ANNUAL REPORT

Year ended 30 June 2009

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Letter of Transmittal

The Governor

Bank of Mauritius

Port Louis

29 October 2009

Dr. The Honourable Ramakrishna Sithanen, G.C.S.K.,
Vice-Prime Minister and Minister of Finance
and Economic Empowerment,
Government House,
Port Louis.

Dear Vice-Prime Minister and Minister of Finance and Economic Empowerment

Annual Report and Audited Accounts 2008-09

In accordance with the provision of Section 32 (3) of the Bank of Mauritius Act 2004, I transmit herewith the forty-second Annual Report of the Bank, which also contains audited Accounts of the Bank for the year ended 30 June 2009.

Yours sincerely

Rundheersing Bheenick

Statement from the Governor

What a period of exceptional turbulence it has been for the finance and banking sector and for globalised economies like that of Mauritius! The year (FY 08/09) began ordinarily enough, with our focus resolutely on the achievement of price stability especially as inflation threatened to enter double-digit territory. Within a matter of weeks, Lehman Brothers became a household name for all the wrong reasons, engulfing companies, countries and continents far removed from the original epicentre of the crisis in the US subprime market.

The downside of globalisation, until then a subject of little mainstream interest, manifested itself in the speed at which the contagion spread. Never since the Great Depression has the world economy come so close to the brink of collapse. For a small open economy which depends critically on open trade flows for both its imports of essential items, like food and fuel, and for the necessary exports to be able to pay its way in the world, the situation was fraught indeed!

As fear gripped major markets, it became increasingly difficult for economic operators and regulators alike not to give in to panic and ensure a level-headed response to a situation which was not only rapidly deteriorating but also clouded with growing uncertainty. The rupee started depreciating as foreigners disinvested from both stocks on the local exchange and dumped Government paper. It did not matter one iota that domestic banks had no exposure to toxic assets and had reduced non-performing loans to a historically low level. And, for that matter, it did not help that an international rating agency chose this year to threaten the two largest domestic banks with a possible downgrade.

How did we react to these various external shocks and threats? We put the banking sector on high alert, with daily monitoring of all major movements, to enable us to take pre-emptive and timely action at the slightest sign of any adverse development. Thus, no sooner had reports begun to reach us that trade credit lines, traditionally extended to domestic banks by large foreign banking institutions, were being withdrawn that the Bank decided to set up a Special Line of Credit in foreign currency to meet the shortfall, thus becoming one of the first Central Banks in emerging countries to provide trade financing which is the very life blood of a trading nation. And that was several months before the G-20 at its London meeting in April 2009 emphasised the importance of trade credit in supporting global economic recovery.

The crisis also brought the Ministry of Finance and Economic Empowerment (MOFEE) and the Central Bank on a convergent path as fiscal and monetary policy entered a phase of maximum coordination where Government came up with a Fiscal Stimulus Package, approximating 3.8% of GDP, while the Central Bank embarked on a series of cuts in the Key Repo Rate (KRR) and a reduction in the minimum Cash Reserve Ratio (CRR).

In parallel, both MOFEE and the Bank actively joined the international debate to search for a lasting solution out of the financial and economic crisis. We paid particular attention to de-stigmatising access to IMF resources. The Flexible Credit Line that was rapidly put in place by the G-20 was tailor-made to meet the requirements of the Mauritian situation in the face of an expected worsening of our external accounts. Without any *ex-ante* conditionality, this line provided a way of staunching any unexpected massive forex outflow and financing the growing balance of trade deficit that, under this scenario, could no longer be funded by the combination of net foreign investment inflows and the rise in earnings on the services account on which the economy depended to balance its books.

Luckily for us, the situation never got out of hand and there was no need to have recourse to this facility after all. There was even an unexpected bonus for Mauritius as far as relations with the Fund were concerned: effective February 2009, our exchange rate arrangement was reclassified from 'managed floating' to 'free floating' as from 1 November 2008 – which is nothing short of remarkable given that this period witnessed interventions by many major Central Banks in support of their currencies.

Let me now briefly highlight some major developments during the year.

- The banking sector continued its growth during the period March 2008 to March 2009 — with an 11% rise in deposits from Rs503 billion to Rs557 billion, a 20% rise in advances from Rs342 billion to Rs409 billion, and a 22% rise in bank profits from Rs11 billion to over Rs13 billion.

