

Bank of Mauritius



DISSEMINATION NOTE:

RELEASE OF QUARTERLY INTERNATIONAL INVESTMENT POSITION

Statistics Division
Economic Analysis & Research and
Statistics Department

30 April 2024

FIRST RELEASE OF QUARTERLY INTERNATIONAL INVESTMENT POSITION

1.0 Introduction

The Bank of Mauritius (Bank) is hereby initiating the release of the International Investment Position (IIP) of Mauritius on a quarterly basis.

The IIP provides at a point in time, the value and composition of the country's external financial assets and liabilities that are claims of residents on non-residents, gold bullions held as reserves assets, and the liabilities of residents to non-residents¹. On a net basis, when a country's external assets are greater than external liabilities, the country is a net creditor vis-à-vis the rest of the world. When a country's external liabilities exceed its external assets, the country is a net debtor vis-à-vis the rest of the world. The net IIP serves as an important indicator of the country's financial conditions and creditworthiness.

The IIP complements the balance of payments statistics in the understanding of a country's claims over and liabilities vis-à-vis non-residents. The changes in the IIP between two points in time represent balance of payments financial account transactions, revaluation changes, and any other changes in volume.

The Bank, which is responsible for the preparation of the external assets and liabilities position of Mauritius, started publishing annual IIP statistics in 2007. However, these were broad estimates obtained from data sources available at the time. In order to refine the IIP statistics and improve external sector statistics in general, the Bank launched the annual Foreign Assets and Liabilities (FAL) survey for the first time in 2007 to collect data on non-financial corporate sector entities' foreign assets and liabilities².

In 2009, to ensure better coverage of all resident entities, the Bank launched the Global Business Companies (GBC) survey with the collaboration of the Financial Services Commission (FSC) Mauritius. The GBC survey targeted a sample of Management Companies (MCs) that accounted for over 75 per cent of GBCs' total assets. Gradually, as more and more survey results were being processed and analysed, and with the support of the International Monetary Fund (IMF) Technical Assistance (TA) missions, the Bank was able to refine the survey questionnaire, improve the data collection process, and extend the coverage of the survey to all MCs, in order to obtain more complete and reliable data for inclusion in the BoP and IIP statistics.

The compilation and dissemination of annual IIP statistics, inclusive of GBCs, since 2009 helped Mauritius graduate to the IMF's Special Data Dissemination Standards (SDDS) though a flexibility option was exercised to allow for annual, instead of quarterly, releases. With Mauritius now contemplating graduating to SDDS plus, the publication of quarterly IIP statistics would reinforce the country's eligibility for achieving this objective. Moreover, as an International Financial Centre, it has become increasingly important for Mauritius to produce

¹ See Balance of Payments and International Investment Position manual 6th Edition.

² See Bank of Mauritius Communiqué 14 March 2014 for details on the various initiatives of the Bank as well as IMF Technical assistance received.

higher frequency IIP statistics to keep policymakers, as well as other stakeholders, better informed of the evolving net IIP position of the country. Today, with the release of quarterly IIP, the Bank is fulfilling this vital role.

2.0 The release of Quarterly IIP and improvement in data sources

The compilation of IIP statistics rests on a number of data sources, as outlined below. Its release today was made possible by the publication of Other Financial Corporations (OFC) survey results on a quarterly basis since July 2023. This survey provides essential information on the external assets and liabilities of a major segment of the financial sector, that is, the non-bank non-depository financial sector, including GBCs. The Bank also introduced quarterly Foreign Assets and Liabilities (FAL) surveys as from January 2023 to meet the required timeliness for the compilation of quarterly IIP, collecting data on some 270 non-financial corporate sector entities' foreign assets and liabilities. In parallel, the Bank stepped up its efforts to close remaining data gaps for timely and accurate compilation of quarterly IIPs. Throughout this journey, the Bank obtained the support of two IMF TA missions in 2022 and 2024.

