacity in oil production, geopolitical tension in the Middle East, militant attacks on oil facilities in Nigeria, increased activity by hedge funds, US refinery problems, disturbances caused by the passage of hurricanes over oil infrastructure in the Gulf of Mexico, outbreak of fire at refineries in the US and in the North Sea and Iran's nuclear programme.

Oil prices continued to rise during July 2005, trading consistently above US$57 a barrel as weekly reports from US Energy Information Administration (EIA), on average, showed unsatisfactory US crude oil stock levels, supporting oil prices upward. Growing worries over US refiners' ability to supply the appropriate level of heating oil and diesel during the winter season in the United States also impacted on the market. Formation of two hurricanes, namely Dennis and Emily, during the same month pushed prices upwards as they were expected to disturb oil production in the Gulf of Mexico. These storms, however, did not cause any major damage to oil production infrastructure. In the last week of July, fire broke in two refineries in the United States and one in the North Sea, adding further nervousness in the international oil market and pushing oil prices to new record highs. Oil prices continued their ascent and reached new records during August 2005, trading consistently above US$60 a barrel. Fresh geopolitical worries erupted over the stability of Middle East crude supplies with the death of Saudi Arabian King Fahd and Iran's nuclear programme. Ongoing US refinery problems in August 2005 also kept oil prices soaring. In the last week of August, the passage of hurricane Katrina shut oil production in the Gulf of Mexico and weighed heavily on the market, sending oil prices above US$70 a barrel in intra-day trading.

Oil prices remained at high levels, trading consistently above US$63 a barrel during September 2005. The new record high oil prices, amid the immediate consequences of Hurricane Katrina, prompted certain actions at the international level. The International Energy Agency (IEA) confirmed on 2 September 2005 that its 26 members would release 2 million barrels of oil per day (bpd) for 30 days to offset the impact of Katrina. At the same time, US Energy Secretary Samuel Bodman unveiled a plan to sell 30 million barrels of crude from the Strategic Petroleum Reserve. Signs that the high oil prices were affecting oil demand were more and more visible and as a consequence OPEC and IEA revised their global growth demand forecast down. At the end of its two-day meeting on 19-20 September 2005, OPEC said it would make 2 million bpd of its spare oil capacity available to buyers when required, although it left its official quota unchanged at 28 million bpd.

Oil prices eased slightly during October 2005. The US government, on 4 October, said that it could tap emergency fuel supplies to prevent a supply crunch. Various reports showing that high oil prices were hurting demand weighed on the market. Oil prices eased further during November 2005, trading on average between US$55 a barrel and US$60 a barrel. Mild temperatures in the US Northeast regions and forecast that this could reduce oil demand consistently kept dragging oil prices down. Moreover, the EIA, week after week, kept reporting increases in crude oil stocks, ensuring the market of ample supply. Nonetheless, oil prices moved higher during December 2005 on colder temperatures in the US Northeast regions and forecast of even colder temperatures. At OPEC's meeting on 12 December 2005 in Kuwait, the cartel decided to leave its official production quota of 28 million barrels per day unchanged, but decided to control output in excess of the quota to prepare for slacker demand in spring. The decision pushed prices further upwards as some 2 million barrels per day would have been taken off from the market. Reports from the EIA on crude and distillate oil were mixed. While in some weeks they surprisingly increased, in others they fell unexpectedly.

Oil prices moved significantly higher during January 2006 on geopolitical concerns. A disagreement between the West and Iran over the latter's resumption of its nuclear programme and ongoing violence around oil facilities in Nigeria translated into fears of supply disruption in the world oil market. Moreover, Iran even made repeated calls for cutting output quota at OPEC's next meeting. Reports from the EIA on crude and distillate oil were unsatisfactory, showing mostly large drops in stock levels. Mild weather conditions in the United States helped to contain oil prices to some extent, but were not much effective. At OPEC's meeting in Vienna on 31 January 2006, the cartel left its official output quota unchanged at 28 million barrels per day. In contrast, oil prices moved lower during February 2006, bringing oil prices temporarily below US$60 a barrel, on growing oil stock levels in the United States. The US EIA reported that in the first three weeks of February 2006 US gasoline stock level increased, suggesting that US demand for gasoline might have eased to some extent and at the same time moderating supply fears in the market. Nonetheless, in the last week of February 2006, violence in Nigeria and a failed attack on Saudi Arabia's oil production facilities added nervousness to the market and pushed prices above US$60 a barrel again.

Oil prices moved higher during March 2006, with two offsetting factors influencing the market. On the one hand, reports from the EIA showing increases in US crude oil stocks in the first two weeks of March 2006 put downward pressure on oil prices. On the other hand, geopolitical worries over violence in Nigeria and Iran's disagreement with the West regarding its nuclear ambitions, pushed oil prices up.

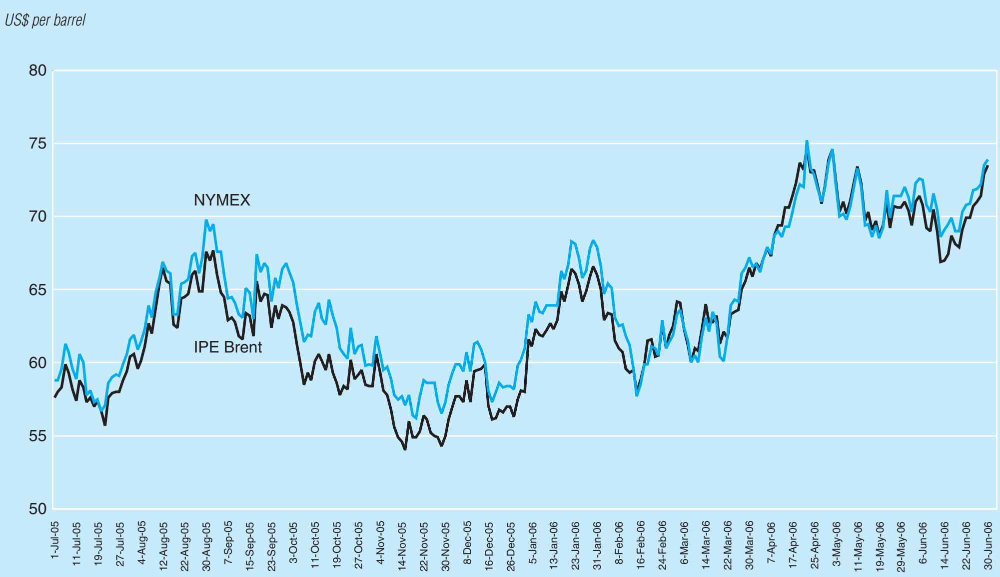
Movements in World Oil Prices (Monthly Average)

(US$ per barrel)

	IPE Brent				NYMEX			
	2002-03	2003-04	2004-05	2005-06	2002-03	2003-04	2004-05	2005-06
July	25.7	28.4	37.7	58.0	26.9	30.7	40.8	59.0
August	26.4	29.4	41.8	63.8	28.2	31.6	44.9	65.0
September	28.3	26.9	42.9	63.8	29.7	28.3	46.1	65.6
October	27.6	29.0	49.4	59.5	28.7	30.4	53.1	62.3
November	24.2	28.9	44.6	56.2	26.2	31.0	48.5	58.3
December	28.2	29.6	40.3	57.6	29.4	32.2	43.3	59.5
January	31.4	30.8	44.2	63.8	32.7	34.0	46.9	65.5
February	32.4	30.4	45.9	61.1	35.8	34.5	48.1	61.9
March	29.7	32.7	53.3	63.0	33.2	36.7	54.6	62.9
April	22.4	33.0	53.3	70.5	26.7	36.6	53.2	70.2
May	25.4	37.2	49.7	71.0	28.0	40.3	49.9	71.0
June	27.3	35.6	55.4	69.8	30.5	38.1	56.4	71.0
July to June	**27.4**	**31.0**	**46.5**	**63.2**	**29.7**	**33.7**	**48.8**	**64.4**

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: 2005-06



Meanwhile, OPEC decided to leave its official quota unchanged at 28 million barrels per day at its meeting on 8 March 2006. Oil prices moved further up during April 2006, mainly on supply fears emanating from disturbances in Nigeria and growing tension between Iran and the West regarding Iran's nuclear ambitions. Uncertainty about the return of around 500,000 barrels per day of Nigerian oil production, unavailable since February 2006 due to rebel attacks, persisted during March 2006. Decreases in US gasoline stocks ahead of the US driving season added further nervousness to the oil market. The tension between Iran and the West rose continuously pushing oil prices higher on each new trading session. On 21 April 2006, NYMEX and IPE Brent reached peaks of US$75.2 a barrel and US$74.7 a barrel, respectively.

Oil prices moved higher during May 2006, mainly on supply fears emanating from ongoing tension between Iran and the West regarding the former's nuclear ambitions. Unrest in Nigeria and a series of US refinery problems, namely in New Jersey, Texas and Louisiana added further nervousness to the market. US stock reports from the EIA were satisfactory during May 2006. Meanwhile, a report from the IEA showed that soaring energy costs were affecting oil demand growth while results from the University of Michigan survey signalled that high oil prices were hurting US consumer confidence. Oil prices fluctuated as moves in the market were also driven by speculative motives with the price of US$70 a barrel acting as a reference level. An easing of tensions between Iran and the West in June 2006 contained the upward trend in oil prices to some extent.

In Mauritius, as per the recommendation of the Certification Committee of the Automatic Price Mechanism (APM), the prices of mogas and diesel were adjusted three times during 2005-06 as shown in Table A. Effective 3 October 2005, the prices of mogas and diesel were raised by 15 per cent from Rs25.25 per litre and Rs17.25 per litre, respectively to Rs29.00 per litre and Rs19.80 per litre, respectively. In January 2006, the government decided to raise the maximum permissible adjustment from 15 per cent to 20 per cent and, effective 4 January 2006, the prices of mogas and diesel were

Table A: Domestic Price Adjustments in 2005-06

	Price of Mogas (Rs per litre)	Percentage Change	Price of Diesel (Rs per litre)	Percentage Change
1-Jul-05	25.25		17.25	
3-Oct-05	29.00	14.9	19.80	14.8
4-Jan-06	34.80	20.0	23.75	20.0
3-Apr-06	31.30	-10.1	28.50	20.0

Table B: Effects of high oil prices on the Balance of Payments in Mauritius

	2001-02	2002-03	2003-04	2004-05	2005-06
Average Oil Prices (in US$ per barrel)	23.7	29.7	33.7	48.8	64.4
		25.32	*13.47*	*44.81*	*31.97*
Petroleum Imports* (Rs million)	5,467	6,288	7,068	10,695	16,016
		15.02	*12.40*	*51.32*	*49.12*
Total Imports (Rs million)	58,151	66,267	69,586	84,324	101,206
		13.96	*5.01*	*21.18*	*20.02*
Share of Petroleum imports in total imports (Per cent)	9.40	9.49	10.16	12.68	15.82
Current account (Rs million)	+7,458	+3,554	+1,383	-6,321	-10,356
Balance of Payments (Rs million)	+5,908	+9,099	+3,225	-3,133	-3,019

Notes: (i) Figures in Italics refer to year-on-year changes
(ii) Deficit/Surplus (-/+)
(iii) Oil prices refer to NYMEX
** Refers to Refined Petroleum products*

increased by 20 per cent to Rs34.80 per litre and Rs23.75 per litre respectively. At the following quarterly meeting of the Certification Committee of the APM, the price of mogas was reduced by 10.1 per cent to Rs31.30 per litre while the price of diesel was increased by 20 per cent to Rs28.50 per litre, effective 3 April 2006. For the year 2005-06 as a whole, the prices of mogas and diesel registered increases of 24.0 per cent and 65.2 per cent respectively.

High international oil prices have had significant adverse effects on the balance of payments, contributing to a large extent to the deterioration of the current account from a comfortable surplus of Rs7,458 million in 2001-02 to a deficit of Rs10,356 million in 2005-06 as depicted in Table B. The share of petroleum imports in total imports increased from 9.4 per cent in 2001-02 to 15.8 per cent in 2005-06. Between 2001-02 and 2005-06, average oil prices increased by 171.7 per cent while the value of petroleum imports increased by 191.7 per cent.

In its September 2006 World Economic Outlook (WEO), IMF revised its forecasts of the average WTI crude oil price for 2006 to US$69.20 a barrel from its April 2006 WEO forecast of US$61.25 a barrel and projected an average of US$75.50 per barrel for 2007. Moreover, the key reference level that drives speculative moves has consistently gone up since 2002-03. From US$40 a barrel in 2002-03, it went up to US$60 a barrel in 2004-05 and US$70 a barrel in 2005-06. Recent developments suggest that the reference level may have fallen back to US$60 a barrel amid easing supply concerns. Nonetheless, future trends in oil prices will be largely dependent upon the evolution of geopolitical issues in the Middle East.

Glossary of Abbreviations

ACE	African Commerce Exchange
ACH	Automated Clearing House
ACP	African Carribean Pacific
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
AGOA	African Growth and Opportunity Act
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AMR	Aggregate Monetary Resources (M2)
APM	Automatic Price Mechanism
ATI	African Trade Insurance
ATM	Automated Teller Machine
AU	African Union
BBAN	Basic Bank Account Number
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BPML	Business Park of Mauritus Ltd
CBS	Central Bank Survey
CCBG	Committee of Central Bank Governors in SADC
CCH	COMESA Clearing House
CCIA	COMESA Common Investment Area
CET	Common External Tariff
CMPS	Continuous Multi-purpose Household Survey
CPSS	Core Principles for Systemically Important Payments System
COMESA	Common Market for Eastern and Southern Africa
COMPASS	COMESA Payment and Settlement System
COSSE	Committee of SADC Stock Exchanges
CPI	Consumer Price Index
CPIS	Coordinated Portfolio Investment Survey
CSO	Central Statistics Office
DBM	Development Bank of Mauritius Ltd
DC	Development Certificates
DCS	Depository Corporations Survey
ECB	European Central Bank
ECBS	European Community Bank Supervisors

EPZ	Export Processing Zone
ESAF	Eastern and Southern African Group of Bank Supervisors
EU	European Union
Ex-Dc	Ex-Development Certificate Holders
FDI	Foreign Direct Investment
FISCU	Finance and Investment Sector Coordinating Unit
FOMC	Federal Open Market Committee
FSC	Financial Services Commission
FTA	Free Trade Area
GBL	Global Business Licence
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
HICP	Harmonised Index of Consumer Prices
HIV	Human Immunodeficiency Virus
IBAN	International Bank Account Number
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDA	International Development Association
ILO	International Labour Organisation
IMF	International Monetary Fund
IPE	International Petroleum Exchange
ISO	International Standardisation Organisation
MACSS	Mauritius Automated Clearing and Settlement System
MCIB	Mauritius Credit Information Bureau
MDLS	Mauritius Development Loan Stocks
MFA	Multi Fibre Agreement
MFSM	Monetary and Financial Statistics Manual of the IMF
MoU	Memorandum of Understanding
MTPA	Mauritius Tourism Promotion Authority
MICR	Magnetic Ink Character Recognition
MSS	Mauritius Sugar Syndicate
NFA	Net Foreign Asset
NIR	Net International Reserves
NPF	National Pensions Fund
NYMEX	New York Mercantile Exchange
ODCS	Other Depository Corporations Survey

OECD	Organisation for Economic Cooperation and Development
OGBS	Offshore Group of Banking Supervisors
OPEC	Organisation of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OTC	Over The Counter
PLACH	Port Louis Automated Clearing House
PLCH	Port Louis Clearing House
POSB	Mauritius Post Office Savings Bank
PPP	Public-Private Partnership
PTA	Preferential Trade Area
R&D	Research & Development
RDA	Road Development Authority
REPSS	Regional Payment and Settlement System
RIA	COMESA Regional Investment Agency
RISDP	Regional Indicative Strategic Development Plan
RTGS	Real Time Gross Settlement
SADC	Southern African Development Community
SARB	South African Reserve Bank
SEFER	Securities Held as Foreign Exchange Reserves
SEM	The Stock Exchange of Mauritius Ltd
SEMDEX	Stock Exchange Market Index
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
SSA	Sub-Saharan Africa
SSBS	SADC Subcommittee of Banking Supervisors
SSSIO	Survey of Geographical Distribution of Securities Held by International Organisations
STC	State Trading Corporation
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEST	Textile Emergency Support Team
UNCTAD	United Nations Conference on Trade and Development
VAT	Value-Added Tax
WTO	World Trade Organisation
ZEP-RE	PTA Reinsurance Company

List of Charts

Appendix I Statistical Tables

4. National Income and Production

5. Prices, Employment and Earnings

6. Public Finance

Notes
The following conventional signs are used:
. . Negligible
n.a. Not available

Table 1: Selected Economic Indicators

	Period	Unit	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Population-Republic of Mauritius [1]*	Mid-year		1,148,284	1,160,421	1,175,267	1,186,873 [5]	1,199,881	1,210,196	1,222,811	1,233,386	1,243,252	1,252,700 [3]
2. Tourist Arrivals***	Fiscal Year ended June		513,798	555,616	565,324	620,030	658,351	667,236	694,247	699,389	735,495	771,889
3. Tourist Earnings	Fiscal Year ended June	(Rs million)	9,408	11,026	12,764	14,344	15,527	19,045	17,998	22,394	24,097	28,571
4. Real GDP Growth Rate*	Calendar Year	(Per cent)	5.6	5.8	2.1	9.7	5.2	1.8	4.4 [2]	4.7 [2]	2.5 [2]	4.6 [4]
5. Gross Domestic Product (at market prices)*	Calendar Year	(Rs million)	88,175	100,042	108,077	120,290	132,146	142,484	157,394 [2]	175,592 [2]	185,487 [2]	203,337 [4]
6. Gross National Income (at market prices)*	Calendar Year	(Rs million)	87,803	99,405	107,483	119,507	132,539	142,880	156,561 [2]	175,202 [2]	185,251 [2]	204,837 [4]
7. GNI Per Capita (at market prices)*	Calendar Year	(Rupees)	76,480	85,650	91,441	100,666	110,434	118,036	128,004 [2]	142,017 [2]	148,971 [2]	163,479 [4]
8. Inflation Rate*	Fiscal Year ended June	(Per cent)	7.9	5.4	7.9	5.3	4.4	6.3	5.1	3.9	5.6	5.1
9. Unemployment Rate*	Mid-year	(Per cent)	6.6	6.9	7.7	6.7 [8]	6.9	7.3	7.7	8.5	9.6	9.4 [3]
10. Current Account Balance	Fiscal Year ended June	(Rs million)	+346	-2,615	-1,622	-1,451	+4,257	+7,458	+3,554	+1,383 [2]	-6,321 [2]	-10,356 [3]
11 Overall Balance of Payments [6]	Fiscal Year ended June	(Rs million)	+1,600	-2,293	+690	+2,141	+5,107	+5,908	+9,099	+3,225	-3,133	-3,019
12. Net International Reserves	End-June	(Rs million)	21,443	21,349	22,575	25,214	31,760	40,551	48,414	50,021	53,932 [9]	61,974
13. Total Imports (c.i.f.)*	Fiscal Year ended June	(Rs million)	41,878	49,322	54,076	55,048	56,204	58,151	66,267	69,586	84,324 [2]	101,206 [3]
14. Total Exports (f.o.b.)*	Fiscal Year ended June	(Rs million)	33,128	36,279	41,702	38,845	45,222	47,938	53,247	54,203	57,857 [2]	68,849 [3]
15. Government Recurrent Revenue**	Fiscal Year ended June	(Rs million)	16,544	18,471	21,327	22,605	24,149	24,606	29,487	32,404	35,074	38,070 [2]
16. Government Recurrent Expenditure**	Fiscal Year ended June	(Rs million)	18,853	21,010	24,743	25,435	31,398	29,577	33,529	36,879	40,564	45,354 [2]
17. Ratio of Budget Deficit to GDP at market prices**	Fiscal Year ended June	(Per cent)	-4.5	-3.7	-3.6	-3.8	-6.7	-6.1	-6.2	-5.4	-5.0	-5.3 [2]
18. External Debt: Central Government** [7]	End-June	(Rs million)	9,619	10,752	10,193	10,190	7,168	8,785	9,074	8,445	9,232	8,648
19. Internal Debt: Central Government	End-June	(Rs million)	30,241	34,619	40,819	46,641	53,394	67,095	86,413	85,002	96,584	104,829
20. Banking System Net Claims on Central Government [10]	End-June	(Rs million)	15,759	17,358	16,014	18,469	17,578	18,980	21,476	35,346	40,907	45,490
21. Banks' Claims on Private Sector (CPS) [10]	End-June	(Rs million)	37,736	49,941	60,106	67,271	74,016	79,976	85,080	93,120	102,069	119,471
22. Growth Rate of CPS [10]	Fiscal Year ended June	(Per cent)	15.8	32.3	20.4	11.9	10.0	8.1	6.4	9.4	9.6	13.7
23. Currency with Public [10]	End-June	(Rs million)	4,307	4,651	4,876	5,172	5,735	6,466	7,488	8,480	9,729	10,512
24. Money Supply (M1) [10]	End-June	(Rs million)	8,874	10,152	10,906	11,068	12,712	15,136	17,439	21,322	22,647	25,069
25. Aggregate Monetary Resources (M2) [10]	End-June	(Rs million)	60,359	70,878	80,204	88,938	97,753	110,467	123,405	141,132	153,128	177,527
26. Growth Rate of M2 [10]	Fiscal Year ended June	(Per cent)	8.8	17.4	13.2	10.9	9.9	13.0	11.7	14.4	8.5	11.2
27. Total Private Sector Rupee Deposits with Banks [10]	End-June	(Rs million)	53,334	59,609	67,323	75,522	79,869	90,439	100,993	115,513	121,212	135,159

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.*
8 As from 2000, data on unemployment rate are not strictly comparable with the mid-year estimates published up to 1999. Data as from 2000 are derived from the Continuous Multi-Purpose Household Survey.
9 Prior to June 2005, include the Net Foreign Assets of 11 former Category 1 banks. With effect from June 2005, include the Net Foreign Assets of banks, adjusted for transactions of Global Business Licence Holders.
10 Figures prior to June 2006 refer to former Category 1 banks.
Note: As from 2002-03, data on imports and exports include transactions through the Mauritius Freeport.
Note: The National Accounts data are based on the 2002 Census of Economic Activities.
** Source: Central Statistics Office, Government of Mauritius.* *** Source: Ministry of Finance and Economic Development.* **** Source: Ministry of Tourism, Leisure and External Communications.*

Table 2.1(a): Bank of Mauritius - Assets

(Rs million)

End of Period		EXTERNAL ASSETS: Special Drawing Rights	EXTERNAL ASSETS: Balances with Banks	EXTERNAL ASSETS: Treasury Bills	EXTERNAL ASSETS: Eligible Securities	EXTERNAL ASSETS: Total [1]	CLAIMS ON CENTRAL GOVERNMENT: Treasury Bills and Government Stocks	CLAIMS ON CENTRAL GOVERNMENT: Advances and Discounts	CLAIMS ON CENTRAL GOVERNMENT: Total	CLAIMS ON BANKS *	CLAIMS ON NON-BANK DEPOSIT-TAKING INSTITUTIONS	OTHER ADVANCES	OTHER ASSETS	TOTAL ASSETS
2003		665.8	23,351.8	0.0	16,530.0	**40,847.5**	799.6	0.0	**799.6**	2,156.7	15.8	41.7	541.7	**44,403.0**
2004		765.1	19,394.4	0.0	24,411.8	**45,007.7**	1,869.9	0.0	**1,869.9**	1,936.8	0.0	96.0	921.8	**49,832.2**
2005		787.5	17,872.6	0.0	22,137.1	**41,116.5**	3,701.9	0.0	**3,701.9**	1,988.8	0.0	89.8	1,583.1	**48,480.0**
2004	January	653.9	21,078.1	0.0	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	0.0	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	0.0	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	0.0	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	0.0	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	0.0	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**
	July	715.0	21,631.7	0.0	20,780.1	**43,520.9**	1,479.5	0.0	**1,479.5**	1,844.8	3.1	102.6	677.8	**47,628.7**
	August	725.3	21,459.5	0.0	21,039.1	**43,627.5**	1,750.9	0.0	**1,750.9**	1,835.8	2.2	102.6	661.3	**47,980.3**
	September	732.0	21,680.0	0.0	21,346.7	**44,149.9**	1,646.8	0.0	**1,646.8**	1,918.6	1.6	103.4	744.0	**48,564.3**
	October	741.7	20,296.0	0.0	22,743.8	**44,142.3**	1,555.2	0.0	**1,555.2**	1,909.4	0.8	103.4	705.6	**48,416.6**
	November	764.5	19,568.6	0.0	24,449.5	**45,187.3**	1,542.9	0.0	**1,542.9**	1,900.1	0.3	103.4	724.2	**49,458.2**
	December	765.1	19,394.4	0.0	24,411.8	**45,007.7**	1,869.9	0.0	**1,869.9**	1,936.8	0.0	96.0	921.8	**49,832.2**
2005	January	761.5	18,808.0	0.0	24,443.0	**44,381.3**	2,028.0	0.0	**2,028.0**	1,943.4	0.0	96.0	977.2	**49,425.9**
	February	774.7	19,008.5	0.0	24,864.7	**45,028.5**	1,668.6	0.0	**1,668.6**	1,933.9	0.0	96.5	1,005.1	**49,732.6**
	March	772.3	18,858.9	0.0	24,813.9	**44,820.0**	2,361.6	0.0	**2,361.6**	1,886.3	0.0	97.8	980.8	**50,146.6**
	April	775.7	18,894.0	0.0	24,928.6	**44,982.5**	2,309.5	0.0	**2,309.5**	1,882.0	0.0	97.8	1,038.9	**50,310.6**
	May	769.5	17,717.8	0.0	24,832.8	**43,672.1**	2,267.2	0.0	**2,267.2**	1,872.4	0.0	97.8	1,161.0	**49,070.6**
	June	760.6	17,339.2	0.0	24,291.7	**42,734.4**	3,127.2	0.0	**3,127.2**	1,818.5	0.0	89.1	1,286.2	**49,055.3**
	July	762.2	16,469.0	0.0	24,433.6	**42,004.7**	3,136.4	0.0	**3,136.4**	1,966.1	0.0	89.0	1,180.9	**48,377.2**
	August	776.9	16,569.4	0.0	24,611.3	**42,305.5**	3,914.4	0.0	**3,914.4**	2,024.8	0.0	89.0	1,286.6	**49,620.3**
	September	782.7	16,096.2	0.0	24,967.4	**42,210.5**	3,345.1	0.0	**3,345.1**	1,928.6	0.0	89.8	1,432.1	**49,006.1**
	October	787.5	18,652.8	0.0	22,118.1	**41,864.7**	3,493.7	0.0	**3,493.7**	1,918.8	0.0	89.7	1,428.2	**48,795.1**
	November	784.0	17,936.0	0.0	21,994.8	**41,020.6**	3,728.9	0.0	**3,728.9**	1,908.9	0.0	89.8	1,502.6	**48,250.6**
	December	787.5	17,872.6	0.0	22,137.1	**41,116.5**	3,701.9	0.0	**3,701.9**	1,988.8	0.0	89.8	1,583.1	**48,480.0**
2006	January	795.5	27,055.1	0.0	13,782.0	**41,948.3**	2,950.2	0.0	**2,950.2**	1,888.1	0.0	90.8	1,719.2	**48,596.6**
	February	796.6	26,491.7	0.0	13,766.1	**41,383.8**	2,908.1	0.0	**2,908.1**	1,878.0	0.0	90.8	1,678.2	**47,938.9**
	March	802.2	26,443.4	0.0	13,826.0	**41,420.8**	2,535.6	0.0	**2,535.6**	1,776.0	0.0	141.8	1,695.3	**47,569.5**
	April	815.6	27,172.9	0.0	13,964.2	**42,315.2**	2,577.8	0.0	**2,577.8**	1,767.6	0.0	141.8	1,737.3	**48,539.7**
	May	835.1	27,871.7	0.0	14,097.8	**43,196.6**	2,375.8	0.0	**2,375.8**	1,776.5	0.0	142.1	1,770.7	**49,261.7**
	June	823.7	27,431.4	0.0	13,815.3	**42,458.6**	3,856.1	0.0	**3,856.1**	1,673.3	0.0	143.8	1,855.3	**49,987.1**