- The supervisory and regulatory framework was enhanced and modernised — with a seamless transition from Basel I to Basel II for capital adequacy after a frictionless year of parallel run, and the revision of some guidelines especially those relating to credit concentration and related party transactions.

- The Bank initiated the publication of regular bi-annual Financial Stability and Inflation Reports starting with the first issues in July 2008 and November 2008 respectively, thus fulfilling one of the requirements of its enabling legislation.

- The foreign exchange market saw growing competition with the issue of 14 new licences to money changers and one to a foreign exchange dealer: nine of these had commenced operations before 30 June 2009.

- We enhanced our Islamic finance credentials by hosting a Seminar on Islamic Capital Markets jointly with the Financial Services Commission and the Islamic Financial Services Board, which the Bank joined as an Associate Member in 2007. We authorised the local branch of a major international bank to provide Islamic financial services through a window operation.

- We achieved greater transparency regarding fees and commissions charged by banks by enforcing a standard template for reporting fees and commissions by all banks in Mauritius because we believe that a better-informed consumer can lead to more competitive outcomes and cheaper services.

- We pursued our efforts to graduate to the IMF's more demanding Special Data Dissemination Standards, thereby demonstrating our commitment to the provision of data of quality and frequency to rank with the best anywhere.

- Faced with the deteriorating external environment and its knock-on effects on the domestic economy, the Monetary Policy Committee met six times during the year — including a special meeting in July 2008, when the relentless upward pressure on inflation with serious risks of high inflation expectations becoming entrenched, made it more appropriate to raise the policy interest rate by 25 basis points to 8.25% per annum. The Bank raised the minimum CRR effective 15 August 2008, which led to a rise in short-term interest rates, thereby further tightening monetary conditions.

- Subsequently, the monetary policy stance was loosened, with the KRR being reduced by a cumulative total of 250 basis points in the period of six months to March 2009. This monetary easing was done in conjunction with the expansionary fiscal policy designed to shore up the domestic economy, which I referred to earlier.

- The Bank took over the Debt Management function from MOFEE, including the responsibility for the drafting of the Government Debt Management Strategy.

- Total Government debt stood at Rs134 billion as at end-June 2009 as against Rs122 billion at end-June 2008 – at less than 60% of GDP, a far cry from the rising debt levels in the major economies, some of which exceed 100% of GDP. The Bank has smoothed out the weekly issues of Treasury Bills and provided an advance monthly issuance calendar to the market. The Bank also introduced online auctioning of Treasury Bills on a pilot basis, thus paving the way for the issue of single-maturity instruments on different days and for greater efficiency in the money markets.

- We revisited our portfolio management approach — which was designed for a context where our reserves were a fraction of their current level — in search of higher yield without sacrificing quality and without taking unnecessary risks. As I mentioned in my Statement introducing the Annual Report of last year, we had separate Peer Reviews carried out by both the Bank for International Settlements (BIS) and the Reserves Advisory and Management Program of the World Bank's Sovereign Investments Partnership. Both reports have now been received.

- Any change in our portfolio management strategy is tied up with changes in our accounting approach and the profit allocation framework as well as with the risk appetite that is now warranted in the circumstances. We envisaged changing our accounting approach to allow for dynamic provisioning of expected losses from 'negative carry' resulting from forex sterilisation operations. Our first attempt to do this was unfortunately aborted with the Bank thus missing an opportunity to rank among the pioneers of this approach which has gained wide recognition *after* the crisis. The disallowed provision had to be remitted by way of a second transfer of profit during the year.

- The Bank hosted the 7th meeting of Governors of the Association of African Central Banks in July 2008 and, in that same month, co-hosted with the Centre for Central Banking Studies of the Bank of England, a seminar on "Inflation Targeting, Modelling and Forecasting". Later on during the year, the Bank co-hosted with the African Export and Import Bank an event to publicise the latter's products to the Mauritian business community.

- The Bank has been appointed as the Settlement Bank for the COMESA Regional Payment and Settlement System (REPSS). The REPSS project is now under implementation.

- Since the IMF announced that it was increasing the number of African Regional Technical Assistance Centers (AFRITACs), the Bank joined MOFEE in lobbying for Mauritius to be the venue for AFRITAC (South). We expect to report on this in more detail in the next report.

- The Bank has extended the coverage of the Mauritius Credit Information Bureau to allow collection of credit information from all institutions, including leasing, insurance, hire purchase and utility companies, which will lead to further improvement in credit quality.