The data sources for the compilation of quarterly IIP statistics thus include the following:

- (1) Other Depository Corporations Survey, which is undertaken by the Bank monthly;
- (2) Other Financial Corporations Survey, for which FSC Mauritius collects data for compilation by the Bank quarterly;
- (3) Foreign Assets and Liabilities Survey, which is undertaken by the Bank quarterly;
- (4) Administrative records of Government and Parastatal entities, which are reported to the Bank quarterly; and
- (5) Central bank data that is available monthly.

The compilation and dissemination of quarterly IIP allows for prompter confirmation of previously released preliminary estimates of BoP and IIP data. Specifically, with more granular data being collected from different sources on a quarterly basis, validation and consistency checks of various inputs can be undertaken more rapidly, thereby ensuring greater reliability of the data being disseminated.

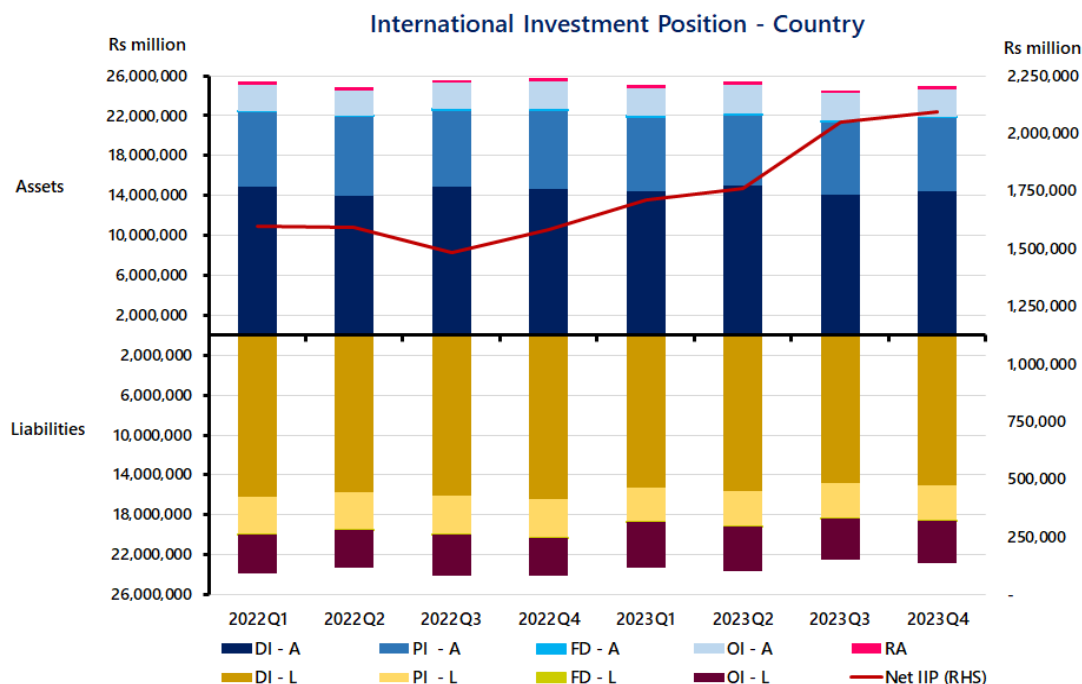
The availability of quarterly IIP also boosts the transparency of the Mauritius jurisdiction, placing the country at par with major advanced economies and contributing to facilitating the country's access to international capital markets. They can also serve for policy-making purposes, stress testing exercises, as well as monitoring and planning financial sector development.

3.0 IIP by sector

Since the first publication of IIP statistics in 2007, Mauritius has consistently remained a net creditor country. The quarterly statistics show that net IIP of the country increased from Rs1,600 billion as at end-March 2022 to Rs2,095 billion as at end-December 2023.

The two sectors that have significant external assets and liabilities are the Global Business and the Banking sectors. Other important sectors include the insurance sub-sector, pension funds sub-sector, Government and parastatal bodies sub-sector, the Central Bank and the non-financial corporate sub-sector. The main features of these categories are discussed in the next sections.