[1] *Includes foreign notes and coin and suspense account interest receivable.*

* *Prior to July 2005, refer to former Category 1 banks only.*

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 Banks *	RESERVE MONEY: BoM Bills Held by Banks *	RESERVE MONEY: Demand Deposits: 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
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**
2004		33.0	10,731.2	3,570.6	5,624.6	4,492.1	203.3	**24,621.8**	1,903.2	53.9	3,964.4	19,255.9	**49,832.2**
2005		1,390.3	11,743.7	3,479.8	2,863.8	6,544.2	417.5	**25,049.0**	1,935.1	46.1	1,521.2	18,538.3	**48,480.0**
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**
	July	33.0	8,818.3	2,269.2	7,359.9	5,622.9	192.0	**24,262.4**	2,065.5	44.2	3,955.1	17,268.6	**47,628.7**
	August	33.0	8,917.1	2,415.5	7,083.7	5,706.1	184.8	**24,307.1**	2,480.3	37.5	3,820.8	17,301.6	**47,980.3**
	September	33.0	8,852.1	2,517.8	7,371.2	4,796.8	254.3	**23,792.2**	2,982.0	25.0	4,231.3	17,500.9	**48,564.3**
	October	33.0	9,181.4	2,249.8	6,847.8	5,505.1	258.9	**24,043.0**	1,696.8	24.5	4,468.4	18,151.0	**48,416.6**
	November	33.0	9,370.1	2,696.4	5,867.3	5,594.3	220.4	**23,748.5**	1,992.9	49.2	4,494.7	19,139.9	**49,458.2**
	December	33.0	10,731.2	3,570.6	5,624.6	4,492.1	203.3	**24,621.8**	1,903.2	53.9	3,964.4	19,255.9	**49,832.2**
2005	January	33.0	9,891.2	2,966.6	5,753.9	4,958.6	318.0	**23,888.3**	2,235.1	53.5	4,055.1	19,160.9	**49,425.9**
	February	1,023.0	9,853.2	2,578.7	5,348.4	5,525.9	300.2	**23,606.5**	1,742.7	51.7	4,101.6	19,207.1	**49,732.6**
	March	1,023.0	9,752.0	2,564.7	5,218.2	5,733.8	335.1	**23,603.9**	2,410.4	50.7	4,041.6	19,017.0	**50,146.6**
	April	1,023.0	9,822.3	2,221.2	4,845.4	6,549.9	407.4	**23,846.2**	1,963.9	30.2	4,020.9	19,426.4	**50,310.6**
	May	1,023.0	9,782.6	2,192.1	4,801.1	6,038.4	397.0	**23,211.3**	2,223.1	61.4	3,775.4	18,776.4	**49,070.6**
	June	1,390.3	9,728.5	2,288.3	4,476.3	5,971.3	476.2	**22,940.6**	2,356.4	63.4	3,773.7	18,530.9	**49,055.3**
	July	1,390.3	10,024.5	2,182.6	4,374.5	5,537.6	332.7	**22,452.0**	2,330.6	68.5	3,542.1	18,593.7	**48,377.2**
	August	1,390.3	10,006.2	2,489.2	4,091.3	6,436.8	422.1	**23,445.6**	2,451.3	63.3	3,336.1	18,933.8	**49,620.3**
	September	1,390.3	10,113.8	2,408.9	3,342.7	7,026.6	521.4	**23,413.4**	2,413.4	32.5	2,507.7	19,248.9	**49,006.1**
	October	1,390.3	10,453.0	2,520.6	3,593.4	5,860.4	450.8	**22,878.2**	2,589.7	40.7	2,432.6	19,463.4	**48,795.1**
	November	1,390.3	10,313.6	3,146.6	3,100.2	7,078.3	438.8	**24,077.4**	1,939.0	56.1	1,729.7	19,058.1	**48,250.6**
	December	1,390.3	11,743.7	3,479.8	2,863.8	6,544.2	417.5	**25,049.0**	1,935.1	46.1	1,521.2	18,538.3	**48,480.0**
2006	January	1,390.3	10,898.1	2,461.3	2,106.4	7,203.9	503.5	**23,173.1**	3,740.5	66.2	1,216.2	19,010.2	**48,596.6**
	February	1,390.3	10,638.8	2,252.1	2,369.3	8,092.7	431.0	**23,783.9**	2,867.4	50.4	1,105.8	18,741.1	**47,938.9**
	March	1,390.3	10,543.6	2,081.6	2,606.1	8,270.5	407.4	**23,909.2**	2,090.9	36.4	1,447.6	18,694.9	**47,569.5**
	April	1,390.3	10,548.7	2,095.2	2,752.4	7,899.1	407.1	**23,702.5**	2,148.6	45.0	1,438.3	19,815.0	**48,539.7**
	May	1,390.3	10,435.6	1,985.3	3,001.9	7,347.0	415.2	**23,184.9**	2,257.8	52.0	1,646.4	20,730.2	**49,261.7**
	June	1,696.5	10,511.6	1,815.9	2,499.0	9,047.5	668.9	**24,542.9**	2,210.3	36.7	1,535.1	19,965.7	**49,987.1**

[1] Include deposits of certain Parastatal Bodies.
Figures may not add up to totals due to rounding.

[2] Include Other Reserves.
** Prior to July 2005, refer to former Category 1 banks only.*

Table 2.2: Bank of Mauritius Claims on Government

(Rs million)

End of Month		Government Stocks	Treasury Bills	Advances	Total
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	**1,736.4**
	June	35.7	1,601.6	0.0	**1,637.3**
	July	36.5	1,443.0	0.0	**1,479.5**
	August	37.1	1,713.8	0.0	**1,750.9**
	September	37.2	1,609.6	0.0	**1,646.8**
	October	37.4	1,517.7	0.0	**1,555.2**
	November	37.2	1,505.8	0.0	**1,542.9**
	December	37.4	1,832.5	0.0	**1,869.9**
2005	January	36.5	1,991.5	0.0	**2,028.0**
	February	37.5	1,631.1	0.0	**1,668.6**
	March	37.1	2,324.4	0.0	**2,361.6**
	April	37.0	2,272.5	0.0	**2,309.5**
	May	36.3	2,230.9	0.0	**2,267.2**
	June	35.8	3,091.4	0.0	**3,127.2**
	July	35.1	3,101.4	0.0	**3,136.4**
	August	36.6	3,877.8	0.0	**3,914.4**
	September	36.1	3,309.1	0.0	**3,345.1**
	October	36.4	3,457.3	0.0	**3,493.7**
	November	36.1	3,692.8	0.0	**3,728.9**
	December	38.0	3,663.9	0.0	**3,701.9**
2006	January	37.6	2,912.6	0.0	**2,950.2**
	February	36.9	2,871.3	0.0	**2,908.1**
	March	36.6	2,499.0	0.0	**2,535.6**
	April	36.4	2,541.4	0.0	**2,577.8**
	May	36.5	2,339.3	0.0	**2,375.8**
	June	36.4	3,819.7	0.0	**3,856.1**

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	
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**
July	21.1	4.6	32.9	1.6	114.1	194.8	908.7	1,224.1	1,571.7	5,791.6	845.2	**10,710.5**	6.9	12.5	152.6	64.0	82.5	19.6	6.4	24.4	2.4	5.2	0.3	0.2	**377.0**	**11,087.6**
August	21.1	4.6	32.9	1.6	118.2	199.8	912.3	1,255.3	1,604.6	5,964.7	838.8	**10,954.0**	6.9	12.5	153.3	64.4	82.6	19.7	6.4	24.6	2.4	5.3	0.3	0.2	**378.6**	**11,332.6**
September	21.1	4.6	32.8	1.6	117.9	201.5	931.6	1,316.6	1,566.8	5,955.0	838.4	**10,988.0**	6.9	12.5	154.3	65.5	83.5	19.7	6.4	24.7	2.4	5.3	0.3	0.2	**381.9**	**11,369.9**
October	21.1	4.6	32.8	1.6	120.1	197.8	933.5	1,350.5	1,625.9	5,908.2	844.8	**11,040.9**	6.9	12.5	159.6	67.4	84.7	19.8	6.4	24.8	2.4	5.4	0.3	0.2	**390.4**	**11,431.3**
November	21.1	4.6	32.8	1.6	132.5	215.2	958.7	1,430.9	1,740.5	6,275.3	855.0	**11,668.1**	6.9	12.5	163.1	70.0	86.0	20.0	6.4	25.1	2.4	5.4	0.3	0.2	**398.4**	**12,066.5**
December	21.1	4.6	32.8	1.6	138.3	229.4	1,103.1	1,670.4	2,135.3	7,688.0	872.2	**13,896.8**	6.9	12.5	166.7	71.5	87.2	20.1	6.4	25.2	2.4	5.5	0.3	0.2	**405.0**	**14,301.8**
2005 January	21.1	4.6	32.8	1.6	135.8	225.6	994.9	1,491.2	1,867.7	6,801.7	874.2	**12,451.2**	6.9	12.5	167.2	71.8	87.7	20.2	6.4	25.3	2.4	5.5	0.3	0.2	**406.6**	**12,857.8**
February	21.1	4.6	32.8	1.6	130.9	213.1	968.8	1,398.5	1,723.5	6,648.3	881.8	**12,024.9**	6.9	12.5	167.2	71.9	88.0	20.3	6.4	25.4	2.4	5.5	0.3	0.2	**407.0**	**12,432.0**
March	21.0	4.6	32.8	1.6	128.5	215.1	947.2	1,366.7	1,673.3	6,652.6	869.1	**11,912.5**	6.9	12.5	164.6	71.4	87.9	20.4	6.4	25.6	2.4	5.5	0.3	0.2	**404.3**	**12,316.8**
April	21.0	4.6	32.7	1.6	132.4	210.2	918.2	1,273.7	1,614.1	6,561.6	869.2	**11,639.4**	6.9	12.5	164.4	70.4	88.6	20.5	6.4	25.8	2.4	5.6	0.3	0.2	**404.1**	**12,043.5**
May	21.0	4.6	32.7	1.6	127.6	205.3	915.0	1,256.6	1,597.1	6,553.1	856.0	**11,570.7**	6.9	12.5	164.2	70.4	88.6	20.6	6.4	25.9	2.4	5.6	0.3	0.2	**404.1**	**11,974.8**
June	21.0	4.6	32.7	1.6	131.9	216.2	918.3	1,266.9	1,638.2	6,518.5	862.3	**11,612.3**	6.9	12.5	164.2	70.4	88.7	20.7	6.4	26.0	2.4	5.7	0.3	0.2	**404.5**	**12,016.8**
July	21.0	4.6	32.7	1.6	139.9	219.9	926.5	1,271.1	1,577.1	6,743.2	864.6	**11,802.3**	6.9	12.5	164.3	70.4	88.7	20.8	6.4	26.2	2.4	5.7	0.3	0.2	**404.8**	**12,207.1**
August	21.0	4.6	32.7	1.6	139.1	228.0	940.0	1,298.7	1,589.8	6,953.1	879.7	**12,088.4**	6.9	12.5	165.3	71.0	89.0	20.9	6.4	26.3	2.4	5.7	0.3	0.2	**407.0**	**12,495.4**
September	21.0	4.6	32.7	1.6	140.1	222.4	950.9	1,331.7	1,607.2	6,925.5	874.2	**12,112.1**	6.9	12.6	167.6	71.6	89.4	21.0	6.4	26.5	2.4	5.8	0.3	0.2	**410.6**	**12,522.7**
October	21.0	4.6	32.7	1.6	146.0	228.4	983.3	1,372.4	1,669.8	7,221.0	876.2	**12,557.1**	6.9	12.6	170.9	73.0	90.2	21.1	6.4	26.7	2.4	5.8	0.3	0.2	**416.5**	**12,973.6**
November	21.0	4.6	32.7	1.6	151.9	238.9	999.5	1,407.1	1,878.7	7,428.8	872.4	**13,037.2**	6.9	12.6	174.3	74.7	90.9	21.3	6.4	26.9	2.4	5.9	0.3	0.2	**422.9**	**13,460.1**
December	21.0	4.6	32.7	1.6	156.6	245.7	1,065.1	1,608.7	2,152.1	8,618.8	884.9	**14,791.9**	6.9	12.6	179.2	76.9	92.3	21.4	6.4	27.0	2.4	5.9	0.3	0.2	**431.6**	**15,223.5**
2006 January	21.0	4.6	32.7	1.6	149.7	233.7	922.3	1,259.6	1,780.6	7,655.8	863.6	**12,925.1**	6.9	12.6	180.8	77.2	92.9	21.5	6.4	27.0	2.4	5.9	0.3	0.2	**434.2**	**13,359.3**
February	21.0	4.6	32.6	1.6	143.5	224.1	900.6	1,188.6	1,694.2	7,391.4	853.6	**12,456.0**	6.9	12.6	180.8	77.2	93.2	21.6	6.4	27.2	2.4	6.0	0.3	0.2	**434.9**	**12,890.9**
March	21.0	4.6	32.6	1.6	141.1	221.3	902.3	1,198.3	1,599.7	7,226.6	842.8	**12,192.0**	6.9	12.6	179.4	76.7	93.0	21.7	6.4	27.4	2.4	6.0	0.3	0.2	**433.3**	**12,625.2**
April	21.0	4.6	32.6	1.6	138.6	218.1	898.3	1,215.2	1,595.5	7,257.1	827.9	**12,210.7**	6.9	12.6	178.9	76.6	93.1	21.9	6.4	27.7	2.4	6.1	0.3	0.2	**433.1**	**12,643.8**
May	21.0	4.6	32.6	1.6	140.2	217.9	889.0	1,181.4	1,562.3	7,111.5	824.5	**11,986.7**	6.9	12.6	179.0	76.7	93.4	22.0	6.4	27.9	2.4	6.1	0.3	0.2	**434.2**	**12,420.9**
June	21.0	4.6	32.6	1.6	138.9	215.5	871.5	1,163.1	1,544.7	7,076.8	822.5	**11,892.7**	6.9	12.6	179.1	76.8	93.5	22.1	6.4	28.1	2.4	6.1	0.3	0.2	**434.8**	**12,327.5**

Figures may not add up to totals due to rounding.

Table 2.4(a): Former Category 1 Banks - Assets

(Rs million)

End of Period		RESERVES				FOREIGN ASSETS				CLAIMS ON GOVERNMENT				CLAIMS ON PRIVATE SECTOR					CLAIMS ON FORMER 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 Coin	Total [1]	Treasury Bills	Government Securities	Advances	Total	Local Bills Discounted	Bills Receivable	Local Investments	Loans and Advances [2]	Total				
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
2004		3,570.6	4,492.1	5,700.2	**13,762.9**	8,025.1	1,784.2	303.2	**14,454.4**	35,726.7	3,343.9	0.0	39,070.6	1,105.5	2,697.6	8,171.5	86,383.4	**98,357.9**	2,968.2	15,104.3	**183,718.4**	20,226.8
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**	29,225.1	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
	July	2,269.2	5,622.1	7,473.6	**15,365.0**	6,343.1	1,998.0	175.2	**12,669.0**	35,680.5	2,786.9	0.0	38,467.4	915.1	2,270.3	8,511.9	81,749.2	**93,446.5**	2,092.8	14,328.2	**176,368.9**	18,510.7
	August	2,415.5	5,703.0	7,195.1	**15,313.5**	6,558.6	1,440.2	149.4	**12,421.1**	35,698.6	2,223.6	0.0	37,922.2	976.6	2,316.2	8,469.4	82,642.9	**94,405.2**	2,215.7	14,892.7	**177,170.3**	18,034.6
	September	2,517.8	4,796.8	7,421.7	**14,736.3**	7,154.1	1,164.5	146.8	**12,744.1**	35,121.8	2,699.7	0.0	37,821.5	1,025.3	2,297.1	8,351.8	83,513.8	**95,187.9**	2,116.4	15,550.8	**178,157.0**	18,056.2
	October	2,249.8	5,501.4	6,894.9	**14,646.1**	7,431.3	1,305.5	242.7	**13,310.7**	33,891.9	2,703.4	0.0	36,595.3	1,029.4	2,365.3	8,317.4	84,214.4	**95,926.4**	2,343.7	15,255.4	**178,077.6**	18,099.7
	November	2,696.4	5,594.0	5,917.6	**14,208.0**	7,863.0	1,376.7	288.7	**13,838.1**	34,377.8	2,808.0	0.0	37,185.9	1,022.6	2,580.5	8,279.3	85,611.5	**97,493.8**	2,327.8	15,095.2	**180,148.8**	18,867.3
	December	3,570.6	4,492.1	5,700.2	**13,762.9**	8,025.1	1,784.2	303.2	**14,454.4**	35,726.7	3,343.9	0.0	39,070.6	1,105.5	2,697.6	8,171.5	86,383.4	**98,357.9**	2,968.2	15,104.3	**183,718.4**	20,226.8
2005	January	2,966.6	4,958.6	5,853.5	**13,778.7**	8,631.2	1,462.7	239.9	**14,798.2**	34,393.5	3,932.2	0.0	38,325.7	1,105.5	2,592.6	7,969.9	86,837.9	**98,505.9**	2,709.5	14,876.8	**182,994.7**	19,547.5
	February	2,578.7	5,525.9	5,554.3	**13,659.0**	9,004.6	1,327.9	197.1	**15,066.0**	33,576.7	4,593.0	0.0	38,169.7	1,093.9	2,560.7	7,959.7	88,083.7	**99,698.0**	2,866.8	15,002.0	**184,461.5**	19,705.0
	March	2,564.7	5,733.8	5,434.8	**13,733.3**	9,236.2	1,425.9	187.3	**15,347.1**	33,606.9	5,376.0	0.0	38,983.0	1,074.3	2,532.7	7,906.6	87,788.6	**99,302.1**	3,217.5	14,668.2	**185,251.2**	20,367.6
	April	2,221.2	6,535.6	5,068.1	**13,824.8**	9,426.2	1,353.4	172.4	**15,597.5**	34,294.9	5,680.2	0.0	39,975.0	1,088.5	2,557.9	7,684.1	88,994.7	**100,325.2**	2,944.1	14,808.8	**187,475.4**	20,586.5
	May	2,192.1	6,037.9	5,041.7	**13,271.7**	10,623.9	1,384.5	133.2	**16,869.2**	35,309.1	5,680.1	0.0	40,989.2	1,109.9	2,538.7	7,423.7	89,843.1	**100,915.3**	2,920.6	15,235.8	**190,201.9**	21,036.1
	June	2,288.3	5,971.2	4,734.9	**12,994.4**	10,299.8	1,994.6	121.6	**17,402.5**	35,182.5	5,783.6	0.0	40,966.2	1,104.9	2,543.0	7,525.5	90,895.9	**102,069.3**	2,605.5	15,090.6	**191,128.5**	21,685.6

[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 former 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): Former 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					Former Category 1 Banks	Banks Abroad	Former Category 2 Banks						
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
2004	19,214.2	12,682.7	42,552.4	62,874.0	**118,109.1**	165.0	19,588.0	384.9	1,936.4	7.2	7,533.2	984.6	131.5	15,664.2	**183,718.4**	516.2	5,793.6	13,917.0
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
July	19,986.0	12,211.6	42,384.3	59,965.3	**114,561.2**	150.2	17,367.1	158.2	1,844.7	0.5	7,503.6	860.3	263.1	13,674.3	**176,368.9**	686.6	4,656.2	13,167.9
August	19,243.9	12,290.0	42,798.9	59,931.9	**115,020.7**	151.1	18,146.0	643.9	1,835.6	33.0	6,808.9	773.6	156.8	14,356.7	**177,170.3**	676.0	4,232.1	13,126.5
September	19,150.6	12,093.7	42,445.2	59,837.1	**114,375.9**	170.2	18,653.1	1,240.8	1,918.4	32.8	6,415.9	900.7	234.4	15,064.2	**178,157.0**	487.3	4,410.1	13,158.7
October	19,040.0	11,802.9	41,720.5	60,272.0	**113,795.3**	174.9	19,292.0	797.6	1,909.1	0.1	7,463.0	513.1	188.9	14,903.6	**178,077.6**	519.4	4,345.4	13,234.9
November	19,071.6	12,502.1	41,706.6	60,760.9	**114,969.6**	195.6	19,966.1	185.5	1,899.8	0.1	6,892.9	1,169.2	170.1	15,628.3	**180,148.8**	456.4	4,417.4	13,993.4
December	19,214.2	12,682.7	42,552.4	62,874.0	**118,109.1**	165.0	19,588.0	384.9	1,936.4	7.2	7,533.2	984.6	131.5	15,664.2	**183,718.4**	516.2	5,793.6	13,917.0
2005 January	19,418.1	12,194.5	42,147.9	63,607.1	**117,949.5**	185.2	19,662.4	309.4	1,943.0	0.1	7,393.1	582.0	192.8	15,359.2	**182,994.7**	474.5	5,533.5	13,539.5
February	19,459.1	11,829.7	41,586.7	64,499.8	**117,916.3**	185.8	21,069.4	361.1	1,933.4	6.2	7,029.0	966.0	192.9	15,342.1	**184,461.5**	498.2	5,511.6	13,695.2
March	19,701.9	11,943.5	41,971.5	64,565.8	**118,480.7**	167.5	21,849.8	168.2	1,895.4	3.0	6,316.2	1,005.0	209.4	15,454.1	**185,251.2**	506.5	6,000.4	13,860.7
April	19,667.1	12,351.3	43,370.0	64,458.0	**120,179.3**	179.6	21,288.7	185.0	1,881.4	10.7	6,749.7	1,004.7	178.4	16,150.8	**187,475.4**	621.4	5,987.1	13,978.0
May	19,670.4	11,913.0	43,812.0	64,483.7	**120,208.6**	175.4	21,250.8	411.8	1,871.8	10.1	6,971.9	2,670.4	198.0	16,762.7	**190,201.9**	555.7	6,086.5	14,393.9
June	19,895.8	12,442.3	44,080.4	64,689.8	**121,212.5**	294.1	21,710.6	70.4	1,824.9	14.1	7,578.5	1,082.0	233.7	17,211.7	**191,128.5**	543.6	5,844.0	15,298.0

[1] Include demand deposits of former 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 2.4(c): Banks - Assets

(Rs million)

End of Period	RESERVES				FOREIGN ASSETS						Claims on Budgetary Central Government				CLAIMS ON PRIVATE SECTOR [1]					CLAIMS ON GLOBAL BUSINESS LICENCE HOLDERS	CLAIMS ON BANKS IN MAURITIUS	OTHER ASSETS [2]	TOTAL ASSETS	Acceptances, Documentary Credits and Guarantees [3]
	Cash in Hand	Balances with Bank of Mauritius	Bank of Mauritius Bills	Total	Balances with Banks Abroad	Foreign Bills Discounted	Foreign Securities	Foreign Notes and Coins	Loans outside Mauritius	Total	Treasury Bills	Government Securities	Advances	Total	Local Bills Purchased and Discounted	Bills Receivable	Loans and Advances	Investment in Shares and Debentures	Total					
2005	3,479.8	6,541.8	2,998.1	**13,019.7**	130,923.8	2,448.9	9,787.3	377.3	92,862.8	**236,400.0**	32,994.1	7,928.2	0.0	**40,922.4**	1,217.7	2,675.6	104,878.5	7,242.5	**116,014.3**	6,878.8	1,505.4	25,054.8	**439,795.2**	36,922.1
2005 June	2,288.3	5,972.1	4,734.9	**12,995.3**	129,366.9	2,812.8	15,167.7	122.3	82,878.8	**230,348.5**	35,182.5	5,783.6	0.0	**40,966.2**	1,116.7	2,360.2	94,062.7	7,526.9	**105,066.4**	7,498.0	1,512.1	18,325.5	**416,712.0**	32,121.9
July	2,182.6	5,537.3	4,648.4	**12,368.3**	106,932.1	2,728.8	15,628.4	191.7	87,298.2	**212,779.3**	35,570.3	5,783.6	0.0	**41,353.9**	1,175.5	2,339.9	95,206.7	7,665.9	**106,388.0**	7,801.2	837.9	18,756.7	**400,285.4**	32,038.4
August	2,489.2	6,434.6	4,358.5	**13,282.3**	122,071.3	2,622.5	14,175.6	200.2	86,794.2	**225,863.9**	35,102.3	6,081.7	0.0	**41,183.9**	1,183.4	2,433.2	94,503.5	7,631.3	**105,751.4**	7,108.8	1,354.1	19,246.7	**413,791.1**	32,879.6
September	2,408.9	7,026.5	3,565.4	**13,000.8**	131,607.3	2,496.8	12,163.5	200.5	93,288.5	**239,756.5**	35,203.2	6,116.7	0.0	**41,319.9**	1,139.8	2,444.5	98,050.9	7,508.7	**109,143.8**	6,593.0	1,030.9	20,507.2	**431,352.0**	33,981.8
October	2,520.6	5,859.5	3,768.2	**12,148.4**	129,248.0	2,954.7	11,864.0	309.3	91,730.7	**236,106.8**	34,230.2	6,806.6	0.0	**41,036.8**	1,136.1	2,543.3	99,932.2	7,395.4	**111,007.0**	6,877.6	997.6	22,991.7	**431,165.9**	34,587.3
November	3,146.6	7,077.8	3,187.9	**13,412.3**	145,364.8	2,701.2	9,738.3	275.8	93,714.9	**251,795.1**	33,624.2	7,186.6	0.0	**40,810.9**	1,232.7	2,659.2	101,426.7	7,314.8	**112,633.5**	7,023.8	1,619.0	23,506.7	**450,801.2**	35,652.4
December	3,479.8	6,541.8	2,998.1	**13,019.7**	130,923.8	2,448.9	9,787.3	377.3	92,862.8	**236,400.0**	32,994.1	7,928.2	0.0	**40,922.4**	1,217.7	2,675.6	104,878.5	7,242.5	**116,014.3**	6,878.8	1,505.4	25,054.8	**439,795.2**	36,922.1
2006 January	2,461.3	7,203.3	2,232.5	**11,897.1**	135,459.5	2,249.3	13,527.1	373.4	90,555.1	**242,164.4**	34,044.4	8,036.8	0.0	**42,081.3**	1,211.5	2,691.9	104,199.1	7,262.4	**115,365.0**	6,423.5	466.7	22,200.4	**440,598.4**	35,270.7
February	2,252.1	8,092.2	2,505.0	**12,849.4**	165,153.8	2,415.9	13,450.3	219.1	87,216.5	**268,455.6**	33,003.0	8,707.7	0.0	**41,710.7**	1,101.0	2,640.1	104,294.5	7,339.2	**115,374.8**	7,200.5	423.1	21,634.3	**467,648.4**	35,309.4
March	2,081.6	8,270.0	2,682.1	**13,033.8**	171,399.8	2,254.4	11,717.9	161.3	90,013.4	**275,546.8**	33,098.9	9,436.5	0.0	**42,535.4**	1,120.3	2,481.0	104,103.7	7,482.3	**115,187.4**	6,846.0	302.1	21,179.3	**474,630.8**	35,490.6
April	2,095.2	7,897.6	2,794.2	**12,787.0**	157,516.9	2,159.0	8,774.3	230.6	96,038.5	**264,719.2**	32,176.2	9,773.9	0.0	**41,950.1**	1,082.3	2,413.8	106,743.0	7,570.3	**117,809.5**	7,935.1	118.8	22,076.8	**467,396.4**	35,874.4
May	1,985.3	7,344.8	3,049.4	**12,379.5**	184,300.2	2,126.4	8,982.1	215.9	98,353.4	**293,978.0**	32,810.9	10,155.4	0.0	**42,966.4**	1,088.6	2,316.6	107,501.4	7,483.0	**118,389.6**	8,482.3	222.3	22,321.3	**498,739.4**	36,509.8
June	1,815.9	9,046.8	2,552.4	**13,415.2**	174,797.2	2,613.0	6,878.5	184.5	96,982.7	**281,456.0**	34,886.1	10,506.7	0.0	**45,392.8**	1,105.8	2,352.6	107,966.5	8,046.6	**119,471.4**	8,907.1	235.4	22,413.3	**491,291.2**	35,292.6

[1] Include Claims on Public Corporations, State and Local Government.
Figures may not add up to totals due to rounding.

[2] Include Interbank Loans and Fixed Assets.

[3] For a breakdown, see Table 2.4(d).

