



BALANCE OF PAYMENTS (BoP) DEVELOPMENTS¹:

I. Fourth Quarter of 2018 (2018Q4)

1. The external current account deficit has been estimated at Rs8.3 billion (equivalent to USD241 million and representing about 6.2 per cent of GDP) in 2018Q4, largely reflecting the deficits on both the goods and secondary income accounts which completely offset the combined surpluses on the services and primary income accounts.
2. The deficit on the goods account widened, reflecting a higher increase in nominal imports compared to exports. The deficit rose from Rs29.5 billion (equivalent to USD869 million) in 2017Q4 to Rs30.5 billion (equivalent to USD887 million) in 2018Q4. However, as a ratio to GDP, the deficit on the goods account decreased from 23.6 per cent in 2017Q4 to 22.8 per cent in 2018Q4.

Exports of goods (f.o.b.) rose by 6.4 per cent, from Rs20.0 billion in 2017Q4 to Rs21.3 billion in 2018Q4. However, as a ratio to GDP, export of goods remained unchanged at 16.0 per cent of GDP, supported by the increases of 30.7 per cent and of 11.9 per cent in '*Ship's Stores and Bunkers*' and '*Re-exports*', respectively. Imports of goods (c.i.f.) increased by 5.7 per cent, from Rs52.0 billion in 2017Q4 to Rs55.0 billion in 2018Q4, reflecting mainly the increases in '*Mineral fuels, lubricants and related products*' (+21.8 per cent) and '*Machinery and transport equipment*' (+7.3 per cent). However, as a ratio to GDP, imports of goods (c.i.f.) declined from 41.7 per cent in 2017Q4 to 41.2 per cent in 2018Q4.

3. The surplus on the services account increased further in 2018Q4. The services account posted a surplus of Rs10.2 billion (equivalent to USD296 million) in 2018Q4 higher than the surplus of Rs10.0 billion (equivalent to USD293 million) in 2017Q4, mainly on account of a higher net surplus registered on the '*Other services*' sub-account.
4. Inclusive of estimated GBC1 flows, the surplus on the primary income account would amount to Rs14.6 billion in 2018Q4, while the secondary income account would be expected to record a deficit of Rs2.6 billion in 2018Q4.
5. The net borrowing from the financial account, inclusive of reserve assets, has been estimated at Rs9.9 billion (equivalent to USD288 million) in 2018Q4. The direct investment account registered net inflows, while both the portfolio and '*other investment*' accounts were expected

¹ Including estimates for cross-border transactions of GBC1s.

to have generated net outflows in 2018Q4. Excluding GBC transactions, non-residents' direct investment in Mauritius, net of repatriation, amounted to Rs1.4 billion in 2018Q4, as against net outflows of Rs0.4 billion in 2017Q4. Residents' direct investment abroad, net of repatriation, totalled Rs0.4 billion in 2018Q4 compared to Rs0.8 billion in 2017Q4. On the other hand, exclusive of GBC transactions, the portfolio investment account registered net outflows of Rs9.6 billion in 2018Q4, while the 'other investment' account recorded net inflows estimated at Rs3.5 billion in 2018Q4.

6. An overall balance of payments deficit of Rs2.2 billion was recorded in 2018Q4, reflecting essentially the decline in banks' foreign currency balances held with the central bank. It may be noted that banks hold foreign currency balances with the Bank on account of the requirements under the Bank's Guideline on the Liquidity Coverage Ratio.

II. Calendar Year 2018

1. The current account deficit has been estimated at Rs27.9 billion for calendar year 2018 (equivalent to USD821 million or 5.7 per cent of the GDP). The deficit on the goods account went up from Rs91.1 billion (equivalent to USD2.6 billion) in 2017 to Rs102.5 billion (equivalent to USD3.0 billion) in 2018. As a ratio to GDP, the goods account deficit rose from 19.9 per cent to 21.1 per cent. Total imports (f.o.b.) went up by Rs11.3 billion, or 6.6 per cent, from Rs171.8 billion in 2017 to Rs183.1 billion in 2018, driven mainly by the higher import bill for petroleum products and '*manufactured goods classified chiefly by material*'. Total exports (f.o.b.) decreased by Rs0.1 billion, or 0.1 per cent, from Rs80.7 billion in 2017 to Rs80.6 billion in 2018, on the back of declines of 10.1 per cent and 4.3 per cent in '*re-exports*' and '*domestic exports*', respectively, which offset the surge of 45.0 per cent in '*Ship's Stores and Bunkers*'.
2. The services account posted a higher surplus of Rs33.9 billion (equivalent to USD1.0 billion or 7.0 per cent of GDP) in 2018 compared to Rs30.0 billion in 2017 (equivalent to USD0.9 billion or 6.6 per cent of GDP). The travel sub-account registered a surplus of Rs42.0 billion in 2018 compared to Rs37.2 billion in 2017, reflecting the buoyant performance of the tourism industry.
3. The surplus on the primary income account has been estimated at Rs50.7 billion in 2018. Exclusive of estimated GBC1 flows, the primary income account posted a surplus of Rs9.1 billion in 2018. The secondary income account recorded a deficit estimated at Rs9.9 billion in 2018. Exclusive of GBC1 flows, the secondary income account recorded a deficit of Rs37 million in 2018.
4. Net borrowing from the financial account, inclusive of reserve assets, has been estimated at Rs30.7 billion (equivalent to USD906 million) in 2018. Both the direct investment and 'other investment' accounts are expected to have generated net inflows in 2018, contrasting with the net outflows on the portfolio investment account.
5. The direct investment account recorded net inflows of Rs249.1 billion in 2018. Excluding GBC transactions, the direct investment account registered net inflows of Rs9.8 billion. Gross direct investment flows² in Mauritius have been estimated at Rs13.6 billion for 2018, with the 'Real estate activities' sector as the major recipient (Rs9.1 billion). Gross direct investment flows

² The data exclude the results from the Foreign Assets and Liabilities Survey (FALS).

abroad, which totalled to Rs2.5 billion in 2018, were directed mostly to the 'Financial and insurance activities' sector (Rs1.2 billion).

6. The portfolio investment account recorded net outflows estimated at Rs196.1 billion. Excluding GBC transactions, the portfolio investment account registered net outflow of Rs61.2 billion. Non-residents' net disinvestment from the domestic stock market amounted to Rs1.6 billion in 2018 compared to net disinvestments of Rs2.5 billion in 2017. The 'Other investment' account, excluding GBC-related transactions, registered net inflows of Rs60.6 billion in 2018. The general Government sector effected net repayment of loans totalling Rs3.3 billion in 2018 compared to the net repayment of Rs6.3 billion in 2017.
7. The country recorded a balance of payments surplus of Rs16.6 billion in 2018 compared to a surplus of Rs28.3 billion in 2017. Excluding valuation change, the pick-up in reserve assets in 2018 emanated mostly from the net purchases of foreign exchange by the Bank from the domestic market, which more than offset the declines in foreign currency balances of both commercial banks and the Government held with the Bank.

Tables 1 and 2 provide details on the balance of payments in Mauritian rupee and US dollar, respectively.

Economic Analysis and Research and Statistics Department

28 March 2019