Chart 1: Main Components of Country's IIP between 2022Q1 and 2023Q4, Rs million



Note:

DI – A: Direct Investment Assets
 PI – A: Portfolio Investment Assets
 FD – A: Financial Derivative Assets
 OI – A: Other Investment Assets
 RA – Reserve Assets

DI – L: Direct Investment Liabilities
 PI – L: Portfolio Investment Liabilities
 FD – L: Financial Derivative Liabilities
 OI – L: Other Investment Liabilities

3.1 Global Business sector

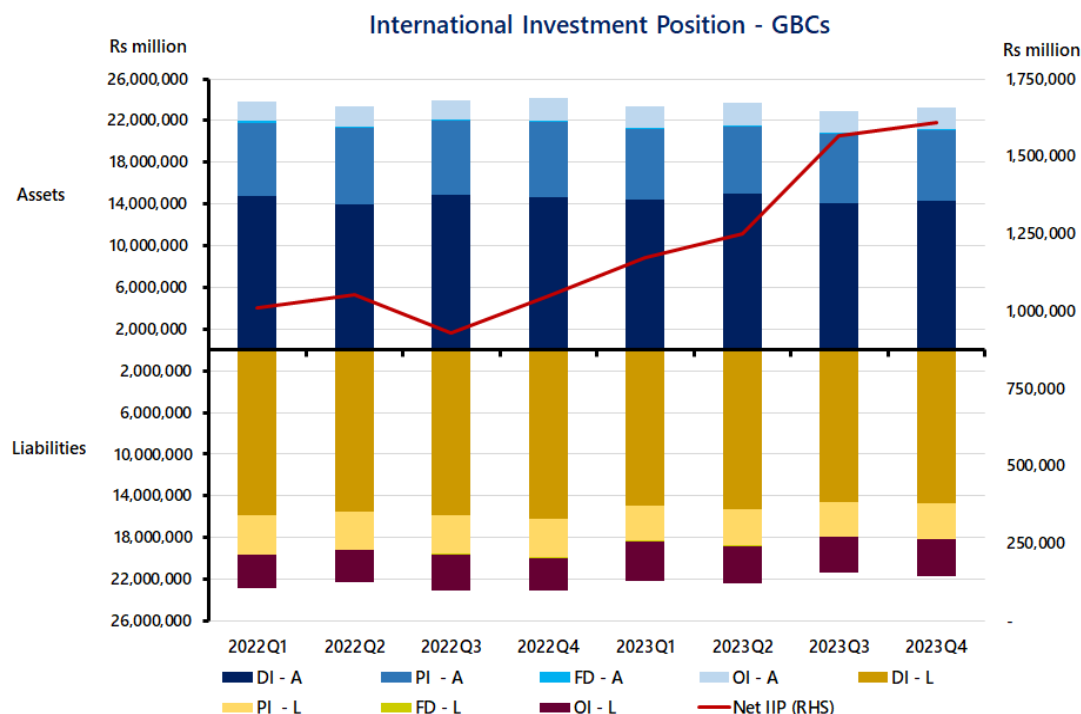
Mauritius, as an International Financial Centre (IFC) of good repute, attracts major cross-border investments that translate into significant holdings of foreign assets. The global business sector is an important pillar of the Mauritius IFC, with more than 12,000 GBCs³ operating in the Mauritian jurisdiction. The Global Business sector is regulated by the FSC Mauritius, which collaborates with the Bank for the collection of data inputs on the global business sector and the non-bank financial sector.

The GBC sector has consistently held a positive net IIP since it was first estimated in 2009. The net IIP of the GBC sector increased from Rs1,010 billion as at end-March 2022 to Rs1,609 billion as at end-December 2023. GBCs' external asset and liability positions dominate the country's

³ Also referred to as Global Business License Holders (GBLHs).

IIP, representing 77 per cent of the country's net IIP as at end-2023, while the non-GBC sector held a net IIP of Rs486 billion. The external asset and liability positions of GBCs are mainly contracted as Direct investment assets and Direct investment liabilities, respectively.