Table 2.4(d): Banks - Liabilities

(Rs million)

End of Period	Capital and Reserves	PRIVATE SECTOR DEPOSITS					Budgetary Central Government Deposits	Interbank Borrowings	Borrowings from Bank of Mauritius	BORROWINGS FROM		Bills Payable	Other Liabilities [3]	TOTAL LIABILITIES	Acceptances on Account of Customers	Documentary Credits	Guarantees
		Demand	Savings [1]	Time [2]	Foreign Currency Deposits	Total				Banks in Mauritius	Banks Abroad						
2005	34,574.4	14,110.5	67,501.4	47,244.5	174,181.7	**303,038.1**	1,010.2	1,437.3	1,987.5	1,076.5	64,852.6	166.1	31,652.4	**439,795.2**	928.4	7,948.1	28,045.6
2005 June	33,314.3	12,541.5	64,689.8	46,947.7	185,530.6	**309,709.6**	294.1	176.1	1,824.9	535.0	44,451.9	233.8	26,172.3	**416,712.0**	1,386.6	7,129.6	23,605.8
July	35,655.8	12,524.1	64,700.6	43,475.4	172,578.7	**293,278.8**	439.5	256.7	1,965.4	543.6	43,598.2	197.6	24,349.9	**400,285.4**	1,212.9	6,586.8	24,238.6
August	34,807.9	12,270.8	65,173.6	44,538.8	174,702.3	**296,685.6**	444.0	207.5	2,024.9	767.9	47,846.5	187.3	30,819.5	**413,791.1**	618.4	7,438.0	24,823.2
September	34,679.3	13,133.1	65,814.8	45,604.1	168,539.1	**293,091.1**	471.7	498.2	1,941.9	376.6	70,186.6	299.4	29,807.1	**431,352.0**	831.6	8,289.9	24,860.2
October	34,949.9	13,178.0	65,220.6	46,809.5	169,555.6	**294,763.7**	410.9	637.7	1,919.2	345.6	68,994.1	188.4	28,956.2	**431,165.9**	827.5	7,338.4	26,421.4
November	34,569.8	13,508.1	65,724.9	48,167.2	187,200.1	**314,600.3**	574.1	797.5	1,909.2	979.7	64,551.4	171.9	32,647.3	**450,801.2**	856.7	7,216.3	27,579.4
December	34,574.4	14,110.5	67,501.4	47,244.5	174,181.7	**303,038.1**	1,010.2	1,437.3	1,987.5	1,076.5	64,852.6	166.1	31,652.4	**439,795.2**	928.4	7,948.1	28,045.6
2006 January	36,924.4	13,983.1	68,332.6	47,491.8	176,916.8	**306,724.4**	503.0	2,070.1	1,888.4	158.3	60,758.5	183.8	31,387.6	**440,598.4**	1,077.9	6,275.4	27,917.4
February	36,627.1	12,790.4	70,087.7	48,122.9	203,186.0	**334,186.9**	497.7	1,036.4	1,878.3	123.6	61,300.7	237.2	31,760.6	**467,648.4**	1,099.9	6,848.2	27,361.3
March	36,958.4	12,805.8	69,688.9	49,522.2	205,318.7	**337,335.6**	666.2	1,191.6	1,783.6	119.7	64,140.5	180.4	32,254.8	**474,630.8**	844.1	7,712.3	26,934.2
April	37,789.1	12,339.2	69,908.2	48,888.4	191,542.7	**322,678.5**	675.7	1,506.7	1,766.0	115.4	69,075.3	171.3	33,618.5	**467,396.4**	859.5	8,681.3	26,333.6
May	36,328.5	12,456.6	69,281.6	49,475.6	208,623.0	**339,836.8**	608.9	920.9	1,776.5	111.4	83,185.6	146.5	35,824.2	**498,739.4**	759.5	9,110.8	26,639.5
June	35,945.7	14,240.4	70,504.2	50,414.4	208,440.6	**343,599.6**	841.1	1,393.3	1,680.9	107.0	73,413.9	268.3	34,041.5	**491,291.2**	884.2	9,224.5	25,183.9

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

2 As from September 2005, include bonds issued by one bank.
3 Include borrowings from other institutions (local and foreign).

Table 2.5(a): Monetary Survey *

(Rs million)

End of Period		NET FOREIGN ASSETS	DOMESTIC CREDIT: Net Claims on Central Government	DOMESTIC CREDIT: Claims on Private Sector	DOMESTIC CREDIT: Claims on Former Category 2 Banks	DOMESTIC CREDIT: Claims on Non-Bank Deposit-Taking Institutions	DOMESTIC CREDIT: Total	TOTAL ASSETS	MONEY SUPPLY (M1): Currency with Public	MONEY SUPPLY (M1): Demand Deposits: Bank of Mauritius	MONEY SUPPLY (M1): Demand Deposits: Former Category 1 Banks	MONEY SUPPLY (M1): Total (1)	QUASI-MONEY: Savings Deposits [1]	QUASI-MONEY: Time Deposits	QUASI-MONEY: Foreign Currency Deposits	QUASI-MONEY: Total (2)	AGGREGATE MONETARY RESOURCES (M2) (1) + (2)	OTHER ITEMS (net)
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**	**31,571.4**
2004		**51,864.7**	38,047.1	98,357.9	301.9	0.0	**136,707.0**	**188,571.7**	10,731.2	203.3	12,682.7	**23,617.2**	62,874.0	42,552.4	19,588.0	**125,014.3**	**148,631.5**	**39,940.2**
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	**47,567.8**	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**	**31,571.4**
2004	January	**47,309.1**	27,939.3	89,604.2	306.6	13.3	**117,863.4**	**165,172.4**	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**
	July	**48,562.3**	36,404.3	93,446.5	329.6	3.1	**130,183.4**	**178,745.7**	8,818.3	192.0	12,211.6	**21,221.9**	59,965.3	42,384.3	17,367.1	**119,716.7**	**140,938.7**	**37,807.0**
	August	**49,115.4**	36,036.6	94,405.2	335.3	2.2	**130,779.3**	**179,894.7**	8,917.1	184.8	12,290.0	**21,391.8**	59,931.9	42,798.9	18,146.0	**120,876.8**	**142,268.6**	**37,626.1**
	September	**50,289.6**	35,696.5	95,187.9	297.2	1.6	**131,183.3**	**181,472.8**	8,852.1	254.3	12,093.7	**21,200.0**	59,837.1	42,445.2	18,653.1	**120,935.4**	**142,135.4**	**39,337.4**
	October	**49,840.6**	35,609.9	95,926.4	299.8	0.8	**131,836.9**	**181,677.5**	9,181.4	258.9	11,802.9	**21,243.2**	60,271.9	41,720.5	19,292.0	**121,284.4**	**142,527.6**	**39,150.0**
	November	**51,988.5**	35,848.0	97,493.8	301.9	0.3	**133,644.1**	**185,632.5**	9,370.1	220.4	12,502.1	**22,092.6**	60,760.9	41,706.6	19,966.1	**122,433.5**	**144,526.2**	**41,106.4**
	December	**51,864.7**	38,047.1	98,357.9	301.9	0.0	**136,707.0**	**188,571.7**	10,731.2	203.3	12,682.7	**23,617.2**	62,874.0	42,552.4	19,588.0	**125,014.3**	**148,631.5**	**39,940.2**
2005	January	**51,722.3**	37,110.1	98,505.9	313.4	0.0	**135,929.4**	**187,651.7**	9,891.2	318.0	12,194.5	**22,403.7**	63,607.1	42,147.9	19,662.4	**125,417.4**	**147,821.1**	**39,830.7**
	February	**53,012.7**	37,203.5	99,698.0	320.0	0.0	**137,221.6**	**190,234.3**	9,853.2	300.2	11,829.7	**21,983.1**	64,499.8	41,586.7	21,069.4	**127,156.0**	**149,139.1**	**41,095.2**
	March	**53,832.7**	38,117.7	99,302.1	325.6	0.0	**137,745.4**	**191,578.0**	9,752.0	335.1	11,943.5	**22,030.6**	64,565.8	41,971.5	21,849.8	**128,387.1**	**150,417.7**	**41,160.3**
	April	**53,763.5**	39,517.1	100,325.2	331.1	0.0	**140,173.4**	**193,936.9**	9,822.3	407.4	12,351.3	**22,581.0**	64,458.0	43,370.0	21,288.7	**129,116.8**	**151,697.7**	**42,239.2**
	May	**53,526.4**	40,179.5	100,915.3	333.3	0.0	**141,428.1**	**194,954.6**	9,782.6	397.0	11,913.0	**22,092.6**	64,483.7	43,812.0	21,250.8	**129,546.4**	**151,639.1**	**43,315.5**
	June	**52,505.3**	40,906.9	102,069.3	336.1	0.0	**143,312.3**	**195,817.6**	9,728.5	476.2	12,442.3	**22,647.0**	64,689.8	44,080.4	21,710.6	**130,480.8**	**153,127.8**	**42,689.8**

* *Based on the consolidation of 11 former Category 1 banks and Bank of Mauritius.*

[1] *Include margin deposits.*

Figures may not add up to totals due to rounding.

Table 2.5(b): Monetary Survey *

(Rs million)

End of Period	NET FOREIGN ASSETS	DOMESTIC CREDIT: Net Claims on Budgetary Central Government	DOMESTIC CREDIT: Claims on Private Sector	DOMESTIC CREDIT: Claims on Public Corporations and State and Local Government	DOMESTIC CREDIT: Total	TOTAL ASSETS	MONEY SUPPLY (M1): Currency with Public	MONEY SUPPLY (M1): Demand Deposits: Bank of Mauritius	MONEY SUPPLY (M1): Demand Deposits: Banks	MONEY SUPPLY (M1): Total (1)	QUASI-MONEY: Savings Deposits [1]	QUASI-MONEY: Time Deposits [2]	QUASI-MONEY: Foreign Currency Deposits	QUASI-MONEY: Total (2)	MONEY SUPPLY (M2) (1) + (2)	OTHER ITEMS (net)
2005	**55,780.9**	41,075.6	105,902.2	10,112.1	**157,089.9**	**212,870.8**	11,743.7	417.5	13,796.9	**25,958.1**	66,162.0	46,341.9	31,256.2	**143,760.1**	**169,718.2**	**43,152.6**
2005 June	**52,951.2**	40,906.9	98,554.6	6,511.8	**145,973.4**	**198,924.6**	9,728.5	476.2	12,035.3	**22,240.0**	63,549.4	43,277.5	30,558.3	**137,385.1**	**159,625.2**	**39,299.4**
July	**53,317.7**	41,227.7	99,760.9	6,627.1	**147,615.7**	**200,933.4**	10,024.5	332.7	11,974.0	**22,331.3**	63,718.3	42,630.7	31,809.2	**138,158.2**	**160,489.4**	**40,444.0**
August	**54,177.7**	41,713.5	99,145.0	6,606.4	**147,465.0**	**201,642.7**	10,006.2	422.1	11,886.0	**22,314.3**	63,929.3	43,637.6	29,910.9	**137,477.9**	**159,792.2**	**41,850.5**
September	**53,617.4**	41,253.8	102,277.7	6,866.1	**150,397.6**	**204,015.1**	10,113.8	521.4	12,643.7	**23,278.9**	64,554.7	44,710.0	30,099.9	**139,364.6**	**162,643.5**	**41,371.5**
October	**52,999.9**	40,887.1	102,893.9	8,113.1	**151,894.0**	**204,893.9**	10,453.0	450.8	12,747.5	**23,651.3**	63,957.7	45,831.9	29,973.3	**139,762.9**	**163,414.2**	**41,479.7**
November	**54,111.8**	41,293.2	103,758.7	8,874.8	**153,926.7**	**208,038.5**	10,313.6	438.8	13,140.7	**23,893.1**	64,463.3	47,191.2	31,774.5	**143,429.0**	**167,322.1**	**40,716.3**
December	**55,780.9**	41,075.6	105,902.2	10,112.1	**157,089.9**	**212,870.8**	11,743.7	417.5	13,796.9	**25,958.1**	66,162.0	46,341.9	31,256.2	**143,760.1**	**169,718.2**	**43,152.6**
2006 January	**59,984.6**	40,177.1	105,822.0	9,543.0	**155,542.1**	**215,526.7**	10,898.1	503.5	13,655.4	**25,056.9**	67,012.4	46,609.1	32,234.9	**145,856.4**	**170,913.3**	**44,613.4**
February	**61,182.8**	40,636.6	106,040.4	9,334.4	**156,011.4**	**217,194.2**	10,638.8	431.0	12,417.9	**23,487.6**	68,664.1	47,324.2	33,006.6	**148,994.9**	**172,482.5**	**44,711.7**
March	**61,830.1**	41,693.6	104,909.2	10,278.2	**156,881.0**	**218,711.1**	10,543.6	407.4	12,381.0	**23,332.0**	68,324.6	48,657.1	34,564.5	**151,546.2**	**174,878.1**	**43,833.0**
April	**62,308.6**	41,071.2	105,771.9	12,037.6	**158,880.7**	**221,189.3**	10,548.7	407.1	12,003.9	**22,959.7**	68,518.5	48,021.2	34,305.9	**150,845.6**	**173,805.3**	**47,384.0**
May	**62,474.6**	41,719.7	107,113.8	11,275.9	**160,109.3**	**222,584.0**	10,435.6	415.2	12,141.2	**22,992.0**	67,881.8	48,424.5	34,444.3	**150,750.6**	**173,742.5**	**48,841.4**
June	**61,435.5**	45,489.9	108,114.6	11,356.9	**164,961.4**	**226,396.9**	10,511.6	668.9	13,888.2	**25,068.7**	69,097.3	49,361.2	33,999.6	**152,458.2**	**177,526.9**	**48,870.0**

Based on the consolidation of banks and Bank of Mauritius and adjusted for the transactions of Global Business Licence Holders.

[2] As from September 2005, include bonds issued by one bank.

[1] Include margin deposits.

Figures may not add up to totals due to rounding.

Table 2.6(a): 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)
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**
	July	8,818.3	12,403.6	102,349.6	17,367.1	**21,221.9**	**140,938.7**
	August	8,917.1	12,474.8	102,730.8	18,146.0	**21,391.8**	**142,268.6**
	September	8,852.1	12,348.0	102,282.3	18,653.1	**21,200.0**	**142,135.4**
	October	9,181.4	12,061.8	101,992.4	19,292.0	**21,243.2**	**142,527.6**
	November	9,370.1	12,722.6	102,467.4	19,966.1	**22,092.6**	**144,526.2**
	December	10,731.2	12,886.0	105,426.4	19,588.0	**23,617.2**	**148,631.5**
2005	January	9,891.2	12,512.5	105,755.0	19,662.4	**22,403.7**	**147,821.1**
	February	9,853.2	12,129.9	106,086.6	21,069.4	**21,983.1**	**149,139.1**
	March	9,752.0	12,278.6	106,537.3	21,849.8	**22,030.6**	**150,417.7**
	April	9,822.3	12,758.6	107,828.1	21,288.7	**22,581.0**	**151,697.7**
	May	9,782.6	12,310.0	108,295.6	21,250.8	**22,092.6**	**151,639.1**
	June	9,728.5	12,918.5	108,770.2	21,710.6	**22,647.0**	**153,127.8**

[1] *Include margin deposits.*

* *Based on the consolidation of 11 former Category 1 Banks and Bank of Mauritius.*

Figures may not add up to totals due to rounding.

Table 2.6(b): 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)
2005	June	9,728.5	12,511.5	106,826.9	30,558.3	**22,240.0**	**159,625.2**
	July	10,024.5	12,306.7	106,349.0	31,809.2	**22,331.3**	**160,489.4**
	August	10,006.2	12,308.1	107,566.9	29,910.9	**22,314.3**	**159,792.2**
	September	10,113.8	13,165.1	109,264.7	30,099.9	**23,278.9**	**162,643.5**
	October	10,453.0	13,198.3	109,789.6	29,973.3	**23,651.3**	**163,414.2**
	November	10,313.6	13,579.5	111,654.5	31,774.5	**23,893.1**	**167,322.1**
	December	11,743.7	14,214.4	112,503.9	31,256.2	**25,958.1**	**169,718.2**
2006	January	10,898.1	14,158.8	113,621.5	32,234.9	**25,056.9**	**170,913.3**
	February	10,638.8	12,848.9	115,988.3	33,006.6	**23,487.6**	**172,482.5**
	March	10,543.6	12,788.4	116,981.7	34,564.5	**23,332.0**	**174,878.1**
	April	10,548.7	12,411.1	116,539.7	34,305.9	**22,959.7**	**173,805.3**
	May	10,435.6	12,556.4	116,306.3	34,444.3	**22,992.0**	**173,742.5**
	June	10,511.6	14,557.1	118,458.5	33,999.6	**25,068.7**	**177,526.9**

[*] Based on the consolidation of banks and Bank of Mauritius and adjusted for the transactions of Global Business Licence Holders. Figures may not add up to totals due to rounding.

[1] Include margin deposits.

Table 2.7: Principal Interest Rates

(As on the last day of the month) (Per cent per annum)

	Sep-05	Dec-05	Mar-06	Jun-06
I. LENDING				
Bank of Mauritius				
Lombard Rate	10.50	11.50	11.50	11.50
Bank Rate	6.27	7.66	7.57	7.30
Banks				
A. Prime Lending Rate	**8.50-9.25**	**9.20-10.25**	**9.20-10.25**	**9.20-10.25**
B. Sectoral Rates				
1. Agriculture & Fishing	7.00-21.00	7.50-21.00	7.50-21.00	7.50-21.00
of which: Sugar Industry	*7.00-14.50*	*7.50-19.75*	*7.50-21.00*	*7.50-19.75*
2. Manufacturing	7.25-21.50	8.25-21.00	8.25-21.00	8.25-21.00
of which: Export Enterprise Certificate Holders	*8.50-21.00*	*8.75-19.25*	*8.75-21.00*	*8.75-21.00*
3. Tourism	7.15-21.00	7.50-21.00	7.80-21.00	8.00-21.00
of which: Hotels	*7.15-21.00*	*8.15-21.00*	*8.15-21.00*	*8.15-21.00*
4. Transport	8.00-21.50	8.00-21.00	8.00-21.00	8.00-21.00
5. Construction	6.20-21.25	6.25-21.25	6.25-21.25	6.25-21.00
of which: Housing	*8.00-18.50*	*8.00-18.50*	*8.00-19.50*	*8.00-21.00*
6. Traders	7.50-21.50	7.50-22.50	7.50-22.50	7.50-22.50
7. Information Communication and Technology	8.00-21.00	8.25-21.00	9.00-21.00	9.00-21.00
8. Financial and Business Services	7.00-21.00	7.00-21.00	7.00-21.00	7.00-21.00
9. Infrastructure	7.75-17.20	7.75-21.00	7.75-19.75	7.75-19.75
10. Global Business Licence Holders	12.25	13.25	13.25	13.25-21.00
11. State and Local Government	7.20-10.55	10.00-19.75	10.00-19.75	11.00-19.75
12. Public Nonfinancial Corporations	7.50-21.00	7.50-21.00	8.25-21.00	8.25-21.00
13. Freeport Enterprise Certificate Holders	8.00-12.75	9.00-13.75	9.00-13.75	9.00-13.75
14. Health Development Certificate Holders	9.00-21.00	9.75-21.00	10.00-21.00	10.00-21.00
15. Modernisation and Expansion Enterprise Cert. Holders	10.00			
16. Personal	7.75-21.00	7.75-21.00	8.00-21.00	8.00-21.75
17. Professional	8.00-21.00	8.00-21.75	8.00-21.00	8.00-21.00
18. Human Resource Development Certificate Holders	8.50-15.25	9.50-15.25		
19. Education	8.50-21.00	9.50-21.00	9.50-22.20	7.63-19.75
20. Media, Entertainment and Recreational Activities	7.00-21.00	7.00-21.00	7.00-21.00	7.00-21.00
21. Other Customers	8.25-21.50	9.25-22.50	9.25-22.50	9.25-22.50
II. DEPOSITS				
1. Savings	**5.00**	**5.70-6.27**	**5.70-6.27**	**5.70-6.27**
2. Time				
Call	4.50-5.00	5.50-7.10	3.00-6.00	5.50-6.50
7 Days' Notice	4.00-7.75	5.00-8.75	5.00-8.75	5.00-8.75
Exceeding 7 Days & Up to 1 Month	4.50-5.75	5.00-6.30	5.70-6.50	5.70-7.35
Exceeding 1 Month & Up to 3 Months	4.70-6.63	5.00-7.63	5.00-7.63	5.50-7.63
Exceeding 3 Months & Up to 6 Months	4.50-6.75	4.50-7.75	4.50-8.75	4.50-8.00
Exceeding 6 Months & Up to 9 Months	4.63-7.25	4.63-7.87	4.63-8.00	4.63-8.25
Exceeding 9 Months & Up to 12 Months	4.63-9.38	4.63-8.88	4.63-8.88	4.63-8.88
Exceeding 12 Months & Up to 18 Months	4.75-8.75	4.75-9.10	4.75-8.75	4.75-8.75
Exceeding 18 Months & Up to 24 Months	4.50-9.00	4.75-9.00	4.75-9.00	4.75-9.00
Exceeding 24 Months & Up to 36 Months	4.75-9.25	4.75-10.00	4.75-10.00	4.75-10.00
Exceeding 36 Months & Up to 48 Months	5.00-11.50	5.00-12.50	5.00-12.50	5.00-12.50
Exceeding 48 Months & Up to 60 Months	5.00-13.00	5.00-13.00	5.00-13.00	5.00-13.00
Exceeding 60 Months	6.95-9.50	6.95-10.50	7.25-10.50	7.25-10.50

Table 2.8: Value Range of Banks' "Overdrafts", "Loans", "Loans and Other Financing in Foreign Currencies,"Local Bills Discounted", "Bills Receivable" and "Advances Against Pledge of Export Bills": June 2006

RANGE	OVERDRAFTS		LOANS		LOANS AND OTHER FINANCING IN FOREIGN CURRENCIES		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)	No. of Accounts	Amount (Rs' 000)
Up to Rs500,000	151,299	2,431,298	100,498	11,766,297	1,311	94,492	40,407	937,141	1,440	333,030	1	392	**294,956**	**15,562,649**
Over Rs500,000 and Up to Rs1,000,000	1,435	1,022,067	7,769	5,530,215	150	104,897	31	22,494	564	397,066	1	550	**9,950**	**7,077,289**
Over Rs1,000,000 and Up to Rs2,000,000	999	1,399,667	3,370	4,755,575	132	191,671	26	42,185	339	477,170	0	0	**4,866**	**6,866,268**
Over Rs2,000,000 and Up to Rs5,000,000	797	2,507,642	1,539	4,675,539	104	345,437	13	43,525	120	363,744	0	0	**2,573**	**7,935,887**
Over Rs5,000,000 and Up to Rs10,000,000	356	2,503,015	452	3,178,506	65	468,275	2	13,684	48	345,568	0	0	**923**	**6,509,049**
Over Rs10,000,000 and Up to Rs25,000,000	257	4,051,537	310	4,888,071	85	1,366,679	4	46,800	20	283,629	0	0	**676**	**10,636,716**
Over Rs25,000,000 and Up to Rs50,000,000	118	4,271,801	160	5,697,659	59	2,055,530	0	0	3	99,905	0	0	**340**	**12,124,895**
Over Rs 50,000,000 and Up to Rs100,000,000	39	2,684,718	146	10,410,748	45	3,069,850	0	0	1	52,471	0	0	**231**	**16,217,787**
Over Rs 100,000,000 and Up to Rs150,000,000	13	1,624,630	26	3,243,692	22	2,804,565	0	0	0	0	0	0	**61**	**7,672,887**
Over Rs 150,000,000 and Up to Rs200,000,000	6	1,023,036	15	2,691,339	10	1,830,071	0	0	0	0	0	0	**31**	**5,544,447**
Over Rs 200,000,000 and Up to Rs300,000,000	5	1,205,141	18	4,379,835	17	4,314,518	0	0	0	0	0	0	**40**	**9,899,493**
Exceeding Rs300,000,000	2	1,296,838	11	5,602,381	13	7,385,052	0	0	0	0	0	0	**26**	**14,284,271**
TOTAL	**155,326**	**26,021,390**	**114,314**	**66,819,857**	**2,013**	**24,031,037**	**40,483**	**1,105,829**	**2,535**	**2,352,583**	**2**	**942**	**314,673**	**120,331,638**

Note: Include Claims on Holders of Global Business Licence.

Table 2.9: Ownership of Banks' "Overdrafts", "Loans", "Loans and Other Financing in Foreign Currencies", "Local Bills Discounted", "Bills Receivable" and "Advances Against Pledge of Export Bills": June 2006

SECTORS	OVERDRAFTS		LOANS		LOANS AND OTHER FINANCING IN FOREIGN CURRENCIES		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)	No. of Accounts	Amount (Rs' 000)
Agriculture & Fishing	584	2,799,083	1,011	3,750,353	33	885,065	16	439	11	2,706	0	0	**1,655**	**7,437,645**
Manufacturing	2,207	5,272,556	1,546	5,038,524	751	2,673,442	88	65,382	794	907,944	2	942	**5,388**	**13,958,790**
Tourism	628	1,734,451	600	10,754,156	65	1,860,255	2	616	1	387	0	0	**1,296**	**14,349,866**
Transport	430	233,905	1,072	755,211	20	616,271	0	0	12	12,584	0	0	**1,534**	**1,617,972**
Construction	739	1,819,668	40,161	17,140,804	16	348,225	494	56,630	14	8,202	0	0	**41,424**	**19,373,530**
Traders	6,520	7,263,840	4,192	8,041,220	267	1,083,705	129	57,906	1,498	1,265,838	0	0	**12,606**	**17,712,509**
Information, Communication and Technology	192	156,813	108	288,386	22	42,864	0	0	1	4,126	0	0	**323**	**492,189**
Financial and Business Services	339	1,127,526	278	6,323,918	76	2,943,139	1	2,934	3	1,956	0	0	**697**	**10,399,474**
Infrastructure	32	25,376	31	2,195,082	6	137,894	0	0	3	4,555	0	0	**72**	**2,362,906**
Global Business Licence Holders	17	13,325	0	0	147	8,893,774	0	0	0	0	0	0	**164**	**8,907,099**
State and Local Government	2	0	4	79,685	0	0	0	0	0	0	0	0	**6**	**79,685**
Public Nonfinancial Corporations	20	1,010,128	44	2,926,812	45	3,112,521	0	0	0	0	0	0	**109**	**7,049,460**
Regional Development Certificate Holders	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Freeport Enterprise Certificate Holders	54	41,711	14	60,965	43	186,892	0	0	22	66,382	0	0	**133**	**355,950**
Regional Headquarters Certificate Holders	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Health Development Certificate Holders	6	3,597	11	23,218	1	871	0	0	0	0	0	0	**18**	**27,686**
Modernisation & Expansion Enterprise Cert Holders	1	33	0	0	0	0	0	0	0	0	0	0	**1**	**33**
Personal	141,837	2,632,021	63,763	7,415,534	441	339,982	39,740	913,063	110	41,774	0	0	**245,891**	**11,342,374**
Professional	407	260,259	237	329,394	13	6,864	4	46	7	3,924	0	0	**668**	**600,486**
Education	49	44,331	543	237,528	3	9	1	7	0	0	0	0	**596**	**281,875**
Human Resource Development Certificate Holders	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Media, Entertainment & Recreational Activities	97	96,681	59	137,873	3	8,492	0	0	17	12,713	0	0	**176**	**255,759**
Other	1,165	1,486,086	640	1,321,194	61	890,772	8	8,806	42	19,492	0	0	**1,916**	**3,726,350**
TOTAL	**155,326**	**26,021,390**	**114,314**	**66,819,857**	**2,013**	**24,031,037**	**40,483**	**1,105,829**	**2,535**	**2,352,583**	**2**	**942**	**314,673**	**120,331,638**

Table 2.10: Ownership of Banks' Deposits*: June 2006

Sectors	Demand Deposits		Savings Deposits		Time Deposits		Foreign Currency Deposits	
	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	1,338	570,065	6,897	393,740	272	207,067	100	519,483
Manufacturing	3,398	828,508	1,180	548,198	482	579,178	981	3,102,776
Tourism	1,178	339,451	371	143,794	91	80,265	307	1,187,696
Transport	888	257,274	1,222	162,498	112	120,273	115	148,152
Construction	1,472	879,762	1,528	275,581	180	291,858	119	366,519
Traders	11,422	1,649,867	8,331	870,669	1,436	1,285,509	1,262	2,261,002
Information Communication and Technology	564	130,275	122	165,401	33	188,742	201	1,067,343
Financial and Business Services	1,711	2,440,666	403	1,120,940	555	3,023,927	933	3,268,971
Infrastructure	311	348,514	1,272	274,192	12	630,363	22	74,063
Global Business Licence Holders	63	40,657	6	1,029	4	400	9,155	105,278,537
State and Local Government	141	86,868	71	279,476	56	443,952	0	0
Public Nonfinancial Corporations	274	971,344	125	1,284,238	110	6,003,238	182	5,382,154
Regional Development Certificate Holders	4	118	4	38,567	2	550	0	0
Freeport Enterprise Certificate Holders	113	47,478	6	557	16	16,782	165	209,322
Regional Headquarters Certificate Holders	1	4	2	15,205	0	0	1	15
Health Development Certificate Holders	12	4,245	25	6,319	1	100	1	438
Modernisation & Expansion Enterprise Certificate Holders	3	46	4	274	0	0	0	0
Personal	63,338	2,890,221	1,624,350	58,937,279	94,152	34,271,579	15,546	9,581,387
Professional	1,270	281,916	2,577	259,201	272	269,966	198	166,387
Human Resource Development Certificate Holders	0	0	1	138	0	0	0	0
Media, Entertainment and Recreational Activities	349	37,777	539	19,942	27	16,036	32	57,057
Education	361	91,838	335	111,808	47	125,542	15	7,897
Other **	8,966	2,503,075	17,827	4,332,508	2,397	1,819,209	1,907	6,908,093
TOTAL	**97,177**	**14,399,969**	**1,667,198**	**69,241,554**	**100,257**	**49,374,536**	**31,242**	**139,587,292**

* *Include all deposits mobilised from residents and Global Business Licence Holders.*

*** Include deposits of Budgetary Central Government.*

Table 2.11: Value Range of Banks' Deposits*: June 2006

RANGE	Demand Deposits		Savings Deposits		Time Deposits		Margin Deposits		Foreign Currency Deposits	
	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 Rs500,000	93,415	3,380,655	1,644,713	39,354,920	84,749	14,562,214	363	27,720	21,544	2,305,107
Over Rs500,000 and Up to Rs1,000,000	1,837	1,275,963	15,113	10,280,765	9,706	7,519,510	0	0	2,937	2,152,742
Over Rs1,000,000 and Up to Rs2,000,000	949	1,330,323	5,237	7,006,024	3,649	5,373,040	2	2,232	2,334	3,353,270
Over Rs2,000,000 and Up to Rs5,000,000	600	1,832,833	1,674	4,846,039	1,554	4,858,264	0	0	2,027	6,548,721
Over Rs5,000,000 and Up to Rs10,000,000	208	1,429,084	283	1,931,508	338	2,436,844	0	0	935	6,649,963
Over Rs10,000,000 and Up to Rs25,000,000	112	1,643,001	116	1,739,769	159	2,559,482	0	0	748	11,724,340
Over Rs25,000,000 and Up to Rs50,000,000	32	1,079,347	30	1,053,364	55	2,242,732	0	0	299	10,665,159
Over Rs 50,000,000 and Up to Rs 100,000,000	18	1,233,515	24	1,636,630	21	1,717,179	0	0	204	14,154,634
Over Rs 100,000,000 and Up to Rs 150,000,000	4	528,622	5	629,682	9	1,061,058	0	0	75	9,333,612
Over Rs 150,000,000 and Up to Rs 200,000,000	0	0	0	0	7	1,346,823	0	0	38	6,622,543
Over Rs 200,000,000 and Up to Rs 300,000,000	0	0	3	762,853	4	974,912	0	0	39	9,407,612
Exceeding Rs 300,000,000	2	666,626	0	0	6	4,722,478	0	0	62	56,669,589
TOTAL	**97,177**	**14,399,969**	**1,667,198**	**69,241,554**	**100,257**	**49,374,536**	**365**	**29,952**	**31,242**	**139,587,292**

* *Include all deposits mobilised from residents and Global Business Licence Holders.*

Table 2.12: Maturity Pattern of Banks' Time Deposits*: June 2006

Duration	Rupee Deposits							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	2,396,024,001	77,513,300	2,473,537,301	2,021,889,555	659,366	2,022,548,921	**4,496,086,221**	2,752,611,030	1,447,993,545	4,200,604,575	53,953,914,420	2,594,760,493	56,548,674,913	**60,749,279,488**
Exceeding 7 Days and Up to 1 Month	2,202,363,123	32,533,013	2,234,896,136	1,499,765,065	0	1,499,765,065	**3,734,661,201**	3,955,420,501	1,941,807,852	5,897,228,353	11,389,936,528	26,947,308,699	38,337,245,227	**44,234,473,580**
Exceeding 1 Month and Up to 3 Months	1,340,602,959	37,440,206	1,378,043,165	1,376,536,142	0	1,376,536,142	**2,754,579,306**	2,605,875,875	1,242,140,391	3,848,016,266	3,487,255,347	14,612,035,359	18,099,290,706	**21,947,306,973**
Exceeding 3 Months and Up to 6 Months	1,772,466,319	26,436,807	1,798,903,126	2,330,295,752	0	2,330,295,752	**4,129,198,879**	1,096,482,779	435,322,194	1,531,804,973	2,270,148,088	459,714,880	2,729,862,968	**4,261,667,941**
Exceeding 6 Months and Up to 12 Months	5,360,104,111	109,711,772	5,469,815,883	5,424,670,840	525,000	5,425,195,840	**10,895,011,723**	2,559,010,635	964,034,102	3,523,044,737	4,038,679,880	2,203,721,542	6,242,401,422	**9,765,446,159**
Exceeding 12 Months and Up to 18 Months	1,604,876,664	173,978,165	1,778,854,829	1,470,124,207	0	1,470,124,207	**3,248,979,036**	173,965,623	242,962,104	416,927,727	716,453,892	4,823,930	721,277,822	**1,138,205,549**
Exceeding 18 Months and Up to 24 Months	3,542,636,125	180,156,411	3,722,792,536	469,057,228	0	469,057,228	**4,191,849,764**	682,833,148	3,191,080	686,024,228	131,180,635	6,161,000	137,341,635	**823,365,862**
Exceeding 24 Months and Up to 36 Months	3,418,166,376	65,270,607	3,483,436,983	220,966,396	0	220,966,396	**3,704,403,379**	41,042,633	0	41,042,633	6,604,626	23,881,115	30,485,741	**71,528,374**
Exceeding 36 Months and Up to 48 Months	4,119,809,233	101,262,869	4,221,072,102	526,398,813	0	526,398,813	**4,747,470,915**	635,351,724	81,530,357	716,882,081	89,806,943	0	89,806,943	**806,689,024**
Exceeding 48 Months and Up to 60 Months	7,735,728,433	247,042,295	7,982,770,728	341,794,706	0	341,794,706	**8,324,565,434**	238,633,265	82,778,145	321,411,410	36,481,194	0	36,481,194	**357,892,604**
Exceeding 60 Months	389,893,685	303,221	390,196,906	4,636,287	0	4,636,287	**394,833,194**	14,030,000	0	14,030,000	128,772,611	6,712,100,401	6,840,873,012	**6,854,903,012**
TOTAL	**33,882,671,029**	**1,051,648,666**	**34,934,319,695**	**15,686,134,991**	**1,184,366**	**15,687,319,357**	**50,621,639,052**	**14,755,257,213**	**6,441,759,770**	**21,197,016,983**	**76,249,234,164**	**53,564,507,419**	**129,813,741,583**	**151,010,758,566**

** Include deposits mobilised from residents, Global Business Licence Holders and non-residents.*

Note: Figures rounded to the nearest Rupee.

Table 2.13: Maturity Pattern of Banks' Foreign Currency Deposits[1]: June 2006

Duration	RUPEE EQUIVALENT OF DEPOSITS DENOMINATED IN FOREIGN CURRENCIES					
	US Dollar	Pound Sterling	Euro	South African Rand	Other	Total
1. **DEMAND**	**39,262,540,730**	**2,699,477,026**	**6,557,663,727**	**1,854,324,173**	**1,783,880,108**	**52,157,885,764**
2. **SAVINGS**[2]	**3,074,228,808**	**726,522,628**	**1,295,429,663**	**13,406,871**	**162,343,962**	**5,271,931,932**
3. **TIME**	**118,793,100,485**	**13,454,717,449**	**14,153,933,721**	**1,221,927,190**	**3,387,079,721**	**151,010,758,566**
7 Days' Notice	49,188,324,920	3,340,611,591	6,825,752,001	680,581,697	714,009,279	**60,749,279,488**
Exceeding 7 Days and Up to 1 Month	36,023,657,709	4,006,340,750	3,482,962,184	354,520,930	366,992,007	**44,234,473,580**
Exceeding 1 Month and Up to 3 Months	18,748,345,640	1,223,513,150	1,694,973,370	35,540,013	244,934,799	**21,947,306,973**
Exceeding 3 Months and Up to 6 Months	2,231,857,048	1,450,858,668	315,739,051	11,351,892	251,861,282	**4,261,667,941**
Exceeding 6 Months and Up to 12 Months	4,960,954,897	1,968,576,059	1,597,025,231	11,160,047	1,227,729,925	**9,765,446,159**
Exceeding 12 Months and Up to 18 Months	241,301,797	790,262,884	58,460,951	0	48,179,917	**1,138,205,549**
Exceeding 18 Months and Up to 24 Months	228,016,531	47,072,121	14,904,699	0	533,372,512	**823,365,862**
Exceeding 24 Months and Up to 36 Months	22,099,947	25,547,342	23,881,085	0	0	**71,528,374**
Exceeding 36 Months and Up to 48 Months	292,919,941	384,619,312	129,149,771	0	0	**806,689,024**
Exceeding 48 Months and Up to 60 Months	143,521,654	203,285,572	11,085,378	0	0	**357,892,604**
Exceeding 60 Months	6,712,100,401	14,030,000	0	128,772,611	0	**6,854,903,012**
TOTAL	**161,129,870,023**	**16,880,717,103**	**22,007,027,111**	**3,089,658,234**	**5,333,303,791**	**208,440,576,262**

[1] Include deposits mobilised from residents, Global Business Licence Holders and non-residents. *[2] 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)
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**
	July	444,116	15,720,737	22	**20,187**	**714,579**
	August	429,733	16,167,982	22	**19,533**	**734,908**
	September	426,858	14,871,719	22	**19,403**	**675,987**
	October	439,062	15,907,659	21	**20,908**	**757,508**
	November	443,598	15,836,126	20	**22,180**	**791,806**
	December	529,467	20,577,511	23	**23,020**	**894,674**
2005	January	371,508	12,777,719	19	**19,553**	**672,512**
	February	387,450	14,822,347	18	**21,525**	**823,464**
	March	431,387	14,506,987	20 [1]	**21,558**	**725,228**
	April	420,322	14,794,050	21	**20,015**	**704,479**
	May	456,496	15,098,777	22	**20,750**	**686,308**
	June	440,302	15,662,152	22	**20,014**	**711,916**
	July	430,522	15,436,409	21	**20,501**	**735,067**
	August	461,262	15,799,768	23	**20,055**	**686,946**
	September	433,512	16,297,517	21	**20,643**	**776,072**
	October	456,504	17,204,923	21	**21,738**	**819,282**
	November	437,853	15,295,120	19	**23,045**	**805,006**
	December	517,651	19,673,266	22	**23,530**	**894,239**
2006	January	415,257	15,089,958	21	**19,774**	**718,569**
	February	393,028	15,556,794	19	**20,686**	**818,779**
	March	440,973	15,512,484	22	**20,044**	**705,113**
	April	407,807	14,854,989	20	**20,390**	**742,749**
	May	465,729	16,211,566	22	**21,170**	**736,889**
	June	440,302	16,544,426	22	**20,014**	**752,019**

[1] *Our Rodrigues branch worked for 21 days, including 24 March 2005 when there was a cyclone warning Class 3 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
			Number of Transactions	Value of Transactions [1] (Rs million)	Credit Cards	Debit Cards and Others	Total	(Rs million)
2004	October	282	2,436,846	4,157	174,541	679,656	**854,197**	849.4
	November	282	2,709,906	4,808	175,773	685,521	**861,294**	895.2
	December	283	3,285,091	6,430	176,562	691,864	**868,426**	902.9
2005	January	281	2,530,727	4,439	176,864	696,340	**873,204**	890.3
	February	283	2,298,921	3,952	177,803	700,919	**878,722**	927.9
	March	283	2,583,371	4,424	178,947	706,516	**885,463**	890.3
	April	283	2,456,638	4,162	180,430	712,951	**893,381**	881.6
	May	284	2,809,014	4,767	181,330	718,915	**900,245**	906.4
	June	293	2,525,605	4,096	182,860	725,816	**908,676**	907.3
	July	302	2,602,375	4,242	184,719	732,835	**917,554**	911.5
	August	304	2,986,519	5,029	187,071	742,795	**929,866**	953.5
	September	308	2,702,023	4,411	187,949	750,105	**938,054**	975.1
	October	311	2,993,094	5,026	189,346	758,062	**947,408**	990.5
	November	310	2,878,566	4,895	189,523	764,697	**954,220**	1,007.3
	December	313	3,698,436	6,991	190,677	772,049	**962,726**	1,038.7
2006	January	319	2,999,569	5,143	189,689	779,513	**969,202**	1,014.4
	February	319	2,655,214	4,295	189,703	781,817	**971,520**	1,011.9
	March	319	2,967,336	4,736	190,203	786,809	**977,012**	1,009.0
	April	319	2,761,953	4,562	190,568	806,145	**996,713**	1,023.8
	May	321	3,177,467	5,169	191,032	814,584	**1,005,616**	1,007.6
	June	321	2,799,201	4,417	191,481	846,608	**1,038,089**	1,009.8

[1] *Involve the use of credit cards, debit cards, ATMs and merchant points of sale.*

Table 2.16: Central Bank Survey

(Rs million)

	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Net Foreign Assets	**42,571.1**	**41,851.6**	**42,188.7**	**42,112.0**	**41,734.3**	**40,871.8**	**40,977.3**	**41,800.9**	**41,222.2**	**41,273.1**	**42,190.6**	**43,042.8**	**42,314.6**
Claims on Nonresidents	42,734.4	42,004.7	42,305.5	42,210.5	41,864.7	41,020.6	41,116.5	41,948.3	41,383.8	41,420.8	42,315.2	43,196.6	42,458.6
less: Liabilities to Nonresidents	163.3	153.1	116.8	98.5	130.5	148.8	139.1	147.4	161.6	147.7	124.6	153.8	144.0
Claims on Other Depository Corporations	**1,937.9**	**1,971.1**	**2,079.4**	**2,054.9**	**1,956.2**	**1,945.7**	**2,032.1**	**1,992.8**	**1,919.5**	**1,800.6**	**1,799.2**	**1,815.6**	**1,838.5**
Net Claims on Central Government	**137.6**	**182.1**	**875.7**	**130.6**	**150.5**	**1,061.9**	**1,741.0**	**-781.4**	**49.7**	**414.3**	**397.3**	**86.1**	**1,011.2**
Claims on central government	3,139.8	3,149.0	3,927.0	3,357.7	3,506.2	3,741.4	3,714.4	2,962.8	2,920.8	2,548.2	2,590.5	2,388.7	3,869.0
less: Liabilities to central government	3,002.2	2,967.0	3,051.3	3,227.1	3,355.8	2,679.5	1,973.5	3,744.3	2,871.1	2,134.0	2,193.2	2,302.5	2,857.8
Claims on Other Sectors	**364.8**	**363.8**	**362.8**	**364.3**	**388.0**	**395.5**	**399.0**	**389.7**	**410.0**	**460.6**	**428.3**	**453.8**	**244.1**
Monetary Base	**27,710.2**	**27,168.4**	**27,977.3**	**26,503.5**	**25,849.8**	**26,206.1**	**27,007.1**	**24,673.5**	**25,218.6**	**25,583.0**	**25,343.5**	**25,200.9**	**26,167.7**
Currency in circulation	**11,937.3**	**12,127.7**	**12,475.9**	**12,443.2**	**12,894.1**	**13,380.6**	**15,144.0**	**13,279.9**	**12,811.5**	**12,545.8**	**12,564.4**	**12,341.4**	**12,248.1**
Liabilities to Other Depository Corporations	**11,937.8**	**11,389.1**	**11,995.5**	**11,550.2**	**10,391.5**	**10,855.4**	**10,037.3**	**9,726.9**	**10,728.2**	**11,028.7**	**10,789.1**	**10,587.9**	**11,783.8**
Reserve Deposits	5,971.6	5,537.8	6,437.1	7,026.8	5,860.6	7,078.6	6,544.4	7,204.2	8,092.9	8,270.7	7,899.3	7,347.2	9,047.7
Other Liabilities	5,966.2	5,851.3	5,558.5	4,523.5	4,530.9	3,776.9	3,492.9	2,522.8	2,635.3	2,758.0	2,889.8	3,240.6	2,736.1
Deposits included in Broad Money	**566.8**	**561.4**	**633.6**	**635.9**	**650.1**	**656.8**	**630.6**	**639.9**	**638.4**	**626.9**	**634.7**	**776.0**	**719.5**
Transferable deposits	267.2	249.4	338.1	326.4	349.1	353.9	327.4	337.9	337.3	324.1	326.9	332.0	435.7
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	299.6	311.9	295.5	309.5	301.0	302.9	303.2	301.9	301.0	302.9	307.8	444.1	283.8
Securities other than Shares, Included in Broad Money	**3,268.3**	**3,090.2**	**2,872.3**	**1,874.2**	**1,914.0**	**1,313.2**	**1,195.2**	**1,026.9**	**1,040.6**	**1,381.5**	**1,355.2**	**1,495.6**	**1,416.3**
Deposits Excluded from Broad Money	**61.7**	**61.7**	**61.1**	**61.1**	**62.1**	**62.1**	**61.8**	**61.8**	**61.8**	**61.8**	**61.8**	**61.8**	**62.4**
Securities Other than Shares, Excluded from Broad Money	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Loans	**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**
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**
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	**17,688.5**	**17,723.1**	**18,127.5**	**18,657.1**	**19,006.0**	**18,730.2**	**18,830.5**	**19,383.8**	**19,043.7**	**19,019.1**	**20,133.6**	**20,768.2**	**20,247.2**
Other Items (net)	**-450.0**	**-585.8**	**-660.4**	**-561.2**	**-690.0**	**-724.7**	**-750.9**	**-718.1**	**-723.7**	**-716.3**	**-724.4**	**-633.5**	**-1,069.9**

Figures may not add up to totals due to rounding.

Table 2.17: Other Depository Corporations Survey

(Rs million)

	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Net Foreign Assets	**107,370.9**	**87,296.7**	**85,040.0**	**91,064.7**	**94,148.1**	**107,573.8**	**104,858.0**	**105,313.7**	**116,005.1**	**122,311.0**	**117,372.2**	**133,795.4**	**127,166.1**
Claims on nonresidents	253,756.7	238,989.4	251,734.7	265,105.0	266,353.2	281,254.0	264,399.3	273,418.0	303,407.9	305,523.7	297,205.8	324,841.5	307,947.0
less: Liabilities to nonresidents	146,385.8	151,692.7	166,694.8	174,040.3	172,205.1	173,680.3	159,541.3	168,104.3	187,402.8	183,212.6	179,833.7	191,046.1	180,780.9
Claims on Central Bank	**14,051.1**	**13,405.3**	**14,322.0**	**13,835.8**	**12,812.6**	**13,898.5**	**13,491.4**	**12,245.2**	**13,050.6**	**13,160.3**	**12,858.3**	**12,556.7**	**13,580.9**
Currency	2,288.5	2,182.7	2,489.5	2,409.0	2,520.8	3,146.7	3,479.9	2,461.4	2,252.3	2,081.8	2,095.3	1,985.4	1,816.0
Reserve deposits	5,971.6	5,537.5	6,434.6	7,026.7	5,859.8	7,078.0	6,542.0	7,203.5	8,128.8	8,270.3	7,897.8	7,345.1	9,047.1
Other claims	5,791.1	5,685.1	5,397.9	4,400.1	4,432.0	3,673.8	3,469.4	2,580.2	2,669.5	2,808.3	2,865.1	3,226.2	2,717.8
Net Claims on Central Government	**42,484.6**	**42,915.8**	**42,908.5**	**43,379.6**	**43,100.9**	**43,126.9**	**42,808.2**	**44,288.5**	**43,139.9**	**43,816.7**	**43,460.7**	**44,537.2**	**45,795.2**
Claims on central government	44,516.6	44,949.0	44,821.6	44,956.0	44,729.6	44,787.4	44,754.3	45,794.5	45,048.9	45,949.9	45,566.5	46,631.0	48,809.3
less: Liabilities to central government	2,032.0	2,033.1	1,913.0	1,576.4	1,628.7	1,660.4	1,946.1	1,506.0	1,909.0	2,133.2	2,105.7	2,093.8	3,014.1
Claims on Other Sectors	**135,514.7**	**140,348.2**	**139,502.4**	**141,268.1**	**142,947.0**	**144,801.7**	**148,559.2**	**150,559.1**	**150,818.3**	**151,822.9**	**156,965.0**	**157,759.5**	**158,518.6**
Liabilities to Central Bank	**1,848.9**	**1,994.6**	**2,062.3**	**1,968.3**	**1,948.4**	**1,946.4**	**2,029.2**	**1,917.0**	**1,914.6**	**1,803.9**	**1,794.4**	**1,812.9**	**1,700.2**
Deposits Included in Broad Money	**250,458.8**	**232,344.4**	**228,235.4**	**238,102.0**	**241,945.8**	**257,531.0**	**257,623.1**	**256,496.5**	**266,363.1**	**273,240.1**	**271,081.4**	**291,097.3**	**288,151.8**
Transferable Deposits	85,971.3	56,233.8	60,252.1	64,917.3	67,143.9	70,429.6	73,115.8	70,584.5	72,388.5	71,006.5	64,763.0	71,376.8	70,370.8
Savings Deposits	55,456.8	56,409.6	56,676.9	56,446.3	57,023.9	57,907.8	62,650.9	63,024.6	61,368.1	61,053.3	60,661.3	60,978.1	60,695.8
Time Deposits	109,030.7	119,701.0	111,306.4	116,738.4	117,778.0	129,193.6	121,856.3	122,887.3	132,606.5	141,180.3	145,657.1	158,742.3	157,085.2
Securities other than Shares, Included in Broad Money	**231.6**	**244.6**	**243.9**	**894.9**	**902.5**	**913.3**	**924.2**	**935.9**	**947.5**	**958.7**	**970.5**	**982.7**	**1,030.0**
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	**809.5**	**805.8**	**717.1**	**850.2**	**723.5**	**743.4**	**774.5**	**884.6**	**979.1**	**748.4**	**749.1**	**700.7**	**916.8**
Loans	**582.8**	**563.1**	**563.9**	**531.6**	**505.8**	**517.1**	**501.0**	**482.6**	**479.6**	**467.2**	**476.2**	**477.3**	**473.3**
Financial Derivatives	**4,799.7**	**7,398.7**	**7,457.7**	**5,926.6**	**4,831.7**	**4,816.5**	**5,077.7**	**7,554.3**	**6,292.5**	**7,813.5**	**9,221.3**	**8,584.6**	**8,036.8**
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	**40,299.4**	**40,897.2**	**41,418.0**	**41,431.8**	**41,653.9**	**42,382.4**	**42,617.3**	**43,614.2**	**43,941.6**	**43,933.0**	**44,783.1**	**44,195.8**	**43,673.3**
Other Items (net)	**390.8**	**-282.1**	**1,074.5**	**-157.2**	**496.9**	**550.9**	**169.7**	**521.4**	**2,095.9**	**2,146.2**	**1,580.3**	**797.6**	**1,078.6**

Figures may not add up to totals due to rounding.

Table 2.18: Depository Corporations Survey

(Rs million)

Assets	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Net Foreign Assets	**149,942.1**	**129,148.3**	**127,228.7**	**133,176.7**	**135,882.3**	**148,445.5**	**145,835.3**	**147,114.6**	**157,227.2**	**163,584.1**	**159,562.8**	**176,838.2**	**169,480.7**
Claims on Nonresidents	**296,491.1**	**280,994.1**	**294,040.3**	**307,315.4**	**308,217.9**	**322,274.6**	**305,515.7**	**315,366.3**	**344,791.7**	**346,944.5**	**339,521.1**	**368,038.1**	**350,405.6**
Central Bank	42,734.4	42,004.7	42,305.5	42,210.5	41,864.7	41,020.6	41,116.5	41,948.3	41,383.8	41,420.8	42,315.2	43,196.6	42,458.6
Other Depository Corporations	253,756.7	238,989.4	251,734.7	265,105.0	266,353.2	281,254.0	264,399.3	273,418.0	303,407.9	305,523.7	297,205.8	324,841.5	307,947.0
less: Liabilities to Nonresidents	**146,549.0**	**151,845.8**	**166,811.6**	**174,138.8**	**172,335.5**	**173,829.0**	**159,680.4**	**168,251.8**	**187,564.4**	**183,360.4**	**179,958.3**	**191,199.9**	**180,924.9**
Central Bank	163.3	153.1	116.8	98.5	130.5	148.8	139.1	147.4	161.6	147.7	124.6	153.8	144.0
Other Depository Corporations	146,385.8	151,692.7	166,694.8	174,040.3	172,205.1	173,680.3	159,541.3	168,104.3	187,402.8	183,212.6	179,833.7	191,046.1	180,780.9
Domestic Claims	**178,501.8**	**183,809.9**	**183,649.4**	**185,142.6**	**186,586.3**	**189,385.9**	**193,507.4**	**194,455.9**	**194,417.8**	**196,514.5**	**201,251.3**	**202,836.6**	**205,569.1**
Net Claims on Central Government	**42,622.2**	**43,097.9**	**43,784.3**	**43,510.2**	**43,251.3**	**44,188.8**	**44,549.2**	**43,507.1**	**43,189.5**	**44,231.0**	**43,858.0**	**44,623.4**	**46,806.3**
Claims on Central Government	**47,656.4**	**48,098.0**	**48,748.6**	**48,313.7**	**48,235.8**	**48,528.8**	**48,468.7**	**48,757.4**	**47,969.7**	**48,498.2**	**48,156.9**	**49,019.6**	**52,678.3**
Central Bank	3,139.8	3,149.0	3,927.0	3,357.7	3,506.2	3,741.4	3,714.4	2,962.8	2,920.8	2,548.2	2,590.5	2,388.7	3,869.0
Other Depository Corporations	44,516.6	44,949.0	44,821.6	44,956.0	44,729.6	44,787.4	44,754.3	45,794.5	45,048.9	45,949.9	45,566.5	46,631.0	48,809.3
less: Liabilities to Central Government	**5,034.2**	**5,000.1**	**4,964.3**	**4,803.5**	**4,984.5**	**4,340.0**	**3,919.5**	**5,250.3**	**4,780.1**	**4,267.2**	**4,298.9**	**4,396.3**	**5,872.0**
Central Bank	3,002.2	2,967.0	3,051.3	3,227.1	3,355.8	2,679.5	1,973.5	3,744.3	2,871.1	2,134.0	2,193.2	2,302.5	2,857.8
Other Depository Corporations	2,032.0	2,033.1	1,913.0	1,576.4	1,628.7	1,660.4	1,946.1	1,506.0	1,909.0	2,133.2	2,105.7	2,093.8	3,014.1
Claims on Other Sectors	**135,879.5**	**140,712.0**	**139,865.2**	**141,632.4**	**143,335.0**	**145,197.1**	**148,958.2**	**150,948.8**	**151,228.3**	**152,283.5**	**157,393.3**	**158,213.3**	**158,762.8**
Central Bank	364.8	363.8	362.8	364.3	388.0	395.5	399.0	389.7	410.0	460.6	428.3	453.8	244.1
Other Depository Corporations	135,514.7	140,348.2	139,502.4	141,268.1	142,947.0	144,801.7	148,559.2	150,559.1	150,818.3	151,822.9	156,965.0	157,759.5	158,518.6
TOTAL ASSETS	**328,443.8**	**312,958.2**	**310,878.1**	**318,319.3**	**322,468.6**	**337,831.5**	**339,342.7**	**341,570.5**	**351,645.1**	**360,098.6**	**360,814.1**	**379,674.9**	**375,049.8**

Continued on next page

Table 2.18: Depository Corporations Survey (continued)

(Rs million)