Chart 2: Main Components of GBC's IIP between 2022Q1 and 2023Q4, Rs million



3.2 Banks and non-bank deposit-taking institutions

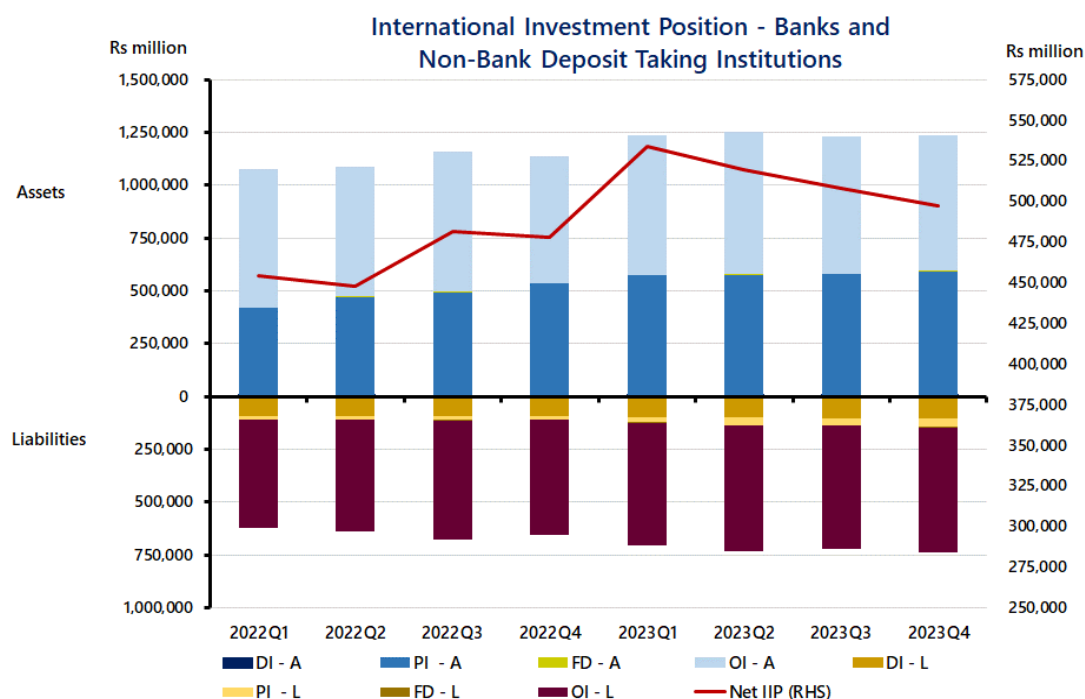
The net IIP of banks and non-bank deposit-taking institutions rose from Rs455 billion as at end-March 2022 to reach Rs497 billion as at end-December 2023. Banks and non-bank deposit-taking institutions primarily have portfolio and other investment external assets. Nonetheless, with the presence of a number of international banks in the Mauritius jurisdiction, banks have significant direct investment liabilities compared to other sectors. Non-deposit taking institutions do not hold any external assets while their external liabilities are relatively negligible. As such, banks account for all the external assets and, most of the liabilities position of depository corporations.

3.3 Financial sector (Excluding GBCs and Depository corporations)

Apart from the GBCs, banks and non-bank deposit-taking institutions, other institutional units operating within the financial sector consist of insurance companies, pension funds, Collective Investment Schemes, Closed-End Funds and Other Financial Auxiliaries. Most of the transactions of these entities involve portfolio and other investment assets and liabilities. Their direct investment assets and liabilities are significantly lower and, in some cases, non-existent. This segment of the financial sector has consistently held a positive net IIP, though a decrease from Rs37.3 billion as at end-March 2022 to Rs24.4 billion as at end-December 2023 was

noted. The insurance sub-sector, consisting of both Long-term insurance and General insurance, and the pension sub-sector that, both, primarily hold portfolio investment assets financed to a large extent by savings of residents, recorded net IIPs of Rs16.3 billion and Rs18.6 billion, respectively, as at end-December 2023.