Liabilities	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Broad Money Liabilities	**264,174.3**	**246,185.5**	**241,971.6**	**251,541.2**	**255,785.8**	**270,648.2**	**272,037.2**	**269,917.6**	**279,548.7**	**286,671.3**	**284,510.9**	**304,707.6**	**301,749.6**
Currency Outside Depository Corporations	**9,648.9**	**9,945.0**	**9,986.4**	**10,034.2**	**10,373.3**	**10,233.9**	**11,664.1**	**10,818.4**	**10,559.2**	**10,464.0**	**10,469.1**	**10,356.0**	**10,432.0**
Transferable Deposits	**86,238.6**	**56,483.3**	**60,590.2**	**65,243.6**	**67,493.0**	**70,783.5**	**73,443.2**	**70,922.5**	**72,725.8**	**71,330.6**	**65,089.9**	**71,708.8**	**70,806.6**
Central Bank	267.2	249.4	338.1	326.4	349.1	353.9	327.4	337.9	337.3	324.1	326.9	332.0	435.7
Other Depository Corporations	85,971.3	56,233.8	60,252.1	64,917.3	67,143.9	70,429.6	73,115.8	70,584.5	72,388.5	71,006.5	64,763.0	71,376.8	70,370.8
Savings Deposits	**55,456.8**	**56,409.6**	**56,676.9**	**56,446.3**	**57,023.9**	**57,907.8**	**62,650.9**	**63,024.6**	**61,368.1**	**61,053.3**	**60,661.3**	**60,978.1**	**60,695.8**
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	55,456.8	56,409.6	56,676.9	56,446.3	57,023.9	57,907.8	62,650.9	63,024.6	61,368.1	61,053.3	60,661.3	60,978.1	60,695.8
Time Deposits	**109,330.3**	**120,012.9**	**111,601.9**	**117,048.0**	**118,079.1**	**129,496.4**	**122,159.5**	**123,189.2**	**132,907.5**	**141,483.2**	**145,965.0**	**159,186.4**	**157,369.0**
Central Bank	299.6	311.9	295.5	309.5	301.0	302.9	303.2	301.9	301.0	302.9	307.8	444.1	283.8
Other Depository Corporations	109,030.7	119,701.0	111,306.4	116,738.4	117,778.0	129,193.6	121,856.3	122,887.3	132,606.5	141,180.3	145,657.1	158,742.3	157,085.2
Securities other than Shares, Included in Broad Money	**3,499.8**	**3,334.8**	**3,116.2**	**2,769.0**	**2,816.5**	**2,226.5**	**2,119.4**	**1,962.9**	**1,988.1**	**2,340.2**	**2,325.7**	**2,478.3**	**2,446.3**
Central Bank	3,268.3	3,090.2	2,872.3	1,874.2	1,914.0	1,313.2	1,195.2	1,026.9	1,040.6	1,381.5	1,355.2	1,495.6	1,416.3
Other Depository Corporations	231.6	244.6	243.9	894.9	902.5	913.3	924.2	935.9	947.5	958.7	970.5	982.7	1,030.0
Deposits Excluded from Broad Money	**61.7**	**61.7**	**61.1**	**61.1**	**62.1**	**62.1**	**61.8**	**61.8**	**61.8**	**61.8**	**61.8**	**61.8**	**62.4**
Central Bank	61.7	61.7	61.1	61.1	62.1	62.1	61.8	61.8	61.8	61.8	61.8	61.8	62.4
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	**810.7**	**807.0**	**718.3**	**851.4**	**724.7**	**744.6**	**775.4**	**885.6**	**980.0**	**749.3**	**750.0**	**701.6**	**917.8**
Central Bank	1.2	1.2	1.2	1.2	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other Depository Corporations	809.5	805.8	717.1	850.2	723.5	743.4	774.5	884.6	979.1	748.4	749.1	700.7	916.8
Loans	**582.8**	**563.1**	**563.9**	**531.6**	**505.8**	**517.1**	**501.0**	**482.6**	**479.6**	**467.2**	**476.2**	**477.3**	**473.3**
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	582.8	563.1	563.9	531.6	505.8	517.1	501.0	482.6	479.6	467.2	476.2	477.3	473.3
Financial Derivatives	**4,799.7**	**7,398.7**	**7,457.7**	**5,926.6**	**4,831.7**	**4,816.5**	**5,077.7**	**7,554.3**	**6,292.5**	**7,813.5**	**9,221.3**	**8,584.6**	**8,036.8**
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	4,799.7	7,398.7	7,457.7	5,926.6	4,831.7	4,816.5	5,077.7	7,554.3	6,292.5	7,813.5	9,221.3	8,584.6	8,036.8
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**
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	**57,987.8**	**58,620.2**	**59,545.6**	**60,089.0**	**60,659.8**	**61,112.6**	**61,447.9**	**62,997.9**	**62,985.2**	**62,952.1**	**64,916.7**	**64,964.0**	**63,920.5**
Central Bank	17,688.5	17,723.1	18,127.5	18,657.1	19,006.0	18,730.2	18,830.5	19,383.8	19,043.7	19,019.1	20,133.6	20,768.2	20,247.2
Other Depository Corporations	40,299.4	40,897.2	41,418.0	41,431.8	41,653.9	42,382.4	42,617.3	43,614.2	43,941.6	43,933.0	44,783.1	44,195.8	43,673.3
Other Items (net)	**26.8**	**-678.0**	**560.0**	**-681.5**	**-101.2**	**-69.6**	**-558.2**	**-329.4**	**1,297.2**	**1,383.4**	**877.2**	**177.9**	**-110.6**
TOTAL LIABILITIES	**328,443.8**	**312,958.2**	**310,878.1**	**318,319.3**	**322,468.6**	**337,831.5**	**339,342.7**	**341,570.5**	**351,645.1**	**360,098.6**	**360,814.1**	**379,674.9**	**375,049.8**

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-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
A1	**Monetary Gold and SDRs**	**1,508.4**	**1,516.6**	**1,540.6**	**1,557.0**	**1,565.9**	**1,567.5**	**1,581.1**	**1,610.6**	**1,636.4**	**1,668.8**	**1,839.9**	**1,860.9**	**1,889.9**
A2	**Currency and Deposits**	**16,934.3**	**16,054.5**	**16,153.6**	**15,686.0**	**18,180.7**	**17,458.3**	**17,398.2**	**26,555.8**	**25,981.3**	**25,926.1**	**26,511.1**	**27,237.9**	**26,753.4**
A2.1	Currency	0.1	0.0	1.7	0.0	1.1	1.5	0.1	0.1	0.2	0.0	0.0	0.5	0.0
A2.2	Transferable deposits	1,550.4	888.3	1,126.2	834.5	584.2	825.6	809.9	1,094.7	1,574.4	1,706.7	1,474.7	1,656.2	1,865.8
A2.3	Savings deposits	15,383.7	15,166.2	15,025.7	14,851.4	17,595.4	16,631.2	16,588.2	25,460.9	24,406.7	24,219.3	25,036.4	25,581.2	24,887.6
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**	**27,401.8**	**27,552.7**	**28,508.1**	**28,294.7**	**25,556.6**	**25,684.6**	**25,804.8**	**16,697.9**	**16,653.0**	**16,329.8**	**16,509.9**	**16,441.1**	**17,539.5**
A4	**Loans**	**1,996.0**	**2,142.0**	**2,215.0**	**2,105.1**	**2,102.8**	**2,101.6**	**2,189.0**	**2,073.0**	**2,068.9**	**2,001.5**	**1,999.4**	**2,014.2**	**1,911.7**
A5	**Shares and Other Equity**	**217.8**	**218.0**	**218.1**	**218.3**	**255.2**	**239.0**	**234.3**	**234.3**	**221.3**	**231.8**	**232.2**	**232.4**	**131.9**
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**	**0.0**	**0.0**	**0.0**
A8	**Other Accounts Receivable**	**164.0**	**59.6**	**94.2**	**168.8**	**114.0**	**113.0**	**115.5**	**183.1**	**134.7**	**132.9**	**101.5**	**128.8**	**267.6**
A9	**Nonfinancial Assets**	**820.5**	**821.2**	**878.3**	**963.7**	**1,007.3**	**1,074.0**	**1,144.5**	**1,229.4**	**1,230.8**	**1,265.9**	**1,333.2**	**1,333.7**	**1,480.4**
	TOTAL ASSETS	**49,042.8**	**48,364.6**	**49,607.8**	**48,993.6**	**48,782.6**	**48,238.1**	**48,467.4**	**48,584.0**	**47,926.3**	**47,556.8**	**48,527.1**	**49,249.1**	**49,974.5**

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-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
L1	**Currency in Circulation**	**11,937.3**	**12,127.7**	**12,475.9**	**12,443.2**	**12,894.1**	**13,380.6**	**15,144.0**	**13,279.9**	**12,811.5**	**12,545.8**	**12,564.4**	**12,341.4**	**12,248.1**
L2	**Deposits Included in Broad Money**	**566.8**	**561.4**	**633.6**	**635.9**	**650.1**	**656.8**	**630.6**	**639.9**	**638.4**	**626.9**	**634.7**	**776.0**	**719.5**
L2.1	Transferable deposits	267.2	249.4	338.1	326.4	349.1	353.9	327.4	337.9	337.3	324.1	326.9	332.0	435.7
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	299.6	311.9	295.5	309.5	301.0	302.9	303.2	301.9	301.0	302.9	307.8	444.1	283.8
L3	**Deposits Excuded from Broad Money**	**9,075.5**	**8,610.5**	**9,587.8**	**10,127.3**	**9,146.2**	**9,725.0**	**8,576.1**	**11,063.5**	**11,061.9**	**10,449.0**	**10,143.4**	**9,707.0**	**11,975.2**
L3.1	Transferable deposits	9,013.8	8,548.8	9,526.7	10,066.2	9,084.1	9,663.0	8,514.4	11,001.7	11,000.2	10,387.3	10,081.6	9,645.2	11,912.7
L3.2	Savings deposits	61.7	61.7	61.1	61.1	62.1	62.1	61.8	61.8	61.8	61.8	61.8	61.8	62.4
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**	**3,268.3**	**3,090.2**	**2,872.3**	**1,874.2**	**1,914.0**	**1,313.2**	**1,195.2**	**1,026.9**	**1,040.6**	**1,381.5**	**1,355.2**	**1,495.6**	**1,416.3**
L5	**Securities Other than Shares, Excluded from Broad Money**	**6,011.4**	**5,886.0**	**5,565.1**	**4,738.4**	**4,698.1**	**3,918.6**	**3,532.3**	**2,523.7**	**2,645.5**	**2,807.3**	**2,940.6**	**3,287.1**	**2,769.0**
L6	**Loans**	**71.5**	**71.5**	**71.5**	**71.5**	**71.5**	**71.5**	**68.9**	**68.9**	**68.9**	**68.9**	**68.9**	**68.9**	**64.9**
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**	**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**	**423.5**	**294.3**	**274.1**	**445.9**	**402.6**	**442.0**	**489.8**	**597.5**	**615.9**	**658.2**	**686.3**	**804.9**	**534.3**
L10	**Shares and Other Equity**	**17,688.5**	**17,723.1**	**18,127.5**	**18,657.1**	**19,006.0**	**18,730.2**	**18,830.5**	**19,383.8**	**19,043.7**	**19,019.1**	**20,133.6**	**20,768.2**	**20,247.2**
	TOTAL LIABILITIES	**49,042.8**	**48,364.6**	**49,607.8**	**48,993.6**	**48,782.6**	**48,238.1**	**48,467.4**	**48,584.0**	**47,926.3**	**47,556.8**	**48,527.1**	**49,249.1**	**49,974.5**

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-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
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**	**137,386.0**	**117,399.3**	**131,125.3**	**140,720.6**	**141,011.6**	**159,497.5**	**145,285.6**	**150,117.1**	**180,139.2**	**185,596.6**	**171,768.4**	**197,853.7**	**189,741.4**
A2.1	Currency	2,411.6	2,374.4	2,689.6	2,609.5	2,830.1	3,422.5	3,857.2	2,834.8	2,471.3	2,243.0	2,325.9	2,201.3	2,000.6
A2.2	Transferable deposits	19,975.1	22,346.9	20,475.9	22,877.6	21,847.7	34,663.4	17,902.9	25,677.5	21,561.6	22,323.8	21,509.8	22,200.4	30,343.2
A2.3	Savings deposits	218.8	479.1	701.3	385.5	361.8	1,017.7	892.3	1,636.5	918.3	583.5	797.9	567.8	404.1
A2.4	Time deposits	114,780.5	92,198.9	107,258.5	114,848.0	115,972.0	120,394.0	122,633.2	119,968.4	155,188.0	160,446.3	147,134.7	172,884.3	156,993.6
A3	**Securities other than Shares**	**85,768.1**	**86,725.8**	**84,956.4**	**81,904.3**	**81,098.8**	**77,922.1**	**77,836.2**	**81,628.3**	**80,484.0**	**79,601.8**	**77,293.8**	**81,197.0**	**80,414.1**
A4	**Loans**	**199,044.9**	**199,273.9**	**200,496.0**	**211,374.1**	**209,511.0**	**214,380.9**	**216,970.4**	**213,131.1**	**210,940.9**	**213,698.3**	**222,588.1**	**224,021.1**	**224,723.7**
A5	**Shares and Other Equity**	**5,531.4**	**6,387.6**	**6,435.8**	**6,358.4**	**6,542.1**	**6,668.0**	**6,894.8**	**6,210.6**	**6,506.8**	**6,725.3**	**6,598.2**	**6,278.6**	**7,148.2**
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**	**26,183.9**	**30,920.6**	**30,127.5**	**27,572.0**	**33,933.7**	**32,760.1**	**30,932.2**	**36,789.2**	**38,716.7**	**35,113.9**	**38,261.4**	**35,373.7**	**30,702.9**
A8	**Other Accounts Receivable**	**6,383.2**	**6,649.8**	**7,114.3**	**8,514.3**	**7,304.0**	**6,915.1**	**7,351.7**	**7,413.9**	**7,834.4**	**7,607.3**	**8,447.5**	**8,554.2**	**9,073.5**
A9	**Nonfinancial Assets**	**11,014.0**	**11,048.7**	**11,113.0**	**11,153.5**	**11,298.3**	**11,278.4**	**11,519.6**	**11,540.8**	**11,567.3**	**11,603.5**	**11,633.9**	**11,807.8**	**11,950.8**
	TOTAL ASSETS	**471,311.6**	**458,405.8**	**471,368.4**	**487,597.2**	**490,699.5**	**509,422.0**	**496,790.4**	**506,831.1**	**536,189.3**	**539,946.7**	**536,591.3**	**565,086.2**	**553,754.7**

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-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
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**	**250,458.8**	**232,344.4**	**228,235.4**	**238,102.0**	**241,945.8**	**257,531.0**	**257,623.1**	**256,496.5**	**266,363.1**	**273,240.1**	**271,081.4**	**291,097.3**	**288,151.8**
L2.1	Transferable deposits	85,971.3	56,233.8	60,252.1	64,917.3	67,143.9	70,429.6	73,115.8	70,584.5	72,388.5	71,006.5	64,763.0	71,376.8	70,370.8
L2.2	Savings deposits	55,456.8	56,409.6	56,676.9	56,446.3	57,023.9	57,907.8	62,650.9	63,024.6	61,368.1	61,053.3	60,661.3	60,978.1	60,695.8
L2.3	Time deposits	109,030.7	119,701.0	111,306.4	116,738.4	117,778.0	129,193.6	121,856.3	122,887.3	132,606.5	141,180.3	145,657.1	158,742.3	157,085.2
L3	**Deposits Excluded from Broad Money**	**80,491.6**	**80,697.8**	**87,705.7**	**73,784.8**	**72,490.5**	**77,427.4**	**66,099.7**	**70,833.7**	**88,120.1**	**85,019.1**	**73,327.2**	**71,069.4**	**77,230.9**
L3.1	Transferable deposits	14,022.4	8,614.9	9,046.8	8,253.4	8,243.9	14,222.8	9,773.5	8,464.6	8,619.0	9,444.8	9,352.7	9,078.1	9,420.9
L3.2	Savings deposits	3,495.6	3,384.1	3,271.6	3,272.8	3,255.1	3,742.7	3,648.3	3,230.9	3,662.9	3,848.9	4,134.7	3,827.5	4,255.0
L3.3	Time deposits	62,973.5	68,698.8	75,387.3	62,258.6	60,991.5	59,461.9	52,678.0	59,138.3	75,838.2	71,725.4	59,839.8	58,163.8	63,554.9
L4	**Securities Other than Shares, Included in Broad Money**	**231.6**	**244.6**	**243.9**	**894.9**	**902.5**	**913.3**	**924.2**	**935.9**	**947.5**	**958.7**	**970.5**	**982.7**	**1,030.0**
L5	**Securities Other than Shares, Excluded from Broad Money**	**15,645.5**	**15,884.8**	**15,153.8**	**15,555.2**	**15,292.7**	**14,953.2**	**14,949.3**	**14,910.8**	**14,835.4**	**14,973.1**	**15,410.3**	**15,917.0**	**15,643.6**
L6	**Loans**	**38,593.2**	**38,677.3**	**42,843.6**	**65,483.2**	**64,657.9**	**64,909.9**	**66,614.0**	**61,194.4**	**61,153.8**	**63,267.3**	**68,506.5**	**81,825.5**	**73,897.5**
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**	**29,432.8**	**34,260.1**	**33,736.4**	**30,869.7**	**33,148.5**	**32,103.1**	**30,169.1**	**39,529.4**	**40,814.0**	**38,298.5**	**42,561.9**	**39,547.5**	**34,322.5**
L9	**Other Accounts Payable**	**16,158.7**	**15,399.7**	**22,031.4**	**21,475.6**	**20,607.8**	**19,201.8**	**17,793.6**	**19,316.3**	**20,014.0**	**20,256.9**	**19,950.5**	**20,450.9**	**19,805.1**
L10	**Shares and Other Equity**	**40,299.4**	**40,897.2**	**41,418.0**	**41,431.8**	**41,653.9**	**42,382.4**	**42,617.3**	**43,614.2**	**43,941.6**	**43,933.0**	**44,783.1**	**44,195.8**	**43,673.3**
	TOTAL LIABILITIES	**471,311.6**	**458,405.8**	**471,368.4**	**487,597.2**	**490,699.5**	**509,422.0**	**496,790.4**	**506,831.1**	**536,189.3**	**539,946.7**	**536,591.3**	**565,086.2**	**553,754.7**

Figures may not add up to totals due to rounding.

Table 2.21(a): Sectoral Balance Sheet of Banks - Assets

(Rs million)

Code	Assets	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
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**	**136,178.4**	**116,230.0**	**130,132.4**	**139,522.0**	**139,367.3**	**157,762.7**	**143,451.1**	**148,155.3**	**177,797.9**	**183,467.8**	**169,663.1**	**195,799.7**	**187,507.1**
A2.1	Currency	2,411.5	2,374.3	2,689.4	2,609.3	2,830.0	3,422.4	3,857.1	2,834.7	2,471.2	2,242.9	2,325.7	2,201.1	2,000.4
A2.2	Transferable deposits	19,372.5	21,811.5	20,140.1	22,500.2	21,091.4	33,863.6	16,950.5	24,828.5	20,520.3	21,788.7	21,136.5	21,881.0	29,961.8
A2.3	Savings deposits	70.9	360.9	575.2	246.1	218.1	835.8	764.0	1,359.6	705.4	411.6	620.3	360.0	104.2
A2.4	Time deposits	114,323.5	91,683.5	106,727.6	114,166.3	115,227.8	119,640.9	121,879.6	119,132.5	154,100.9	159,024.6	145,580.5	171,357.5	155,440.7
A3	**Securities other than Shares**	**82,626.4**	**83,567.3**	**81,757.7**	**78,884.3**	**78,272.3**	**75,122.3**	**75,086.6**	**79,052.6**	**78,442.5**	**77,507.0**	**75,068.2**	**78,846.6**	**78,192.4**
A4	**Loans**	**179,764.2**	**179,591.6**	**180,400.6**	**190,932.4**	**188,730.9**	**192,953.0**	**195,300.5**	**191,302.1**	**188,755.2**	**191,139.5**	**199,822.1**	**200,946.7**	**201,150.5**
A5	**Shares and Other Equity**	**5,282.0**	**6,123.5**	**6,153.2**	**6,063.1**	**6,273.6**	**6,431.4**	**6,675.5**	**6,123.3**	**6,391.2**	**6,609.6**	**6,482.5**	**6,162.9**	**7,050.0**
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**	**26,183.9**	**30,920.6**	**30,127.5**	**27,572.0**	**33,933.7**	**32,760.1**	**30,932.2**	**36,789.2**	**38,716.7**	**35,113.9**	**38,261.4**	**35,373.7**	**30,702.9**
A8	**Other Accounts Receivable**	**5,586.8**	**5,670.2**	**6,117.1**	**7,474.2**	**6,266.8**	**6,063.8**	**6,666.9**	**6,579.1**	**7,009.0**	**6,820.9**	**7,631.4**	**7,806.0**	**8,382.3**
A9	**Nonfinancial Assets**	**10,215.4**	**10,230.4**	**10,264.5**	**10,292.8**	**10,360.0**	**10,372.8**	**10,483.3**	**10,492.7**	**10,513.6**	**10,547.7**	**10,566.5**	**10,727.2**	**10,865.1**
	TOTAL ASSETS	**445,837.1**	**432,333.7**	**444,953.0**	**460,740.8**	**463,204.6**	**481,466.1**	**468,596.1**	**478,494.2**	**507,626.0**	**511,206.4**	**507,495.0**	**535,662.9**	**523,850.3**

Figures may not add up to totals due to rounding.

Table 2.21(b): Sectoral Balance Sheet of Banks - Liabilities

(Rs million)

Code	Liabilities	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
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**	**234,659.7**	**216,175.2**	**211,764.4**	**221,465.8**	**224,608.9**	**239,909.9**	**239,646.3**	**238,338.7**	**248,027.1**	**254,690.5**	**252,200.8**	**272,026.0**	**268,854.6**
L2.1	Transferable deposits	85,971.3	56,233.8	60,252.1	64,917.3	67,143.9	70,429.6	73,115.8	70,584.5	72,388.5	71,006.5	64,763.0	71,376.8	70,370.8
L2.2	Savings deposits	54,400.5	55,364.3	55,639.3	55,400.1	55,957.0	56,840.6	61,573.9	61,944.0	60,282.1	60,001.9	59,565.3	59,878.8	59,587.1
L2.3	Time deposits	94,287.8	104,577.1	95,873.0	101,148.5	101,508.1	112,639.7	104,956.6	105,810.1	115,356.5	123,682.0	127,872.6	140,770.4	138,896.7
L3	**Deposits Excluded from Broad Money**	**79,765.3**	**79,967.4**	**87,087.2**	**73,044.4**	**71,843.7**	**76,855.3**	**65,549.5**	**70,275.6**	**87,567.1**	**84,459.9**	**72,764.4**	**70,503.8**	**76,667.1**
L3.1	Transferable deposits	14,022.4	8,614.9	9,046.8	8,253.4	8,243.9	14,222.8	9,773.5	8,464.6	8,619.0	9,444.8	9,352.7	9,078.1	9,420.9
L3.2	Savings deposits	3,495.6	3,384.1	3,271.6	3,272.8	3,255.1	3,742.7	3,647.9	3,230.9	3,662.9	3,848.9	4,134.7	3,827.5	4,255.0
L3.3	Time deposits	62,247.2	67,968.4	74,768.8	61,518.2	60,344.7	58,889.9	52,128.1	58,580.2	75,285.2	71,166.2	59,277.0	57,598.2	62,991.1
L4	**Securities Other than Shares, Included in Broad Money**	**0.0**	**0.0**	**0.0**	**640.0**	**641.5**	**645.5**	**649.2**	**653.6**	**657.7**	**661.4**	**665.9**	**669.8**	**674.3**
L5	**Securities Other than Shares, Excluded from Broad Money**	**15,045.1**	**15,253.0**	**14,711.6**	**15,128.6**	**14,891.2**	**14,558.3**	**14,563.8**	**14,504.9**	**14,425.9**	**14,546.1**	**15,016.0**	**15,507.6**	**15,298.7**
L6	**Loans**	**35,962.6**	**36,047.2**	**40,055.4**	**62,545.4**	**61,521.6**	**61,688.0**	**63,421.9**	**58,047.0**	**57,973.7**	**60,203.7**	**65,426.5**	**78,673.5**	**70,567.2**
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**	**29,432.8**	**34,260.1**	**33,736.4**	**30,869.7**	**33,148.5**	**32,103.1**	**30,169.1**	**39,529.4**	**40,814.0**	**38,298.5**	**42,561.9**	**39,547.5**	**34,322.5**
L9	**Other Accounts Payable**	**15,267.3**	**14,343.0**	**20,872.7**	**20,389.0**	**19,640.5**	**18,090.0**	**16,669.0**	**18,124.8**	**18,873.0**	**19,124.2**	**18,837.0**	**19,325.9**	**18,576.0**
L10	**Shares and Other Equity**	**35,704.4**	**36,287.8**	**36,725.3**	**36,657.9**	**36,908.7**	**37,616.0**	**37,927.3**	**39,020.2**	**39,287.5**	**39,222.1**	**40,022.5**	**39,408.8**	**38,890.1**
	TOTAL LIABILITIES	**445,837.1**	**432,333.7**	**444,953.0**	**460,740.8**	**463,204.6**	**481,466.1**	**468,596.1**	**478,494.2**	**507,626.0**	**511,206.4**	**507,495.0**	**535,662.9**	**523,850.3**

Figures may not add up to totals due to rounding.

Table 2.22(a): Sectoral Balance Sheet of Non-Bank Deposit-Taking Institutions - Assets

(Rs million)

Code	Assets	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
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**	**1,207.6**	**1,169.3**	**992.9**	**1,198.6**	**1,644.3**	**1,734.8**	**1,834.6**	**1,961.9**	**2,341.4**	**2,128.9**	**2,105.3**	**2,054.0**	**2,234.4**
A2.1	Currency	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A2.2	Transferable deposits	602.6	535.4	335.9	377.4	756.2	799.8	952.4	849.0	1,041.3	535.1	373.3	319.4	381.4
A2.3	Savings deposits	147.9	118.3	126.1	139.4	143.7	181.9	128.3	276.9	212.9	172.0	177.6	207.8	299.9
A2.4	Time deposits	457.0	515.5	530.8	681.6	744.2	753.0	753.7	835.8	1,087.1	1,421.7	1,554.2	1,526.7	1,553.0
A3	**Securities other than Shares**	**3,141.7**	**3,158.5**	**3,198.7**	**3,020.0**	**2,826.6**	**2,799.7**	**2,749.5**	**2,575.7**	**2,041.5**	**2,094.8**	**2,225.7**	**2,350.4**	**2,221.7**
A4	**Loans**	**19,280.7**	**19,682.3**	**20,095.3**	**20,441.7**	**20,780.1**	**21,427.9**	**21,669.9**	**21,829.0**	**22,185.7**	**22,558.8**	**22,766.0**	**23,074.4**	**23,573.2**
A5	**Shares and Other Equity**	**249.3**	**264.1**	**282.6**	**295.3**	**268.5**	**236.6**	**219.3**	**87.3**	**115.6**	**115.7**	**115.7**	**115.7**	**98.2**
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**	**796.5**	**979.6**	**997.2**	**1,040.1**	**1,037.1**	**851.3**	**684.7**	**834.8**	**825.5**	**786.4**	**816.2**	**748.2**	**691.2**
A9	**Nonfinancial Assets**	**798.7**	**818.3**	**848.5**	**860.7**	**938.3**	**905.6**	**1,036.3**	**1,048.1**	**1,053.7**	**1,055.8**	**1,067.5**	**1,080.6**	**1,085.7**
	TOTAL ASSETS	**25,474.5**	**26,072.1**	**26,415.3**	**26,856.4**	**27,495.0**	**27,955.9**	**28,194.4**	**28,336.9**	**28,563.4**	**28,740.4**	**29,096.4**	**29,423.3**	**29,904.4**

Figures may not add up to totals due to rounding.