Chart 3: Main Components of Banks’ and non-bank deposit-taking institutions’ IIP between 2022Q1 and 2023Q4, Rs million



3.4 Non-financial corporate private sector

The non-financial corporate private (NFCP) sector net IIP has been negative throughout the period 2022Q1 to 2023Q4, mostly reflecting the significantly higher net direct investment liabilities stock accumulated over the years relative to their cumulative net direct investment assets. NFCP entities that operate in the international trading business have trade credit assets and liabilities as resident exporters generally grant up to three months’ credit to their clients while resident importers receive similar credit facilities from their non-resident suppliers. As at end-December 2023, the NFCP sector held external assets of Rs46.4 billion while its external liabilities amounted to Rs259 billion. The NFCP entities contracted external borrowings estimated at Rs20.4 billion as at end-December 2023, primarily from affiliated parties, while their foreign long-term loans from non-affiliated entities were significantly lower, standing at Rs1.1 billion as at end-December 2023.

Chart 4: Main Components of Financial sector's (excluding GBCs and Depository corporations) IIP between 2022Q1 and 2023Q4, Rs million

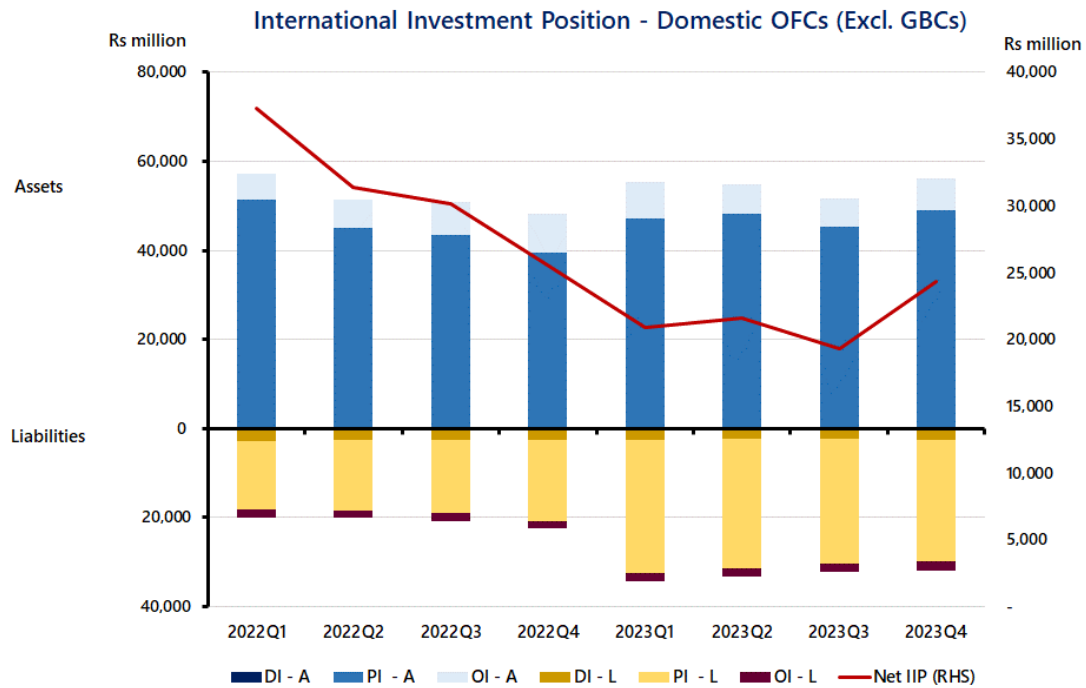
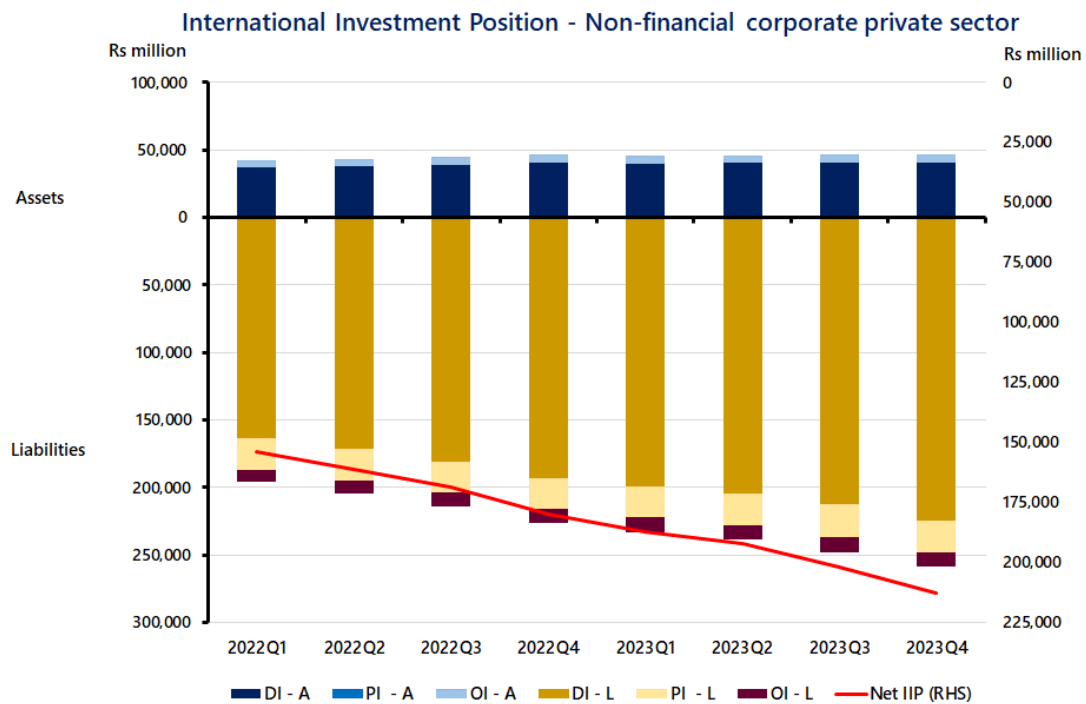