Table 2.22(b): Sectoral Balance Sheet of Non-Bank Deposit-Taking Institutions - Liabilities

(Rs million)

Code	Liabilities	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
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**	**15,799.1**	**16,169.2**	**16,471.0**	**16,636.2**	**17,336.9**	**17,621.1**	**17,976.7**	**18,157.8**	**18,336.0**	**18,549.6**	**18,880.6**	**19,071.3**	**19,297.3**
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	1,056.2	1,045.3	1,037.6	1,046.3	1,066.9	1,067.2	1,077.0	1,080.6	1,086.1	1,051.3	1,096.0	1,099.4	1,108.7
L2.3	Time deposits	14,742.9	15,123.9	15,433.4	15,589.9	16,270.0	16,553.9	16,899.7	17,077.2	17,249.9	17,498.3	17,784.5	17,971.9	18,188.6
L3	**Deposits Excluded from Broad Money**	**726.3**	**730.4**	**618.4**	**740.4**	**646.8**	**572.1**	**550.2**	**558.1**	**553.0**	**559.2**	**562.8**	**565.6**	**563.8**
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	726.3	730.4	618.4	740.4	646.8	572.1	550.2	558.1	553.0	559.2	562.8	565.6	563.8
L4	**Securities Other than Shares, Included in Broad Money**	**231.6**	**244.6**	**243.9**	**254.9**	**261.0**	**267.7**	**275.0**	**282.3**	**289.8**	**297.3**	**304.6**	**312.9**	**355.7**
L5	**Securities Other than Shares, Excluded from Broad Money**	**600.4**	**631.8**	**442.2**	**426.6**	**401.5**	**395.0**	**385.5**	**405.9**	**409.5**	**427.0**	**394.4**	**409.4**	**345.0**
L6	**Loans**	**2,630.7**	**2,630.1**	**2,788.3**	**2,937.8**	**3,136.3**	**3,221.8**	**3,192.2**	**3,147.4**	**3,180.1**	**3,063.6**	**3,080.0**	**3,152.0**	**3,330.3**
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**	**891.4**	**1,056.6**	**1,158.8**	**1,086.6**	**967.3**	**1,111.9**	**1,124.6**	**1,191.5**	**1,140.9**	**1,132.7**	**1,113.4**	**1,125.0**	**1,229.2**
L10	**Shares and Other Equity**	**4,595.0**	**4,609.4**	**4,692.8**	**4,773.9**	**4,745.2**	**4,766.4**	**4,690.1**	**4,594.0**	**4,654.1**	**4,710.9**	**4,760.6**	**4,787.0**	**4,783.2**
	TOTAL LIABILITIES	**25,474.5**	**26,072.1**	**26,415.3**	**26,856.4**	**27,495.0**	**27,955.9**	**28,194.4**	**28,336.9**	**28,563.4**	**28,740.4**	**29,096.4**	**29,423.3**	**29,904.4**

Figures may not add up to totals due to rounding.

Table 2.23: Transactions on The Stock Exchange of Mauritius Ltd.

Period		OFFICIAL MARKET						
		Number of Sessions	Average					
			SEMTRI [1] (in Rs terms)	SEMTRI [1] (in US$ terms)	SEM-7 [2]	SEMDEX	Value of Transactions *(Rs '000)*	Volume of Transactions *('000)*
2005	July	21	1,724.38	911.56	155.42	726.77	8,071	520
	August	23	1,812.43	952.76	164.74	759.86	11,593	612
	September	21	1,922.12	1003.55	176.47	805.72	17,669	1,026
	October	21	1,957.01	1007.65	178.24	815.68	15,882	762
	November	19	1,965.17	1007.33	177.89	816.57	25,540	935
	December	22	1,958.47	1000.50	176.76	807.72	45,862	5,243
2006	January	21	1,982.30	1012.04	178.52	816.24	19,067	700
	February	19	2,028.15	1033.42	183.78	834.57	21,168	865
	March	22	2,059.31	1047.36	184.86	845.69	12,508	684
	April	20	2,044.66	1037.69	181.23	833.78	10,726	631
	May	22	2,038.16	1034.25	180.08	828.41	13,756	386
	June	22	2,023.92	1026.75	178.23	818.95	15,269	1,054

[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).
[2] The SEM-7 started with an index value of 100 on 30 March 1998.
Source: Stock Exchange of Mauritius Ltd.

Table 3.1: Exchange Rates [1]

(Rupees)

CURRENCY	Dec-04		Mar-05		Jun-05		Sep-05		Dec-05		Mar-06		Jun-06	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
Australian dollar	21.58	22.26	21.98	22.68	21.99	22.69	22.56	23.29	22.05	22.69	21.63	22.29	22.41	23.13
Euro	37.37	38.81	36.46	37.87	34.49	35.82	35.37	36.73	35.30	36.65	36.31	37.80	38.26	39.73
Hong Kong dollar	3.58	3.70	3.67	3.79	3.72	3.85	3.84	3.96	3.90	4.03	3.90	4.05	3.92	4.06
Indian rupee (100)	64.00	67.00	66.00	68.00	66.00	69.00	68.00	71.00	66.00	69.00	68.00	71.00	66.00	68.00
Japanese yen (100)	26.89	27.79	26.47	27.36	26.04	26.92	26.13	27.02	25.50	26.37	25.63	26.52	26.31	27.19
Kenya shilling (100)	36.21	37.68	38.34	39.90	38.11	39.67	40.32	41.97	41.76	43.46	42.46	44.19	41.37	43.06
Malagasy franc (100) [2]	0.31	0.31	1.58	1.61	1.53	1.55	1.53	1.54	1.49	1.52	1.47	1.49	1.49	1.50
Malawi kwacha	0.26	0.27	0.26	0.28	0.23	0.25	0.24	0.25	0.24	0.25	0.22	0.24	0.22	0.23
New Zealand dollar	19.91	20.65	20.17	20.91	20.18	20.93	20.52	21.28	20.50	21.26	18.83	19.17	18.42	19.09
Pakistan rupee (100)	47.32	49.56	48.66	50.95	48.95	51.24	50.31	52.66	50.85	53.23	50.84	53.29	50.73	53.18
Seychelles rupee	5.28	5.54	5.44	5.71	5.50	5.77	5.64	5.92	5.71	6.00	5.75	6.03	5.76	6.04
Singapore dollar	17.02	17.62	17.33	17.94	17.18	17.77	17.57	18.22	18.09	18.72	18.62	19.36	19.09	19.75
South African rand	4.93	5.15	4.55	4.75	4.33	4.52	4.67	4.88	4.77	4.98	4.89	5.13	4.29	4.48
Swiss franc	24.29	25.15	23.60	24.43	22.35	23.14	22.79	23.58	22.72	23.52	23.04	23.90	24.37	25.23
Tanzania shilling (100)	2.65	2.79	2.56	2.69	2.54	2.67	2.58	2.72	2.56	2.69	2.45	2.58	2.39	2.52
Uganda shilling (100)	1.59	1.67	1.62	1.70	1.63	1.72	1.57	1.65	1.64	1.73	1.65	1.74	1.61	1.69
US dollar	27.48	28.49	28.26	29.29	28.57	29.61	29.39	30.46	29.73	30.79	29.91	30.96	29.97	31.01
Pound sterling	52.89	54.89	53.07	55.07	51.60	53.54	51.77	53.72	51.32	53.27	52.20	54.22	54.97	57.02
Zambia kwacha (100)	0.60	0.63	0.62	0.65	0.63	0.66	0.66	0.69	0.85	0.90	0.93	0.99	0.88	0.93

[1] *End of month.*
[2] *As from Monday 3 January 2005, Madagascar abandoned the Malagasy Franc and switched to the new Ariary currency, which was launched on 31 July 2003 at five times parity with the Malagasy Franc.*

Table 3.2: Daily Average Exchange Rates [1]

(Rupees)

CURRENCY	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Australian dollar	22.446	22.864	23.132	23.113	22.606	22.931	23.199	22.966	22.639	22.903	23.785	23.075
Hong Kong dollar	3.861	3.890	3.920	3.986	4.006	4.022	4.026	4.031	4.041	4.054	4.059	4.052
Indian rupee (100)	69.238	69.913	69.952	69.286	68.053	68.591	70.714	70.947	70.864	70.300	69.409	68.591
Japanese yen (100)	26.609	27.100	27.188	26.687	25.946	26.077	26.786	26.278	26.502	26.616	27.896	27.221
Kenya shilling (100)	39.795	40.284	41.496	42.290	41.867	43.013	43.568	43.903	43.834	44.591	44.250	43.354
New Zealand dollar	20.358	20.982	21.238	21.501	21.296	21.539	21.350	20.960	19.901	19.490	19.772	19.425
Singapore dollar	17.840	18.197	18.113	18.251	18.248	18.591	19.083	19.158	19.288	19.579	19.887	19.725
South African rand	4.519	4.713	4.831	4.748	4.703	4.943	5.186	5.172	5.073	5.210	5.030	4.578
Swiss franc	22.993	23.687	23.834	23.724	23.372	23.598	24.125	23.677	23.736	24.166	25.488	25.235
US dollar	29.720	29.930	30.129	30.529	30.659	30.772	30.791	30.850	30.909	30.975	30.979	30.988
Pound sterling	52.119	53.664	54.507	53.908	53.137	53.832	54.497	54.075	54.119	54.867	58.089	57.345
Euro	35.831	36.802	36.947	36.759	36.128	36.570	37.428	36.978	37.303	38.147	39.732	39.474

[1] *Selling Rates.*

Table 3.3: Exchange Rate Movements of Selected Currencies vis-à-vis the Euro [1]

	January 1999 (1)	June 2006 (2)	Appreciation/ (Depreciation) of Selected Currencies between (1) & (2) *(Per cent)* (3)
Hong Kong dollar	8.9689	9.8336	(8.8)
Indonesian rupiah	9,961.02	11,856.83	(16.0)
Korean won	1,358.76	1,208.54	12.4
Mauritian rupee	28.987	39.474	(26.6)
Philippines peso	44.395	67.331	(34.1)
Singapore dollar	1.9453	2.0136	(3.4)
South African rand	6.9690	8.7843	(20.7)
Taiwan dollar	37.333	41.119	(9.2)
Thailand baht	42.3655	48.5683	(12.8)

[1] *Period average.*

Note: The daily average exchange rate of the rupee against the euro is based on the average selling rates of 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)
2005	July	42,005	985	1.2	**42,991.2**	**1,449.9**
	August	42,305	996	1.2	**43,302.2**	**1,452.3**
	September	42,210	1003	1.0	**43,214.0**	**1,429.5**
	October	41,865	963	0.9	**42,828.9**	**1,409.4**
	November	41,021	955	0.7	**41,976.7**	**1,377.8**
	December	41,116	767	0.6	**41,883.6**	**1,365.8**
2006	January	41,948	565	0.5	**42,513.5**	**1,386.5**
	February	41,384	563	0.4	**41,947.4**	**1,363.0**
	March	41,421	566	0.4	**41,987.4**	**1,363.7**
	April	42,315	533	0.5	**42,848.5**	**1,390.0**
	May	43,197	541	0.4	**43,738.4**	**1,420.1**
	June	42,459	538	0.3	**42,997.3**	**1,390.7**

[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	Banks Net Foreign Assets [1]	Net International Reserves
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**
	July	43,430.6	1.1	902.3	5,131.7	**49,465.7**
	August	43,537.2	1.0	911.4	5,578.1	**50,027.7**
	September	43,996.2	0.8	918.5	6,293.3	**51,208.8**
	October	44,028.9	0.7	933.2	5,811.7	**50,774.5**
	November	45,084.1	0.5	956.7	6,904.3	**52,945.6**
	December	44,947.9	1.3	958.3	6,916.8	**52,824.3**
2005	January	44,321.5	1.2	950.2	7,400.8	**52,673.7**
	February	44,980.2	1.1	966.5	8,032.6	**53,980.4**
	March	44,806.1	0.9	1,003.8	9,026.6	**54,837.4**
	April	44,934.0	0.7	1,009.1	8,829.5	**54,773.3**
	May	43,633.4	1.6	986.4	9,893.1	**54,514.5**
	June	42,695.7	1.4	979.6	10,255.6	**53,932.3**
	July	41,979.5	1.3	985.0	11,338.1	**54,303.9**
	August	42,301.3	1.2	995.8	11,876.3	**55,174.6**
	September	42,210.5	1.0	1,002.5	11,406.9	**54,620.9**
	October	41,864.7	0.9	963.0	11,135.2	**53,963.8**
	November	41,020.6	0.7	954.8	13,091.2	**55,067.3**
	December	41,116.5	0.6	767.3	14,664.4	**56,548.8**
2006	January	41,948.3	0.5	565.3	18,036.3	**60,550.4**
	February	41,375.0	0.4	563.4	19,807.8	**61,746.6**
	March	41,412.1	0.4	565.9	20,418.0	**62,396.4**
	April	42,306.5	0.5	533.2	20,002.2	**62,842.4**
	May	43,192.2	0.4	541.1	19,282.4	**63,016.1**
	June	42,454.2	0.3	537.8	18,981.3	**61,973.6**

[1] Prior to June 2005, comprises the Net Foreign Assets of 11 former Category 1 banks. With effect from June 2005, comprises the Net Foreign Assets of banks, adjusted for transactions of Global Business Licence Holders.

Table 3.6: Exports[3] - Principal Countries of Destination

(f.o.b. value) (Rs million)

COUNTRY	2004	2005 [1]	2004				2005 [1]				2006 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Australia	**139**	**116**	31	43	35	30	22	32	27	35	26	37
Belgium	**1,363**	**1,559**	245	350	358	410	394	430	372	363	374	448
Canada	**143**	**89**	41	36	34	32	21	20	16	32	26	33
France	**9,084**	**8,391**	2,230	2,555	1,813	2,486	1,979	2,380	1,880	2,152	1,816	2,257
Germany	**1,268**	**1,070**	353	340	289	286	244	312	286	228	250	347
Italy	**2,156**	**3,308**	486	625	472	573	574	781	1,000	953	616	692
Malagasy, Republic of	**2,689**	**3,373**	636	729	617	707	708	901	876	888	740	869
Netherlands	**914**	**723**	222	181	250	261	187	176	168	192	179	164
Reunion	**1,485**	**1,561**	328	357	356	444	341	353	351	516	283	408
South Africa, Republic of	**775**	**788**	134	174	249	218	145	158	236	249	336	324
United States of America	**7,768**	**5,640**	1,702	1,912	2,245	1,909	1,335	1,471	1,552	1,282	1,061	1,958
United Kingdom	**17,356**	**19,215**	4,078	2,891	5,655	4,732	4,128	3,378	6,298	5,411	4,724	3,398
Other	**7,564**	**13,262**	1,246	1,666	2,682	1,970	1,992	3,411	3,835	4,024	4,054	5,330
TOTAL	**52,704**	**59,095**	**11,732**	**11,859**	**15,055**	**14,058**	**12,070**	**13,803**	**16,897**	**16,325**	**14,485**	**16,265**

[1] *Revised.* [2] *Provisional.* [3] *Excludes Ship's Stores and Bunkers.*

Source: Central Statistics Office, Government of Mauritius.

Table 3.7: Direction of EPZ Exports

(f.o.b. value) (Rs million)

COUNTRY	2004	2005 [1]	2004				2005 [1]				2006 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Belgium	**1,011**	**1,279**	192	215	269	335	281	365	316	317	264	387
France	**6,995**	**6,045**	1,576	1,956	1,451	2,012	1,328	1,767	1,299	1,651	1,259	1,797
Germany	**1,003**	**730**	273	276	254	200	190	187	157	196	166	227
Hong Kong (S.A.R) [3]	**113**	**53**	25	59	12	17	13	9	16	15	12	12
Italy	**1,425**	**1,190**	308	440	304	373	283	259	273	375	368	506
Malagasy, Republic of	**686**	**773**	129	223	176	158	142	222	195	214	231	271
Netherlands	**730**	**550**	217	167	183	163	156	136	119	139	175	162
Switzerland	**534**	**552**	116	147	138	133	145	159	121	127	144	163
Singapore	**8**	**8**	2	3	1	2	1	2	2	3	1	2
United Kingdom	**8,895**	**9,208**	2,218	2,336	2,267	2,074	1,967	2,507	2,223	2,511	2,204	2,954
United States of America	**7,306**	**5,130**	1,614	1,838	2,020	1,834	1,283	1,285	1,512	1,050	819	1,220
Other	**3,340**	**3,436**	664	760	877	1,039	711	718	912	1,095	986	1,160
TOTAL	**32,046**	**28,954**	**7,334**	**8,420**	**7,952**	**8,340**	**6,500**	**7,616**	**7,145**	**7,693**	**6,629**	**8,861**

[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)

	2004	2005 [1]	2004				2005 [1]				2006 [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.)	**17,195**	**15,518**	**3,951**	**4,775**	**4,450**	**4,019**	**3,442**	**4,485**	**3,993**	**3,598**	**4,075**	**4,915**
Raw Materials	**14,734**	**13,658**	3,109	4,087	3,997	3,541	2,904	3,852	3,617	3,285	3,667	4,219
Machinery and Transport Equipment	**2,461**	**1,860**	842	688	453	478	538	633	376	313	408	696
Total EPZ Exports (f.o.b.)	**32,046**	**28,954**	**7,334**	**8,420**	**7,952**	**8,340**	**6,500**	**7,616**	**7,145**	**7,693**	**6,629**	**8,861**
Fish and Fish Preparations	**2,230**	**3,141**	444	542	689	555	518	803	893	927	943	1,374
Textile Yarn, Fabrics, Made-up Articles	**1,506**	**1,404**	295	511	353	347	307	380	360	357	365	444
Pearls, Precious and Semi-precious Stones	**1,249**	**1,394**	241	296	354	358	303	390	355	346	312	356
Articles of Apparel and Clothing	**23,047**	**19,194**	5,572	6,099	5,514	5,862	4,439	5,097	4,576	5,082	4,141	5,719
Watches and Clocks	**410**	**415**	93	103	101	113	119	113	94	89	103	125
Toys, Games and Sporting Goods	**174**	**137**	39	47	52	36	31	41	32	33	23	34
Other	**3,430**	**3,269**	650	822	889	1,069	783	792	835	859	742	809
Net EPZ Exports	**14,851**	**13,436**	**3,383**	**3,645**	**3,502**	**4,321**	**3,058**	**3,131**	**3,152**	**4,095**	**2,554**	**3,946**

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

Table 3.9: Imports and Exports - Major Commodity Groups

(Rs million)

	2004	2005 [1]	2004				2005 [1]				2006 [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	11,947	13,820	2,484	3,030	3,099	3,334	2,958	3,512	3,300	4,050	3,581	3,969
Beverages and Tobacco	698	839	141	139	165	253	148	195	198	298	213	194
Crude Materials, Inedible except Fuels	2,061	2,097	373	676	625	387	539	612	482	464	799	684
Mineral Fuels, Lubricants and Related Products	10,020	15,394	2,254	2,211	2,189	3,366	2,876	3,826	4,187	4,505	4,583	4,814
Animal and Vegetable Oils and Fats	712	845	177	171	205	159	194	247	213	191	76	263
Chemicals and Related Products	6,412	7,386	1,422	1,541	1,624	1,825	1,693	1,735	1,900	2,058	1,880	1,870
Manufactured Goods classified chiefly by Materials	19,806	19,297	4,107	5,293	5,228	5,178	4,050	5,097	5,212	4,938	4,594	5,267
Machinery and Transport Equipment	17,916	26,110	3,764	4,290	4,828	5,034	4,579	7,568	7,261	6,702	6,190	8,258
Miscellaneous Manufactured Articles	6,624	7,257	1,310	1,501	1,625	2,188	1,252	1,742	1,874	2,389	1,556	1,851
Commodities and Transactions not classified elsewhere in the SITC [3]	191	237	59	38	49	45	44	51	90	52	134	66
TOTAL	**76,387**	**93,282**	**16,091**	**18,890**	**19,637**	**21,769**	**18,333**	**24,585**	**24,717**	**25,647**	**23,606**	**27,236**
Exports (f.o.b. value)												
Cane Sugar	9,631	10,536	1,984	666	4,206	2,775	2,285	856	4,412	2,983	2,465	449
Cane Molasses	190	173	13	-	65	112	-	-	84	89	-	-
Export Processing Zone Products	32,046	28,954	7,334	8,420	7,952	8,340	6,500	7,616	7,145	7,693	6,629	8,861
Other	1,809	2,441	445	512	368	484	527	618	490	806	594	562
Re-exports	9,028	16,991	1,956	2,261	2,464	2,347	2,758	4,713	4,766	4,754	4,797	6,393
TOTAL	**52,704**	**59,095**	**11,732**	**11,859**	**15,055**	**14,058**	**12,070**	**13,803**	**16,897**	**16,325**	**14,485**	**16,265**
Ship's Stores and Bunkers (f.o.b. value)	2,201	4,124	490	516	519	676	839	837	968	1,480	1,323	1,106

[1] *Revised.* [2] *Provisional.* [3] *Standard International Trade Classification.*
Source: Central Statistics Office, Government of Mauritius.

Table 3.10: Merchandise Imports

(c.i.f. value) (Rs million)

SITC Code	Standard International Trade Classification	2002	2003	2004	2005 [1]
00	**Food and Live Animals**	**11,289**	**10,308**	**11,947**	**13,820**
	Meat and Meat Preparations	813	860	977	999
	Dairy Products and Bird's Eggs	1,409	1,465	1,531	1,815
	Milk and Cream	*1,015*	*1,049*	*1,071*	*1,284*
	Fish and Fish Preparations	3,985	2,542	3,170	4,266
	Cereals and Cereal Preparations	2,090	2,051	2,598	2,717
	Wheat	*713*	*754*	*565*	*898*
	Rice	*688*	*658*	*893*	*909*
	Flour	*45*	*2*	*311*	*43*
	Other	*644*	*637*	*829*	*867*
	Vegetables and Fruits	1,122	1,282	1,325	1,443
	Vegetables	*552*	*659*	*649*	*752*
	Feeding Stuff for Animals	281	294	421	401
	Other	1,589	1,814	1,925	2,179
01	**Beverages and Tobacco**	**491**	**626**	**698**	**839**
	Alcoholic Beverages	306	365	426	459
	Unmanufactured Tobacco	10	5	8	12
	Other	175	256	264	368
02	**Crude Materials, Inedible except Fuels**	**1,813**	**1,542**	**2,061**	**2,097**
03	**Mineral Fuels, Lubricants and Related Products**	**6,634**	**7,290**	**10,020**	**15,394**
	Petroleum Products, Refined	5,673	6,391	8,791	13,471
	Other	961	899	1,229	1,923
04	**Animal and Vegetable Oils and Fats**	**625**	**639**	**712**	**845**
	Fixed Vegetable Oils and Fats	504	518	596	720
	Other	121	121	116	125
05	**Chemicals and Related Products**	**5,012**	**5,770**	**6,412**	**7,386**
	Organic Chemicals	317	404	374	409
	Inorganic Chemicals	356	494	371	383
	Dyeing and Tanning Materials	470	512	550	571
	Medical and Pharmaceutical Products	1,027	1,156	1,476	1,516
	Fertilisers	202	315	310	536
	Plastics in non-primary forms	413	476	582	674
	Other	2,227	2,413	2,749	3,297
06	**Manufactured Goods classified chiefly by Materials**	**18,744**	**18,863**	**19,806**	**19,297**
	Rubber, Wood, Cork, Paper and Paper Board Manufactures	1,937	1,968	2,269	2,457
	Textile Yarn, Fabrics, Made-up Articles and Related Products	10,364	9,950	9,221	7,427
	Lime, Cement and Fabricated Construction Materials	863	821	1,237	1,401
	Iron and Steel	1,360	1,564	1,886	2,235
	Manufactures of Metal, n.e.s.	1,679	1,767	1,952	2,247
	Other	2,541	2,793	3,241	3,530
07	**Machinery and Transport Equipment**	**13,543**	**14,241**	**17,916**	**26,110**
	Machinery Specialized for Particular Industries	2,583	2,237	3,451	3,046
	General Industrial Machinery & Equipment, n.e.s., & machine parts, n.e.s.	2,026	1,982	2,368	2,795
	Electric Machinery, Apparatus and Appliances, n.e.s. and Electrical Parts of Household Type	1,980	2,246	2,796	2,996
	Road Vehicles	2,718	2,805	4,028	4,216
	Other	4,236	4,971	5,273	13,057
08	**Miscellaneous Manufactured Articles**	**6,317**	**6,521**	**6,624**	**7,257**
	Articles of Apparel and Clothing	760	789	889	1,195
	Professional, Scientific and Controlling Instruments and Apparatus, n.e.s.	884	644	499	490
	Other	4,673	5,088	5,236	5,572
09	**Commodities and Transactions not elsewhere specified**	**140**	**142**	**191**	**237**
	TOTAL	**64,608**	**65,942**	**76,387**	**93,282**

[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

(c.i.f. value) *(Rs million)*

	2004	2005 [1]	2004				2005 [1]				2006 [2]	
			1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr
Australia	**2,845**	**2,699**	688	766	606	785	620	655	683	741	561	819
Bahrain	**4,021**	**5,086**	849	1,035	446	1,691	908	2,238	952	988	878	332
Belgium	**1,368**	**1,488**	269	251	408	440	370	366	331	421	467	424
China	**7,068**	**9,166**	1,200	1,640	1,950	2,278	1,735	2,361	2,380	2,690	1,793	2,326
France	**6,818**	**6,958**	1,309	1,518	1,829	2,162	1,606	1,799	1,672	1,881	1,866	2,194
Germany	**2,852**	**3,794**	624	606	785	837	659	1,030	1,294	811	1,140	1,389
Hong Kong (S.A.R) [3]	**771**	**652**	152	259	213	147	142	209	145	156	138	162
India	**6,989**	**6,461**	1,266	2,093	1,468	2,162	1,702	1,612	1,731	1,416	2,330	2,308
Italy	**2,431**	**2,402**	544	619	565	703	416	805	546	635	543	673
Japan	**3,083**	**3,333**	792	710	776	805	708	823	926	876	677	951
Kenya	**152**	**283**	31	37	37	47	109	52	49	73	74	135
Malaysia	**2,285**	**2,670**	433	576	639	637	484	638	719	829	574	712
Netherlands	**462**	**466**	135	101	106	120	86	130	119	131	124	141
New Zealand	**506**	**823**	91	156	128	131	205	239	174	205	203	224
Pakistan	**1,182**	**1,011**	279	300	277	326	221	293	255	242	298	257
Republic of South Africa	**8,562**	**8,066**	1,955	2,127	2,122	2,358	1,673	2,026	1,987	2,380	1,963	2,246
Republic of Korea	**797**	**906**	138	204	240	215	153	223	246	284	220	292
Singapore	**1,175**	**1,586**	262	293	357	263	210	251	843	282	244	252
Taiwan	**1,246**	**1,718**	225	389	304	328	408	326	381	603	509	522
United States of America	**1,651**	**1,972**	355	389	511	396	320	606	492	554	486	628
United Kingdom	**2,377**	**2,589**	533	533	619	692	540	596	798	655	663	683
Other	**17,746**	**29,153**	3,961	4,288	5,251	4,246	5,058	7,307	7,994	8,794	7,855	9,566
TOTAL	**76,387**	**93,282**	**16,091**	**18,890**	**19,637**	**21,769**	**18,333**	**24,585**	**24,717**	**25,647**	**23,606**	**27,236**

[1] *Revised.* [2] *Provisional.* [3] *Special Administrative Region of China.*

Source: Central Statistics Office, Government of Mauritius.

Table 3.12: Export and Import Price Indices

Period	Price Indices		Terms
	Export	Import	of Trade [1]
	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	109	112	97
2004	107	111	97
	Base Year: 2003 = 100		
2005	113	129	87
1st Quarter	*112*	*124*	*91*
2nd Quarter	*112*	*125*	*90*
3rd Quarter	*113*	*134*	*84*
4th Quarter	*113*	*133*	*85*
2006			
1st Quarter	*115*	*138*	*83*
2nd Quarter [2]	*118*	*141*	*83*

[1] Ratio of Export Price Index to Import Price Index. *[2] Provisional.*
Source: Central Statistics Office, Government of Mauritius.
Note: As from the first Quarter of 2004, the terms of trade are based on the Exports and Imports Indices instead of unit value indices.

Table 3.13(a): Tourist Earnings

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Tourist Earnings (Rs million)	9,048	10,068	11,890	13,668	14,234	18,166	18,328	19,415	23,448	25,704

Table 3.13(b): Tourist Arrivals by Country of Residence

Country of Residence	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Reunion	82,272	82,628	83,966	83,749	86,945	91,140	96,375	95,679	96,510	99,036
Republic of South Africa	50,361	51,249	49,676	46,583	48,683	47,882	42,685	45,756	52,609	58,446
France	130,292	145,173	162,775	175,431	198,423	197,595	202,869	200,229	210,411	220,421
Madagascar	11,401	10,143	9,213	7,880	7,057	6,674	9,417	11,044	8,256	7,397
Germany	45,221	43,993	43,826	45,206	52,869	50,866	53,762	53,970	52,277	55,983
United Kingdom	35,271	46,022	52,299	58,683	74,488	77,888	80,667	91,210	92,652	95,407
Italy	21,848	35,255	36,614	36,675	39,000	37,343	38,263	39,774	41,277	43,458
Switzerland	15,692	16,105	16,178	16,281	20,473	18,427	17,371	17,929	16,110	15,773
Zimbabwe	3,402	4,248	3,796	2,606	3,435	3,860	3,185	2,343	2,345	2,419
India	13,075	13,220	12,629	13,583	17,241	18,890	20,898	25,367	24,716	29,755
Australia	7,762	9,460	8,913	8,076	8,771	8,790	8,387	9,103	11,373	13,486
United States of America	2,362	2,879	3,158	3,345	3,704	3,923	4,116	4,505	4,305	4,890
Zambia	391	437	423	321	445	422	354	456	395	305
Kenya	1,170	1,230	1,684	1,655	1,801	1,734	1,507	1,510	1,506	1,358
Seychelles	9,325	8,995	8,529	7,893	9,229	10,687	13,468	9,869	7,456	10,084
Singapore	3,153	3,404	3,515	3,661	4,104	3,431	3,114	2,102	2,329	1,789
Other Countries	53,869	61,684	61,001	66,457	79,785	80,766	85,210	91,172	94,334	101,056
All Countries	**486,867**	**536,125**	**558,195**	**578,085**	**656,453**	**660,318**	**681,648**	**702,018**	**718,861**	**761,063**

Table 3.13(c): Average Stay of Tourists

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Nights	10.2	10.5	10.4	9.9	9.8	9.9	9.9	9.9	9.9	9.9

Source: Central Statistics Office, Government of Mauritius.

Table 3.13(d): Tourist Arrivals and Tourist Earnings: January 2004 - June 2006

	2004		2005		2006	
	Tourist Arrivals*	Tourist Earnings (Rs million)	Tourist Arrivals*	Tourist Earnings (Rs million)	Tourist Arrivals*	Tourist Earnings (Rs million)
January	66,543	2,109	73,053	2,429	86,218	3,411
February	54,104	1,830	56,367	2,251	64,894	2,716
March	63,631	2,548	67,931	2,396	58,136	2,941
April	55,599	2,020	52,971	1,891	57,361	2,381
May	53,974	1,859	55,995	2,080	50,773	2,314
June	38,826	1,569	42,994	1,537	42,755	1,688
July	62,173	1,672	65,462	1,596		
August	55,342	1,648	60,746	2,053		
September	53,102	1,592	53,233	1,779		
October	70,793	1,789	70,999	2,066		
November	66,960	2,130	70,793	2,472		
December	77,814	2,682	90,519	3,154		
Total	**718,861**	**23,448**	**761,063**	**25,704**	**360,137** [1]	**15,451** [1]

1 The figures for 2006 relate to the period January to June only.
** Source: Ministry of Tourism, Leisure and External Communications.*

Table 3.14(a): Foreign Direct Investment in Mauritius by Sector: 1990 - 2006

(Rs million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 [1]
Export Processing Zone	270	130	203	92	41	245	51	-	27	300	8	3	41	77	248	106	30
Tourism	152	68	8	152	129	70	35	20	75	27	10	-	100	103	121	536	1,991
Banking	-	51	3	-	-	-	55	1,122	117	215	-	600	316	1,301	310	454	403
Telecommunications	-	-	-	-	-	-	-	-	-	-	7,204	-	-	-	38	175	9
Other	187	48	16	27	190	10	517	22	73	701	43	333	522	485	1,079	1,536	454
Total	**609**	**297**	**230**	**271**	**360**	**325**	**658**	**1,164**	**292**	**1,243**	**7,265**	**936**	**979**	**1,966**	**1,796**	**2,807**	**2,887**

Table 3.14(b): Foreign Direct Investment in Mauritius by Country of Origin: 1990 - 2006

(Rs million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 [1]
China	17	11	3	3	1	-	-	-	-	-	-	-	18	33	-	38	-
Dubai	-	-	-	-	-	-	-	19	39	156	11	-	8	45	10	9	55
France	75	57	25	35	39	17	17	34	48	33	7,214	25	232	157	492	427	185
Germany	27	23	4	-	10	80	6	1	-	9	-	-	4	-	95	46	131
Hong Kong	55	36	31	40	4	19	-	-	-	-	-	-	9	-	4	7	30
India	78	1	-	8	35	157	43	69	55	1	-	-	2	143	150	670	43
Luxembourg	-	17	-	-	-	-	-	-	66	-	-	-	-	-	29	369	1
Malaysia	10	25	57	129	60	11	27	-	-	25	-	-	30	70	-	-	-
Pakistan	-	-	-	-	-	-	25	18	17	15	-	-	-	-	-	50	50
Panama	15	16	-	-	16	-	-	-	-	-	-	-	-	-	13	4	6
Reunion Island	53	13	6	10	49	-	-	-	-	-	30	-	-	174	5	130	59
Singapore	18	-	14	2	6	-	519	-	-	-	-	-	13	1	-	-	-
South Africa	2	7	3	-	2	-	-	964	-	575	1	600	333	1,022	19	26	13
Switzerland	45	5	20	8	1	12	-	-	3	5	5	274	-	2	42	148	512
Taiwan	91	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UK	8	42	13	4	24	29	19	38	50	405	-	-	157	172	143	578	606
USA	1	-	46	-	1	-	-	-	-	-	3	3	29	37	518	75	31
Other	114	44	7	32	112	-	2	21	14	19	1	34	144	110	276	230	1,165
Total	**609**	**297**	**230**	**271**	**360**	**325**	**658**	**1,164**	**292**	**1,243**	**7,265**	**936**	**979**	**1,966**	**1,796**	**2,807**	**2,887**

[1] *January to June.*

Table 3.15(a): Direct Investment Abroad by Sector : 1990 - 2006

(Rs million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 [1]
Tourism	-	165	-	-	-	-	3	-	30	8	68	-	-	137	422	967	153
Banking	-	-	613	443	-	-	-	-	114	68	180	47	-	440	-	-	-
Manufacturing	5	5	-	15	9	14	24	13	25	10	13	-	245	41	101	258	101
Other	3	-	61	129	10	49	21	54	160	76	72	36	33	538	447	717	272
Total	**8**	**170**	**674**	**587**	**19**	**63**	**48**	**67**	**329**	**162**	**333**	**83**	**278**	**1,156**	**970**	**1,942**	**526**

Table 3.15(b): Direct Investment Abroad by Host Country: 1990 - 2006

(Rs million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 [1]
France	3	-	2	3	3	4	3	-	5	-	180	-	-	-	10	58	-
Reunion Island	-	-	613	-	-	-	-	-	17	10	-	6	3	7	36	24	-
USA	-	-	3	-	5	-	-	-	6	5	-	-	-	-	10	-	-
Switzerland	-	-	-	-	-	-	-	-	16	-	-	-	-	-	-	-	-
Madagascar	5	5	-	20	4	5	-	13	19	57	2	2	238	47	195	195	58
South Africa	-	-	-		1	2	3	20	5	-	-	1	-	7	6	1	-
India	-	-	-	450	1	3	3	-	148	-	-	-	-	-	-	1	-
Seychelles	-	-	-	-	-	-	-	-	30	9	68	-	-	570	75	89	62
Kenya	-	-	-	1	2	-	-	-	-	-	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-	-	5	81	-	58	-	523	253	532	254
Comores	-	165	-	-	-	49	18	26	-	-	-	-	-	-	-	-	-
Other	-	-	56	113	3	-	21	8	78	-	83	16	37	2	385	1,042	152
Total	**8**	**170**	**674**	**587**	**19**	**63**	**48**	**67**	**329**	**162**	**333**	**83**	**278**	**1,156**	**970**	**1,942**	**526**

[1] *January to June.*

Table 3.16: Balance of Payments: 2002 - 2005

(Rs million)

	2002	2003	2004 [1]	2005 [1]
I. CURRENT ACCOUNT	**7,472**	**2,658**	**-3,181**	**-9,569**
A. Goods and Services	**4,337**	**2,020**	**-4,165**	**-11,127**
Goods	**-6,329**	**-8,389**	**-16,006**	**-23,515**
Exports	53,893	53,022	54,905	63,219
Imports	-60,222	-61,411	-70,911	-86,734
General Merchandise	-7,647	-9,419	-16,685	-25,569
Credit	51,679	50,978	52,704	59,095
Debit	-59,326	-60,397	-69,389	-84,664
Goods procured in Ports by Carriers	1,318	1,030	679	2,054
Credit	2,214	2,044	2,201	4,124
Debit	-896	-1,014	-1,522	-2,070
Non-monetary Gold	-136	-142	-191	-364
Services	**10,666**	**10,409**	**11,841**	**12,388**
Credit	34,408	35,692	39,954	47,721
Transportation	8,231	9,350	10,254	11,336
Passenger	*6,498*	*7,348*	*8,259*	*9,376*
Freight	*528*	*669*	*776*	*856*
Other	*1,205*	*1,333*	*1,219*	*1,104*
Travel	18,328	19,415	23,448	25,704
Business	*6,797*	*6,813*	*9,063*	*10,847*
Personal	*11,531*	*12,602*	*14,385*	*14,857*
Other Services	7,849	6,927	6,252	10,681
Private	*7,770*	*6,749*	*6,078*	*10,408*
Government	*79*	*178*	*174*	*273*
Debit	-23,742	-25,283	-28,113	-35,333
Transportation	-9,190	-11,168	-12,911	-15,428
Passenger	*-582*	*-553*	*-604*	*-603*
Freight	*-4,325*	*-4,595*	*-5,875*	*-7,296*
Other	*-4,283*	*-6,020*	*-6,432*	*-7,529*
Travel	-6,114	-6,036	-7,008	-8,110
Business	*-996*	*-730*	*-379*	*-733*
Personal	*-5,118*	*-5,306*	*-6,629*	*-7,377*
Other Services	-8,438	-8,079	-8,194	-11,795
Private	*-7,914*	*-7,221*	*-7,700*	*-11,656*
Government	*-524*	*-858*	*-492*	*-139*
B. Income	**396**	**-833**	**-390**	**-239**
Credit	2,396	1,303	1,418	4,270
Compensation of Employees	19	16	20	18
Direct Investment Income	154	75	110	135
Portfolio Investment Income	91	95	95	101
Other Investment Income	2,132	1,117	1,193	4,016
Monetary Authorities	*2,114*	*1,079*	*1,166*	*1,379*
General Government	*0*	*0*	*0*	*0*
Other	*18*	*38*	*27*	*2,637*

Continued on next page

Table 3.16: Balance of Payments: 2002 - 2005 (cont'd)

(Rs million)

	2002	2003	2004 [1]	2005 [1]
Debit	-2,000	-2,136	-1,808	-4,509
Compensation to employees	-242	-254	-257	-273
Direct Investment Income	-297	-652	-368	-991
Portfolio Investment Income	-348	-188	-247	-506
Other Investment Income	-1,113	-1,042	-936	-2,739
Monetary Authorities	*-6*	*-11*	*-13*	*-19*
General Government	*-216*	*-212*	*-209*	*-260*
Other	*-891*	*-819*	*-714*	*-2,460*
C. Current Transfers	**2,739**	**1,471**	**1,374**	**1,797**
Credit	5,847	4,551	4,630	4,782
Private	*5,230*	*4,131*	*4,024*	*4,302*
Government	*617*	*420*	*606*	*480*
Debit	-3,108	-3,080	-3,256	-2,985
Private	-2,901	-3,066	-3,143	-2,811
Government	-207	-14	-113	-174
II. CAPITAL AND FINANCIAL ACCOUNT	**-7,744**	**-3,742**	**884**	**9,043**
D. Capital Account	**-58**	**-24**	**-44**	**-52**
Migrants' Transfers	*-58*	*-24*	*-44*	*-52*
E. Financial Account	**-7,686**	**-3,718**	**928**	**9,095**
Direct Investment	**705**	**1,885**	**-564**	**-176**
Abroad	-257	153	-871	-1,402
In Mauritius	962	1,732	307	1,226
Portfolio Investment	**-522**	**-499**	**-1,041**	**481**
Assets	**-547**	**-756**	**-1,457**	**-1,235**
Equity Securities	-547	-756	-1,331	-1,235
Debt Securities	0	0	-126	0
Liabilities	**25**	**257**	**416**	**754**
Equity Securities	-18	226	524	1,058
Debt Securities	43	31	-108	-304
Other Investment	**2,329**	**1,101**	**1,676**	**4,864**
Assets	**-3,202**	**-620**	**-1,563**	**-6,777**
General Government	0	0	0	0
Banks	-613	466	-1,330	-5,708
Other Sectors: Long-term	0	0	0	0
Other Sectors: Short-term	-2,589	-1,086	-233	-1,069
Liabilities	**5,531**	**1,721**	**3,239**	**11,641**
General Government	1,047	-237	-212	285
Banks	2,755	135	1,661	183
Other Sectors: Long-term	-2,965	-2,274	-2,077	1,014
Other Sectors: Short-term	4,694	4,097	3,867	10,159
Reserve Assets	**-10,198**	**-6,205**	**857**	**4,888**
Monetary Gold	0	0	0	0
Special Drawing Rights	-6	-11	-12	-19
Reserve Position in the Fund	0	-297	0	191
Foreign Exchange	-10,192	-5,898	869	4,715
Other Claims	0	1	0	1
III. NET ERRORS AND OMISSIONS	**272**	**1,084**	**2,297**	**526**

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 the First Quarter of 2002, data on imports and exports include transactions through the Mauritius Freeport.
As from Quarter 3, 2005 'Other Income' includes interest income of banks.

[1] *Revised*

Table 3.17: Quarterly Balance of Payments: 2005-06

(Rs million)

	2005-06 [1]	2005 [1]		2006 [2]	
		3rd Quarter [1]	4th Quarter [1]	1st Quarter [1]	2nd Quarter [2]
I. CURRENT ACCOUNT	**-10,356**	**-3,253**	**-1,267**	**-501**	**-5,335**
A. Goods and Services	**-13,338**	**-3,170**	**-2,032**	**-1,513**	**-6,623**
Goods	**-25,690**	**-5,249**	**-5,993**	**-6,272**	**-8,176**
Exports	68,849	17,865	17,805	15,808	17,371
Imports	-94,539	-23,114	-23,798	-22,080	-25,547
General Merchandise	-28,210	-5,667	-6,839	-6,991	-8,713
Credit	63,972	16,897	16,325	14,485	16,265
Debit	-92,182	-22,564	-23,164	-21,476	-24,978
Goods procured in Ports by Carriers	2,520	418	846	719	537
Credit	4,877	968	1,480	1,323	1,106
Debit	-2,357	-550	-634	-604	-569
Non-monetary Gold	-463	-87	-182	-130	-64
Services	**12,352**	**2,079**	**3,961**	**4,759**	**1,553**
Credit	48,939	10,608	13,053	14,492	10,786
Transportation	11,226	2,824	3,214	3,068	2,120
Passenger	*9,279*	*2,345*	*2,738*	*2,564*	*1,632*
Freight	*847*	*209*	*237*	*177*	*224*
Other	*1,100*	*270*	*239*	*327*	*264*
Travel	28,571	5,428	7,693	9,068	6,382
Business	*11,250*	*2,100*	*3,014*	*3,541*	*2,595*
Personal	*17,321*	*3,328*	*4,679*	*5,527*	*3,787*
Other Services	9,142	2,356	2,146	2,356	2,284
Private	*8,971*	*2,314*	*2,132*	*2,301*	*2,224*
Government	*171*	*42*	*14*	*55*	*60*
Debit	-36,587	-8,529	-9,092	-9,733	-9,233
Transportation	-15,942	-3,751	-4,326	-4,027	-3,838
Passenger	*-611*	*-154*	*-158*	*-110*	*-189*
Freight	*-7,680*	*-1,829*	*-2,106*	*-1,820*	*-1,925*
Other	*-7,651*	*-1,768*	*-2,062*	*-2,097*	*-1,724*
Travel	-8,459	-2,217	-2,023	-2,147	-2,072
Business	*-709*	*-247*	*-241*	*-118*	*-103*
Personal	*-7,750*	*-1,970*	*-1,782*	*-2,029*	*-1,969*
Other Services	-12,186	-2,561	-2,743	-3,559	-3,323
Private	*-12,010*	*-2,530*	*-2,702*	*-3,497*	*-3,281*
Government	*-176*	*-31*	*-41*	*-62*	*-42*
B. Income	**1,341**	**-290**	**259**	**825**	**547**
Credit	7,868	1,458	1,927	2,189	2,294
Compensation of Employees	23	5	5	5	8
Direct Investment Income	186	5	114	3	64
Portfolio Investment Income	130	35	36	14	45
Other Investment Income	7,529	1,413	1,772	2,167	2,177
Monetary Authorities	*1,226*	*234*	*324*	*327*	*341*
General Government	*0*	*0*	*0*	*0*	*0*
Other	*6,303*	*1,179*	*1,448*	*1,840*	*1,836*

Continued on next page

Table 3.17: Quarterly Balance of Payments: 2005-06 (cont'd)

(Rs million)

	2005-06 [1]	2005 [1]		2006 [2]	
		3rd Quarter [1]	4th Quarter [1]	1st Quarter [1]	2nd Quarter [2]
Debit	-6,527	-1,748	-1,668	-1,364	-1,747
Compensation to employees	-278	-63	-77	-64	-74
Direct Investment Income	-994	-552	-72	-175	-195
Portfolio Investment Income	-698	-199	-160	-106	-233
Other Investment Income	-4,557	-934	-1,359	-1,019	-1,245
Monetary Authorities	*-19*	*-5*	*-5*	*-6*	*-3*
General Government	*-281*	*-35*	*-110*	*-33*	*-103*
Other	*-4,257*	*-894*	*-1,244*	*-980*	*-1,139*
C. Current Transfers	**1,641**	**207**	**506**	**187**	**741**
Credit	4,820	909	1,229	1,137	1,545
Private	*4,265*	*877*	*1,200*	*1,099*	*1,089*
Government	*555*	*32*	*29*	*38*	*456*
Debit	-3,179	-702	-723	-950	-804
Private	*-2,953*	*-656*	*-675*	*-857*	*-765*
Government	*-226*	*-46*	*-48*	*-93*	*-39*
II. CAPITAL AND FINANCIAL ACCOUNT	**4,159**	**2,515**	**2,072**	**-804**	**376**
D. Capital Account	**-98**	**-30**	**-4**	**-33**	**-31**
Migrants' Transfers	*-98*	*-30*	*-4*	*-33*	*-31*
E. Financial Account	**4,257**	**2,545**	**2,076**	**-771**	**407**
Direct Investment	**578**	**19**	**-569**	**769**	**359**
Abroad	-986	-580	-505	190	-91
In Mauritius	1,564	599	-64	579	450
Portfolio Investment	**-1,679**	**-449**	**-178**	**-230**	**-822**
Assets	**-2,674**	**-492**	**-498**	**-615**	**-1,069**
Equity Securities	-2,674	-492	-498	-615	-1,069
Debt Securities	0	0	0	0	0
Liabilities	**995**	**43**	**320**	**385**	**247**
Equity Securities	1,320	288	393	351	288
Debt Securities	-325	-245	-73	34	-41
Other Investment	**2,339**	**1,607**	**1,339**	**-1,215**	**608**
Assets	**-8,846**	**-4,889**	**715**	**-4,652**	**-20**
General Government	0	0	0	0	0
Banks	-7,105	-3,915	1,155	-4,481	136
Other Sectors: Long-term	0	0	0	0	0
Other Sectors: Short-term	-1,741	-974	-440	-171	-156
Liabilities	**11,185**	**6,496**	**624**	**3,437**	**628**
General Government	-824	-79	-267	-191	-287
Banks	1,409	2,086	-1,958	601	680
Other Sectors: Long-term	-987	152	1,363	-361	-2,141
Other Sectors: Short-term	11,587	4,337	1,486	3,388	2,376
Reserve Assets	**3,019**	**1,368**	**1,484**	**-95**	**262**
Monetary Gold	0	0	0	0	0
Special Drawing Rights	-19	-5	-5	-5	-4
Reserve Position in the Fund	490	0	235	211	44
Foreign Exchange	2,548	1,373	1,254	-301	222
Other Claims	0	0	0	0	0
III. NET ERRORS AND OMISSIONS	**6,197**	**738**	**-805**	**1,305**	**4,959**

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.
As from Quarter 3, 2005 'Other Income' includes interest income of banks.

1 Revised Estimates.
2 Provisional.

Table 4.1(a): Gross Domestic Product by Industry Group at current basic prices

(Rs million)

INDUSTRY GROUP	2003 [1]	2004 [1]	2005 [1]	2006 [2]
1. Agriculture, Hunting, Forestry and Fishing	8,727	9,663	9,624	9,525
of which: Sugarcane	*(4,508)*	*(5,094)*	*(5,046)*	*(4,709)*
2. Mining and Quarrying	84	87	88	92
3. Manufacturing	29,581	31,799	32,040	34,943
of which: EPZ	*(13,171)*	*(13,134)*	*(12,100)*	*(13,035)*
4. Electricity, Gas and Water	3,409	3,546	3,355	3,678
5. Construction	8,269	8,835	9,023	9,962
6. Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household goods	15,466	17,327	19,417	21,830
7. Hotels and Restaurants	9,434	11,296	12,423	14,133
8. Transport, Storage and Communication	18,496	19,967	20,935	22,804
9. Financial Intermediation	13,829	14,875	16,756	18,988
10. Real estate, Renting and Business Activities	13,026	14,679	16,609	18,837
11. Public Administration and Defence; Compulsory Social Security	9,408	10,580	11,460	12,273
12. Education	6,280	7,087	7,780	8,353
13. Health and Social Work	4,423	5,107	5,616	6,200
14. Other Services	4,839	5,390	6,050	6,791
15. Financial Intermediation Services Indirectly Measured (FISIM)	-7,683	-7,818	-8,866	-10,056
Gross Domestic Product at basic prices	**137,588**	**152,420**	**162,310**	**178,353**
Taxes on products (net of subsidies)	19,806	23,172	23,177	24,984
Gross Domestic Product at market prices	**157,394**	**175,592**	**185,487**	**203,337**
Net Primary Income from the rest of the world	-833	-390	-236	+1,500
Gross National Income at market prices	**156,561**	**175,202**	**185,251**	**204,837**

[1] Revised estimates. [2] Forecast.
Figures are based on the 2002 Census of Economic Activities.
Source: Central Statistics Office, Government of Mauritius.

Table 4.1(b): GDP - Sectoral Real Growth Rates: 2003 - 2006

(Per cent)

INDUSTRY GROUP	2003 [1]	2004 [1]	2005 [1]	2006 [2]
1. Agriculture, Hunting, Forestry and Fishing	+1.9	+6.0	-5.3	-0.5
of which: Sugarcane	*+3.7*	*+6.5*	*-9.2*	*-3.8*
2. Mining and Quarrying	+1.0	+0.4	-3.6	+1.3
3. Manufacturing	+0.0	+0.3	-5.5	+2.1
of which: EPZ	*-6.0*	*-6.8*	*-12.3*	*+1.5*
4. Electricity, Gas and Water	+8.2	+4.0	+3.8	+4.2
5. Construction	+10.2	+0.5	-5.2	+5.0
6. Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household goods	+1.2	+5.7	+5.2	+5.1
of which: Wholesale and Retail Trade	*+0.8*	*+5.5*	*+5.0*	*+5.0*
7. Hotels and Restaurants	+3.0	+2.4	+5.6	+4.8
8. Transport, Storage and Communication	+6.6	+8.3	+7.8	+7.1
9. Financial Intermediation	+11.7	+4.3	+7.0	+6.7
10. Real estate, Renting and Business Activities	+6.6	+6.7	+6.5	+6.1
of which: Owner occupied dwellings	*+5.9*	*+5.3*	*+4.8*	*+4.1*
11. Public Administration and Defence; Compulsory Social Security	+5.6	+4.3	+5.3	+4.8
12. Education	+4.8	+6.4	+6.1	+3.7
13. Health and Social Work	+6.8	+7.4	+6.5	+6.1
14. Other Services	+6.3	+7.6	+7.9	+7.9
Gross Domestic Product at basic prices	**+4.4**	**+4.7**	**+2.5**	**+4.6**

[1] Revised estimates. [2] Forecast.
Figures are based on the 2002 Census of Economic Activities.
Source: Central Statistics Office, Government of Mauritius.

Table 4.1(c): GDP - Quarterly Sectoral Real Growth Rates (over corresponding period of previous year): Q1 2004 - Q2 2006

(Per cent)

	Annual Growth Rate		2004 [1]				2005 [1]				2006	
	2004	2005	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 [1]	Q2 [2]
1. Agriculture, Hunting, Forestry and Fishing	+6.0	-5.3	+7.3	+12.7	+6.2	+0.2	-6.9	-7.9	-7.0	+0.2	-0.7	+0.6
of which: Sugarcane	*+6.5*	*-9.2*	*+6.5*	*+6.5*	*+6.5*	*+6.5*	*-9.2*	*-9.2*	*-9.2*	*-9.2*	*-3.8*	*-3.8*
2. Mining and Quarrying	+0.4	-3.6	-9.7	+1.9	+9.7	+0.0	+7.9	+9.3	-9.6	-16.0	+7.9	+0.5
3. Manufacturing	+0.3	-5.5	+3.9	+0.5	-3.7	+0.1	-11.1	-6.2	-4.1	-2.0	+5.6	+3.4
of which: EPZ	*-6.8*	*-12.3*	*+3.2*	*-5.6*	*-12.7*	*-11.0*	*-21.2*	*-9.8*	*-8.4*	*-10.0*	*+0.6*	*+0.8*
4. Electricity, Gas and Water	+4.0	+3.8	+4.2	+5.4	+2.6	+3.7	+1.5	+2.5	+6.6	+5.2	+5.6	+6.5
5. Construction	+0.5	-5.2	+12.7	-9.2	+3.7	-0.1	-3.7	-10.3	-5.0	-0.9	-2.7	+2.3
6. Wholesale and Retail Trade; Repair of Motor Vehicles, Motor Cycles, Personal and Household Goods	+5.7	+5.2	-7.0	+13.0	+8.3	+8.2	-2.9	+7.1	+9.9	+5.3	+18.8	+7.2
of which: Wholesale and Retail Trade	*+5.5*	*+5.0*	*-7.8*	*+13.2*	*+8.3*	*+8.2*	*-3.5*	*+7.1*	*+10.0*	*+5.1*	*+19.7*	*+7.1*
7. Hotels and Restaurants	+2.4	+5.6	+2.4	-3.3	+2.0	+6.9	+6.5	+2.4	+5.2	+7.2	+5.9	-0.4
8. Transport, Storage and Communication	+8.3	+7.8	+9.8	+6.6	+8.3	+8.5	+7.7	+9.8	+7.5	+6.7	+7.8	+7.4
9. Financial Intermediation	+4.3	+7.0	+2.9	+7.0	+0.4	+6.7	+0.7	+5.1	+10.7	+11.5	+4.6	+4.1
10. Real Estate, Renting, and Business Activities	+6.7	+6.5	+7.4	+7.8	+5.6	+5.7	+6.0	+6.0	+6.7	+7.2	+6.4	+5.5
of which: Owner occupied dwellings	*+5.3*	*+4.8*	*+5.4*	*+5.3*	*+5.3*	*+5.2*	*+5.0*	*+4.8*	*+4.9*	*+4.9*	*+4.2*	*+4.2*
11. Public Administration and Defence; Compulsory Social Security	+4.3	+5.3	-2.1	+3.7	+8.1	+8.0	+4.4	+5.0	+7.8	+4.2	+4.2	+4.4
12. Education	+6.4	+6.1	+3.4	+4.3	+9.3	+8.4	+6.3	+7.7	+4.6	+6.1	+3.1	+2.9
13. Health and Social Work	+7.4	+6.5	+6.1	+6.5	+11.4	+5.4	+7.8	+7.5	+5.2	+5.4	+6.6	+12.6
14. Other Services	+7.6	+7.9	+6.9	+9.1	+9.6	+4.5	+6.1	+7.1	+8.7	+9.4	+10.9	+8.2
Gross Domestic Product at basic prices	**+4.7**	**+2.5**	**+4.2**	**+4.6**	**+4.5**	**+5.1**	**+0.2**	**+1.6**	**+3.7**	**+4.2**	**+6.7**	**+4.2**

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

Table 4.2: Distribution of Gross Domestic Product at current prices

(Rs million)

	2003 [1]	2004 [1]	2005 [1]	2006 [2]
Compensation of Employees	58,675	63,790	68,064	73,390
of which: General Government	*(14,758)*	*(16,660)*	*(17,826)*	*(18,779)*
Taxes (net of subsidies) on production and imports	21,239	24,733	24,900	26,933
Gross Operating Surplus	77,480	87,069	92,524	103,014
Gross Domestic Product at market prices	**157,394**	**175,592**	**185,487**	**203,337**

[1] Revised estimates. [2] Forecast.
Figures are based on the 2002 Census of Economic Activities.
Source: Central Statistics Office, Government of Mauritius.