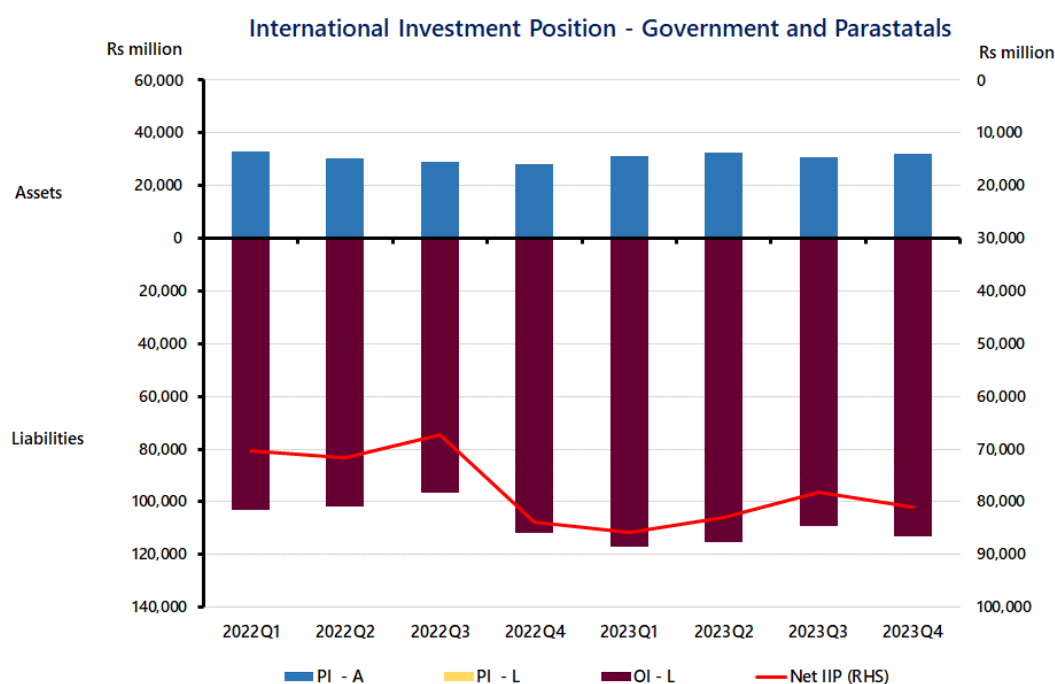
Chart 5: Main Components of Non-financial corporate private sector's IIP between 2022Q1 and 2023Q4, Rs million