Table 4.3: Expenditure on Gross Domestic Product at current prices

(Rs million)

	2003 [1]	2004 [1]	2005 [1]	2006 [2]
Private Consumption Expenditure on Goods and Services	96,180	111,820	128,968	147,174
General Government Consumption Expenditure on Goods and Services	22,272	25,043	27,368	29,013
Gross Domestic Fixed Capital Formation by Private Sector	21,681	26,345	27,767	31,789
Gross Domestic Fixed Capital Formation by Public Sector	13,873	11,658	11,757	16,587
Change in Stocks	+1,368	+4,891	+692	-766
Consumption and Gross Capital Formation	**155,374**	**179,757**	**196,552**	**223,797**
Net Export of Goods and Non-factor Services	2,020	-4,165	-11,065	-20,460
Gross Domestic Product at market prices	**157,394**	**175,592**	**185,487**	**203,337**

[1] Revised estimates. [2] Forecast.
Figures are based on the 2002 Census of Economic Activities.
Source: Central Statistics Office, Government of Mauritius.

Table 4.4: Gross Domestic Fixed Capital Formation at current prices by Type and Use

(Rs million)

	2002	2003 [1]	2004 [1]	2005 [1]	2006 [2]
A. By Type of Capital Goods					
(a) Residential Building	6,955	7,620	7,911	7,628	8,685
(b) Non-residential Building	7,074	7,967	10,174	9,627	10,521
(c) Other Construction Work	4,371	6,154	4,957	6,034	6,388
(d) Transport Equipment					
(i) Passenger Car	1,601	1,813	2,580	2,327	2,499
(ii) Other Transport Equipment	1,688	2,838	1,729	1,851	7,338
(e) Other Machinery and Equipment	9,386	9,162	10,652	12,057	12,945
GROSS DOMESTIC FIXED CAPITAL FORMATION	**31,075**	**35,554**	**38,003**	**39,524**	**48,376**
B. By Industrial Use					
(a) Agriculture, Hunting, Forestry and Fishing	832	953	1,328	2,025	2,185
(b) Mining and Quarrying	0	1	2	0	3
(c) Manufacturing	4,522	4,109	5,346	5,554	4,779
(d) Electricity, Gas and Water	1,452	1,809	1,783	2,750	2,897
(e) Construction	141	610	744	686	947
(f) Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household goods	2,501	2,487	2,489	2,739	2,967
(g) Hotels and Restaurants	3,878	3,227	5,185	4,192	6,653
(h) Transport, Storage and Communication	4,396	5,628	4,067	4,532	10,474
(i) Financial Intermediation	935	789	945	1,334	1,552
(j) Real Estate, Renting and Business Services	7,703	9,387	10,005	9,511	10,096
of which: Ownership of Dwellings	*(6,955)*	*(7,618)*	*(7,911)*	*(7,628)*	*(8,685)*
(k) Public Administration and Defence; Compulsory Social Security	1,681	2,175	2,495	1,975	2,154
(l) Education	1,041	1,241	1,167	1,326	1,182
(m) Health and Social Work	606	581	693	540	551
(n) Other Services	1,387	2,557	1,754	2,360	1,936
GROSS DOMESTIC FIXED CAPITAL FORMATION	**31,075**	**35,554**	**38,003**	**39,524**	**48,376**

[1] Revised estimates. 2 Forecast.
Figures are based on the 2002 Census of Economic Activities.
Source: Central Statistics Office, Government of Mauritius.

Table 4.5: Labour Productivity and Unit Labour Cost

LABOUR PRODUCTIVITY INDEX (Base Year 2000 = 100)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Economy	**79.8**	**84.2**	**87.7**	**91.5**	**92.4**	**100.0**	**104.4**	**105.5**	**109.0**	**113.4**	**115.1**
Manufacturing Sector	79.7	84.3	86.1	87.8	90.3	100.0	106.4	107.2	112.0	118.7	115.6
EPZ Sector	82.8	88.4	89.6	90.9	94.7	100.0	106.8	107.1	110.0	113.4	104.4

UNIT LABOUR COST INDEX (Base Year 2000 = 100)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Economy	**83.9**	**87.1**	**88.5**	**93.9**	**100.2**	**100.0**	**103.0**	**108.5**	**114.8**	**119.2**	**124.1**
Manufacturing Sector	82.7	83.3	84.7	90.8	99.3	100.0	103.3	110.7	114.2	114.8	124.5
EPZ Sector	81.2	81.7	82.1	89.3	98.7	100.0	105.1	115.4	123.2	128.1	145.1

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: Miller Planters	Owner Planters	Tenant Planters	Average Island	Sugar Produced	Average Yield of Sugar per arpent	Sugar Recovered
	(Thousands of arpents)		(Thousands of metric tonnes)	(Metric tonnes)				(Thousands of metric tonnes)	(Metric tonnes)	(Per cent of cane)
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	5,110	33.9	25.5	21.5	29.5	569	3.29	11.15
2001	181	173	5,792	37.3	29.9	24.5	33.5	646	3.73	11.15
2002	179	171	4,874	32.7	25.7	19.8	28.5	521	3.05	10.70
2003	176	168	5,199	34.5	28.8	21.1	30.9	537	3.19	10.34
2004	168	165	5,280	35.4	29.9	20.2	32.0	572	3.47	10.85
2005 [1]	170	162	4,984	34.6	28.4	20.2	30.8	520	3.21	10.44

[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)
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
2004	163.4	572.3	777.8 [12]	40.0	551.0	185.9	14,693
2005	185.9	519.8	744.1 [13]	39.4	539.4	165.1	15,946

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.*
12 *Includes 42.0 thousand metric tonnes of imported sugar.*
13 *Includes 38.3 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)

	1997	1998	1999	2000	2001	2002	2003	2004	2005 [1]
Industrial Crops	**9,699**	**8,094**	**7,802**	**7,003**	**7,996**	**7,355**	**7,399**	**7,586**	**7,094**
Tea (production of green leaf)	9,026	7,393	7,134	6,440	7,440	6,870	6,973	7,229	6,798
Tobacco [2]	673	701	668	563	556	485	426	357	296
Foodcrop Production	**101,442**	**91,618**	**85,747**	**114,484**	**129,119**	**103,876**	**103,455**	**111,633**	**99,738**
Banana	9,557	9,343	7,550	8,500	11,000	7,200	12,090	12,000	11,558
Beans and Peas	2,406	1,896	1,301	1,715	2,006	2,242	2,022	2,138	1,589
Beet	490	332	658	1,794	2,304	1,736	911	1,125	932
Brinjal	2,107	2,237	1,713	2,160	2,721	2,359	2,097	2,819	2,070
Cabbage	7,898	6,283	8,206	10,823	11,663	8,252	6,279	6,522	4,711
Carrot	4,878	3,363	6,127	11,461	12,030	8,650	5,048	5,841	3,893
Cauliflower	3,261	4,260	1,274	2,045	1,846	1,796	1,662	2,852	1,893
Chillies	845	1,060	795	905	1,031	826	1,056	1,322	1,156
Cucumber	5,714	4,573	4,187	6,046	6,426	5,675	6,713	6,938	4,886
Garlic	82	131	38	46	40	25	63	76	92
Ginger	317	420	116	498	868	473	369	791	1,011
Groundnut	863	551	341	408	323	284	893	610	231
Leek	57	23	97	263	269	159	85	89	98
Lettuce	2,223	1,878	1,223	1,716	2,399	2,214	1,988	1,883	1,649
Maize	232	260	201	623	389	295	177	369	467
Onion	5,036	6,727	9,066	11,134	10,950	7,117	4,183	4,682	5,659
Pineapple	1,559	1,462	1,014	3,416	6,016	1,917	4,562	4,490	5,088
Potato	17,584	14,612	15,322	13,843	16,350	13,339	12,359	11,246	16,302
Pumpkin	6,455	5,429	4,040	5,113	5,439	4,997	6,151	6,685	5,212
Squash	1,468	1,056	2,136	2,683	2,490	1,883	1,827	1,987	1,239
Tomato	12,226	10,729	8,037	9,719	12,395	11,738	13,247	14,400	12,491
Other Foodcrops	16,184	14,993	12,305	19,573	20,164	20,699	19,673	22,768	17,511
Total	**111,141**	**99,712**	**93,549**	**121,487**	**137,115**	**111,231**	**110,854**	**119,219**	**106,832**
Total Area Under Production (Hectares)	**6,913**	**6,995**	**6,059**	**7,357**	**7,918**	**7,262**	**7,228**	**7,553**	**6,971**
Livestock and Fisheries									
Beef [3]	2,274	2,516	2,575	2,538	2,248	2,428	2,505	2,456	2,397
Goat Meat [3]	120	112	116	86	74	100	97	89	104
Mutton [3]	8	6	9	16	40	14	11	18	7
Pork [3]	948	752	678	891	882	756	784	743	709
Fish [4]	12,362	9,835	10,572	7,842	8,794	9,314	9,449	9,430	8,982

[1] Provisional. [2] Crop year. [3] Comprises abattoir slaughters only. [4] Wet weight equivalent.
Source: Central Statistics Office, Government of Mauritius.

Table 4.9: Electricity - Production and Consumption

	Unit	1997	1998	1999	2000	2001	2002	2003	2004	2005
Plant Capacity	**Kilowatt**	**401,690**	**480,360**	**522,260**	**614,960**	**622,460**	**622,060**	**622,060**	**621,160**	**651,160**
of which:										
Hydro (CEB)	Kilowatt	69,440	59,440	59,440	59,440	59,440	59,440	59,440	59,440	59,440
Thermal (CEB)	Kilowatt	283,000	288,520	317,520	348,520	348,520	348,520	348,520	348,520	348,520
Energy Generated	**Gigawatthour**	**1,103.5**	**1,108.1**	**1,078.8**	**963.8**	**946.9**	**968.4**	**1,110.5**	**1,198.1**	**1,179.5**
Hydro	Gigawatthour	92.2	104.2	29.5	95.3	70.4	85.6	117.7	122.3	114.9
Thermal	Gigawatthour	1,011.3	1,003.9	1,049.3	868.5	876.5	882.8	992.8	1075.8	1064.6
Energy Purchased from Sugar and Other Factories	**Gigawatthour**	**148.3**	**257.0**	**343.7**	**601.2**	**710.2**	**746.7**	**729.4**	**725.1**	**835.4**
Sale of Energy	**Gigawatthour**	**1,075.1**	**1,176.4**	**1,229.2**	**1,358.5**	**1,449.8**	**1,491.7**	**1,607.1**	**1,682.1**	**1,752.2**
Number of Consumers		**284,576**	**293,887**	**304,029**	**313,963**	**323,213**	**330,005**	**338,563**	**346,990**	**357,404**
Domestic		253,518	261,971	271,061	279,886	288,324	294,666	302,387	310,078	319,075
Commercial		24,216	24,914	25,730	26,915	27,655	28,054	28,797	29,552	30,866
Industrial		6,308	6,342	6,419	6,531	6,624	6,662	6,681	6,629	6,710
Other		534	660	819	631	610	623	698	731	753

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	2001	2002	2003	2004	2005	2006
January	125.9	133.5	105.5	109.7	116.1	123.1
February	126.5	134.7	105.7	110.1	116.7	123.5
March	126.3	135.4	105.6	110.1	117.1	124.2
April	126.5	135.7	105.8	110.4	117.1	124.0
May	126.8	135.9	106.5	110.7	117.2	124.3
June	127.8	135.9	106.9	111.3	117.3	126.2
July	129.7	103.1	107.5	112.5	118.0	
August	129.9	103.6	107.4	112.7	118.0	
September	130.1	104.0	107.9	113.1	117.3	
October	130.5	105.0	108.3	114.6	118.2	
November	131.1	104.9	108.4	114.7	118.8	
December	131.8	104.8	108.9	115.0	119.5	
Average	**128.6**	**136.8 2**	**107.0**	**112.1**	**117.6**	
Yearly Change (Per cent)	+5.4	+6.4	+3.9	+4.7	+4.9	

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	December 2003		June 2004		December 2004		June 2005		December 2005		June 2006	
	Number of Enterprises	Employ-ment	Number of Enterprises	Employ-ment	Number of Enterprises	Employ-ment	Number of Enterprises	Employ-ment	Number of Enterprises	Employ-ment	Number of Enterprises	Employ-ment
1. Food	10	2,222	11	2,628	12	2,529	13	3,252	13	3,969	13	3,685
2. Flowers	37	454	37	470	37	467	37	471	37	469	32	305
3. Textile Yarn and Fabrics	43	4,737	43	4,349	41	3,868	43	4,864	46	5,139	44	5,567
4. Wearing Apparels	229	62,514	222	55,032	224	53,561	218	51,147	217	49,668	206	48,238
Pullovers	*(34)*	*(12,975)*	*(32)*	*(11,175)*	*(31)*	*(8,624)*	*(28)*	*(7,234)*	*(28)*	*(7,061)*	*(28)*	*(6,608)*
Other Garments	*(195)*	*(49,539)*	*(190)*	*(43,857)*	*(193)*	*(44,937)*	*(190)*	*(43,913)*	*(189)*	*(42,607)*	*(178)*	*(41,630)*
5. Leather Products and Footwear	9	771	9	786	9	751	9	733	9	684	7	595
6. Wood, Furniture and Paper Products	30	791	29	781	29	797	26	738	26	762	23	621
7. Optical Goods	6	364	6	436	6	424	5	335	5	376	5	375
8. Electronic Watches and Clocks	6	652	6	697	6	725	6	726	5	700	5	768
9. Electric and Electronic Products	6	486	6	435	6	425	7	428	9	447	9	429
10. Jewellery and Related Articles	32	1,651	32	1,529	33	1,584	34	1,618	36	1,702	37	1,702
11. Toys and Carnival Articles	7	787	7	787	6	711	6	706	6	584	5	459
12. Other	91	2,194	89	2,167	92	2,180	94	2,384	97	2,431	91	2,458
TOTAL	**506**	**77,623**	**497**	**70,097**	**501**	**68,022**	**498**	**67,402**	**506**	**66,931**	**477**	**65,209**

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	Manufac-turing	Electricity and Water	Construc-tion	Wholesale and Retail Trade, Restaurants and Hotels	Transport, Storage and Commu-nications	Community, Social and Personal Services [4]		Other	TOTAL
	Total	*of which:* Sugar [2]	Tea [3]							Total	*of which:* Central Govern-ment		
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 [2]	Mar-05 [2]	Mar-06 [3]
Agriculture, Forestry and Fishing	34.3	32.7	31.3	25.3	23.4	23.1	22.0	21.6
of which: Sugarcane	*25.9*	*24.8*	*23.5*	*17.6*	*15.5*	*14.8*	*13.8*	*13.8*
Other	*8.4*	*7.9*	*7.7*	*7.6*	*7.9*	*8.3*	*8.2*	*7.8*
Mining and Quarrying	0.2	0.2	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	92.6	91.0
of which: Sugar	*3.9*	*3.4*	*3.2*	*3.1*	*2.2*	*2.3*	*2.2*	*2.0*
EPZ Products	*88.9*	*88.2*	*90.8*	*84.5*	*82.5*	*74.7*	*65.2*	*64.4*
Other	*22.8*	*23.5*	*23.0*	*23.5*	*24.2*	*24.7*	*25.2*	*24.7*
Electricity, Gas and Water	3.1	3.0	3.0	3.0	3.0	2.9	3.0	3.0
Construction	13.6	13.5	13.3	13.0	14.6	15.3	12.5	12.9
Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	16.4	16.5	16.5	16.9	17.7	18.2	18.1	18.1
of which: Wholesale & Retail Trade	*14.4*	*14.5*	*14.6*	*15.0*	*15.7*	*16.2*	*16.1*	*16.1*
Other	*2.0*	*1.9*	*1.9*	*1.9*	*2.0*	*2.0*	*2.0*	*2.0*
Hotels and Restaurants	13.0	14.5	16.3	16.8	17.8	18.5	21.0	21.3
Transport, Storage and Communications	16.4	16.1	16.6	17.4	17.8	17.8	18.1	18.3
Financial Intermediation	6.6	6.7	7.1	7.0	7.3	7.5	8.4	9.0
of which: Insurance	*2.0*	*2.0*	*2.1*	*2.1*	*2.2*	*2.2*	*2.7*	*2.3*
Other	*4.7*	*4.7*	*5.0*	*4.8*	*5.1*	*5.3*	*5.7*	*6.7*
Real Estate, Renting and Business Activities	8.3	8.9	8.9	9.9	11.1	12.4	14.4	14.8
Public Administration and Defence; Compulsory Social Security	34.8	34.9	35.7	37.8	38.8	38.7	39.5	40.3
Education	17.9	17.8	18.3	18.9	20.6	21.3	22.2	24.0
Health and Social Work	11.4	11.3	11.0	11.0	11.6	12.1	12.6	12.7
Other Services	6.2	6.0	6.2	6.1	5.7	5.6	5.9	6.2
All Sectors	**297.7**	**297.0**	**301.2**	**294.2**	**298.5**	**295.4**	**290.6**	**293.6**

[1] Based on the International Standard Industrial Classification (ISIC) Rev.3.
[2] Revised.
[3] Provisional.
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)

INDUSTRY 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 [2]	Mar-03 [2]	Mar-04	Mar-05
Agriculture, Forestry and Fishing	6,146	6,818	7,910	8,527	9,361	9,897	10,496
of which: Sugarcane	*5,625*	*6,268*	*7,116*	*7,753*	*8,805*	*9,023*	*9,415*
Mining and Quarrying	10,905	11,427	12,822	13,396	7,871	7,942	8,061
Manufacturing	7,105	7,703	8,127	8,566	9,430	10,089	10,311
of which: EPZ [3]	*6,423*	*6,944*	*7,194*	*7,821*	*8,626*	*9,135*	*9,193*
Electricity, Gas and Water	12,157	13,569	15,696	17,519	17,347	18,456	19,635
Construction	8,884	10,232	10,278	11,218	12,209	14,040	14,871
Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	9,098	9,787	10,780	10,958	11,486	12,292	13,127
Hotels and Restaurants	7,099	7,437	7,819	8,056	8,444	8,978	9,898
Transport, Storage and Communication	10,508	12,021	12,508	13,393	14,575	15,966	16,834
Financial Intermediation	13,515	14,814	16,538	17,181	17,769	20,232	21,509
Real Estate, Renting and Business Activities	9,937	11,321	12,301	11,471	12,269	12,908	13,757
Public Administration and Defence; Compulsory Social Security	9,608	10,208	10,684	11,024	12,259	13,984	15,126
Education	10,608	11,256	11,235	11,682	12,458	13,912	15,032
Health and Social Work	10,137	11,290	12,396	12,128	12,900	15,251	16,762
Other Community, Social and Personal Services	8,287	8,364	8,683	9,320	10,883	11,930	13,006
All Sectors	**8,777**	**9,579**	**10,216**	**10,686**	**11,412**	**12,796**	**13,686**

[1] Tables 5.4(a) and 5.4(b) are not strictly comparable as the classification of sectors differs.
[2] Revised. *[3] Excluding non-manufacturing EPZ establishments.*
Based on the International Standard Industrial Classification (ISIC) Rev.3.
Source: Central Statistics Office, Government of Mauritius.

Table 6.1: 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	8,445	1,110	14,111	1,953	**25,619**
2005	9,232	1,081	13,584	2,170	**26,067**
2006	8,648	1,019	14,081	2,058	**25,806**

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.

Appendix II Board of Directors as at 30 June 2006

Chairman	Rameswurlall Basant Roi, G.C.S.K., Governor
Director	Baboo Rajendranathsing Gujadhur, First Deputy Governor *(proceeded on pre-retirement leave as from 16 June 2006)*
Director	Assen Ally Abdool Raman Sohawon
Director	Darmalingum Aroumageri Moodely
Director	Mohunlall Ramphul
Director	Jacques Tin Miow Li Wan Po
Director	Jean George Archimede Lascie
Director	Shyam Razkumar Seebun

Appendix III Monetary Management and Financial Markets Committee

Governor	Rameswurlall Basant Roi, G.C.S.K.
First Deputy Governor	Baboo Rajendranathsing Gujadhur *(proceeded on pre-retirement leave as from 16 June 2006)*
Financial Sector Adviser	Larry Roger Mote
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-Research	Mahendra Vikramdass Punchoo
Assistant Director-Research (Statistics)	Jitendra Nathsing Bissessur
Assistant Director-Supervision	Ramsamy Chinniah
Assistant Director-Financial Markets	Jaywant Pandoo
Assistant Director-Financial Markets	Marjorie Agnès Heerah-Pampusa (Mrs)
Assistant Director-Legal	Mardayah Kona Yerukunondu
Chief Bank Examiner-Supervision	Marie Roger Christian Noël

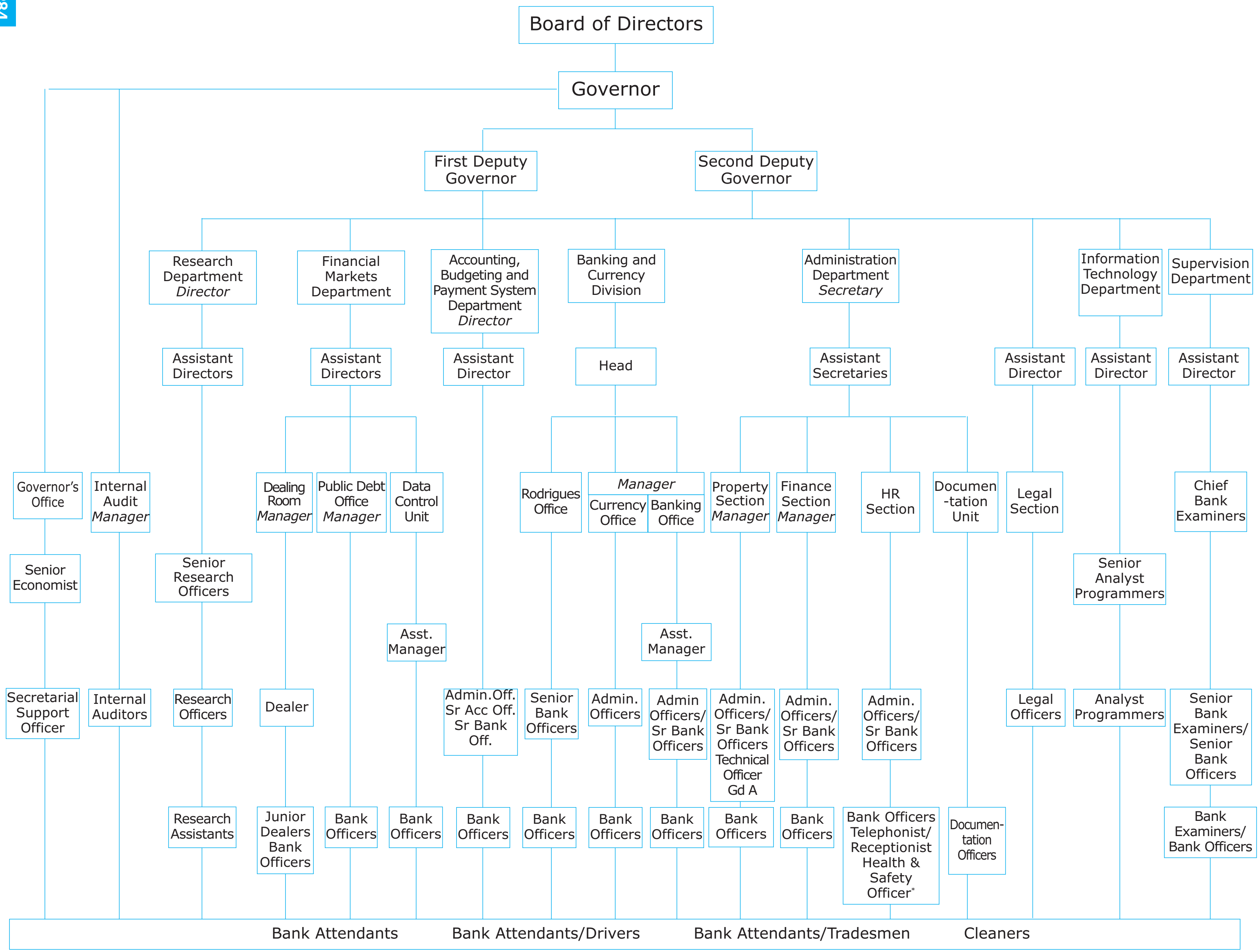
Secretaries to the Committee

Senior Economist	Youssouf Waësh Khodabocus
Secretarial Support Officer	Pierre Yvan Mario Lebon

Appendix IV Senior Management Officials

Governor	Rameswurlall Basant Roi, G.C.S.K.
First Deputy Governor	Baboo Rajendranathsing Gujadhur *(proceeded on pre-retirement leave as from 16 June 2006)*
ADMINISTRATION DEPARTMENT	
Secretary	Hemlata Sadhna Sewraj-Gopal (Mrs)
Assistant Secretary	Hasham Aboo Bakar Emritte *(proceeded on pre-retirement leave as from 30 January 2006)*
Assistant Secretary	Daneshwar Doobree
RESEARCH DEPARTMENT	
Director-Research	Hemraz Oopuddhye Jankee
Assistant Director-Research	Radhakrishnan Sooben
Assistant Director-Research	Mahendra Vikramdass Punchoo
Assistant Director-Research (Statistics)	Jitendra Nathsing Bissessur
ACCOUNTING, BUDGETING AND PAYMENT SYSTEM DEPARTMENT	
Director	Yandraduth Googoolye
Assistant Director	Jayendra Kumar Ramtohul
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
LEGAL SECTION	
Assistant Director	Mardayah Kona Yerukunondu
AUDIT OFFICE	
Manager	Yuntat Chu Fung Leung

Appendix V Organisation Chart



* Part time

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 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 2006.

Banks Licensed to carry Banking Business

1. Bank of Baroda
2. Banque des Mascareignes Ltee
3. Barclays Bank PLC
4. Deutsche Bank (Mauritius) Limited
5. First City Bank Ltd
6. Habib Bank Limited
7. HSBC Bank (Mauritius) Limited
8. Indian Ocean International Bank Limited
9. Investec Bank (Mauritius) Limited
10. Mauritius Post and Cooperative Bank Ltd
11. P.T Bank Internasional Indonesia
12. SBI International (Mauritius) Ltd.
13. SBM Nedbank International Limited
14. South East Asian Bank Ltd
15. Standard Bank (Mauritius) Limited
16. Standard Chartered Bank (Mauritius) Limited
17. State Bank of Mauritius Ltd
18. The Hongkong and Shanghai Banking Corporation Limited
19. The Mauritius Commercial Bank Ltd.

Non-Bank Financial Institutions Authorised to Transact Deposit-Taking Business

1. ABC Finance & Leasing Ltd.
2. Barclays Leasing Company Limited
3. Capital Leasing Ltd [1]
4. Finlease Company Limited

5. Cim Leasing Ltd
6. Global Direct Leasing Ltd
7. La Prudence Leasing Finance Co. Ltd
8. Mauritius Housing Company Ltd
9. Mauritian Eagle Leasing Company Limited
10. SBM Lease Limited
11. SICOM Financial Services Ltd
12. The Mauritius Civil Service Mutual Aid Association Ltd
13. The Mauritius Leasing Company Limited

Money-Changers (Bureaux de Change)

1. Change Express Ltd.
2. Max & Deep Co. Ltd
3. Gowtam Jootun Lotus Ltd [2]

Foreign Exchange Dealers

1. British American Exchange Co. Ltd
2. Edge Forex Limited
3. Rogers Investment Finance Ltd
4. Thomas Cook (Mauritius) Operations Company Limited
5. Shibani Finance Co. Ltd

[1] *CLL Leasing Ltd (former Capital Leasing LTD) and Capital Leasing LTD (former MUA Leasing Company LTD) were amalgamated on 15 June 2006. The two institutions will now operate under the name of Capital Leasing Ltd.*

[2] *The Bank has suspended the authorisation granted to Gowtam Jootun Lotus Ltd to carry on the business of money-changer with effect from 26 January 2006.*

RMB (Mauritius) Limited, holding a banking licence since 3 June 2002 has ceased to conduct banking business with effect from close of business on 1 June 2006.

BANK OF MAURITIUS

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