3.5 Government sector and parastatal entities

External assets of the Government sector, inclusive of the National Pension Fund (NPF), decreased from Rs28.4 billion as at end-March 2022 to Rs27.9 billion as at end-December 2023. The Government sector has equity participation in multilateral organisations that in aggregate amounted to some Rs5.6 billion as at end-March 2022 and Rs6.7 billion as at end-December 2023. The external liabilities of the Government sector are primarily in terms of long-term external loans that rose from Rs61.5 billion as at end-March 2022 to Rs69.5 billion as at end-December 2023. Non-residents also hold bonds and debt securities issued by the Central Government. These are generally significantly lower and amounted to Rs416 million as at end-December 2023. Other debt liabilities of Government refer to IMF Special Drawing Rights (SDR) allocation that stood at Rs13.9 billion as at end-December 2023. Local Government does not have any external assets or liabilities, while parastatal entities primarily have external liabilities that are mostly guaranteed by the Government. Their foreign liabilities rose from Rs26.9 billion as at end-March 2022 to reach Rs29.5 billion as at end-December 2023.

Chart 6: Main Components of Government sector and parastatal entities' IIP between 2022Q1 and 2023Q4, Rs million

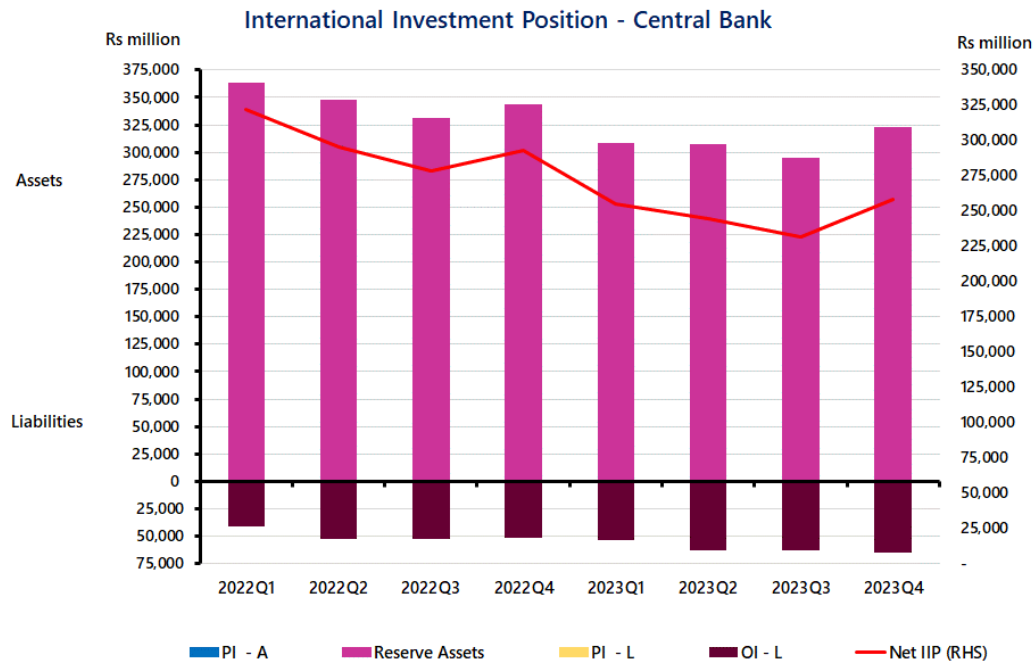


3.6 The Central Bank

The Bank, as the central bank of the country, holds the bulk of the gross official international reserve (GOIR) of the country. The GOIR, recorded under 'Reserves' on the asset side of the IIP, decreased from Rs361.7 billion as at end-March 2022 to Rs 321.4 billion as at end-December 2023. The Bank also hold equity participation in multilateral organisations that in aggregate amounted to Rs1.7 billion as at end-March 2022 and Rs1.9 billion as at end-December 2023.

The Bank's external liabilities rose from Rs40.9 billion as at end-March 2022 to Rs65.3 billion as at end-December 2023.

Chart 7: Main Components of the Central Bank's IIP between 2022Q1 and 2023Q4, Rs million



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