- The Bank entered into a Memorandum of Understanding with the Central Statistics Office (CSO), to provide for a more structured collaboration between the two institutions. This was preceded by a week-end brainstorming session between the Bank, MOFEE, and the CSO.

- We give in this Report for the first time some metrics which will allow the informed observer to gauge our efficiency in meeting our mandate at least cost. It will be seen that an entire working month (23 meetings against a statutory minimum of 12) was taken up with Board meetings and the dividing line between governance and management became increasingly blurred - which would no doubt make an interesting case-study for institutions like the BIS, the central bank of central banks, concerned with central bank governance issues.

- The Bank launched a commemorative gold coin to mark the 40th Anniversary of the Independence of Mauritius. The coin has been the fastest-selling coin in the history of the Bank, with the issue being sold out in less than five days. This feat has inspired us to come up with a 'Father of the Nation' Platinum Series, made up of three different coins to be launched over the next three years, beginning in October 2009.

In the previous year, we had already reached record levels in terms of training fellowships extended to our staff to widen the Bank's knowledge base. This year, we continued with this tradition with a total of 85 training opportunities provided to staff, or about the same level as the previous year. We intend to pursue in this direction to enhance our skill levels to enable us to meet new challenges.

On behalf of the Bank, I wish to extend my appreciation to our staff who have put in tremendous effort and hard work to allow the Bank to fulfil its mandate. The close working relations with the industry were continued through different fora such as the Banking Committee, involving the Mauritius Bankers Association (MBA) and all Chief Executive Officers of banks, the Bureau Meeting involving the MBA and the Management of the Bank of Mauritius, and various regular meetings at other levels such as those with Treasurers and Compliance Officers. Without this close collaboration, the transition to Basel II would not have proceeded as smoothly as it did. A special word of thanks therefore goes to the Chairman, the Chief Executive and members of the MBA for facilitating the task of the regulator.

To conclude, let me thank the Prime Minister for his presence at the launch of the commemorative coin and his continued support during these trying times. I take this opportunity to also thank the Vice Prime Minister and Minister of Finance and Economic Empowerment for the close collaboration and support, which has helped enormously to maintain confidence in the economy and give it a much-needed sense of direction and cohesion in these troubled times.

Rundheersing Bheenick
14 October 2009

The Prime Minister launches a commemorative gold coin at the Bank on 16 September 2008

The commemorative gold coin bears the effigy of Sir Seewoosagur Ramgoolam and became the fastest-selling coin in the recent history of the Bank - the whole edition was sold in less than 5 days. This feat has inspired the Bank to come up with a "Father of the Nation" Platinum Series comprising three coins which will be launched over three years - 2009, 2010 and 2011.

CORPORATE SOCIAL RESPONSIBILITY

To mark the 40th anniversary celebrations, the Bank in collaboration with the Mauritius Amateur Athletic Association, sponsored the first National Inter Clubs Youth Championships which was held at Maryse Justin Stadium on 01 September 2007.

The sponsorship provided an opportunity to show the Bank's corporate social responsibility to the Mauritian Community. In a multiracial country like ours, sports act as a unifying factor. It was therefore fitting for the bank to engage in such a project which consolidates national unity.

The first meeting of the National Inter Clubs Youth Championships attracted some 870 young athletes divided into three categories namely colt(9 – 11years), benjamin (12 – 13 years) and minim (14 – 15 years) from 33 clubs in Mauritius and Rodrigues. Two national recoreds were set during the first meeting of the young athletes.

Following the resounding success of first edition, the Bank decided to make the event an annual feature. This initiative of the Bank reflects its commitment towards promoting sports and what is more befitting than motivating the very "pépinière" of our sportsmen.

The second edition was held on 22 November 2008, in which some 700 athletes from various clubs around the island participated. Unfortunately there were no athletes from Rodrigues as it coincided with other events organized in Rodrigues. For the second edition, three national records were set and some other good performances were noted.

Besides sponsoring the events, the Bank has also with a view to promoting excellence among participants and bringing glory to Mauritius, been rewarding those athletes who have been setting national records.

1 Review of the Economy: 2008-09

The world economy experienced a sharp downturn in fiscal year 2008-09 after the dramatic escalation of the financial crisis in September 2008 provoked an unprecedented contraction in global economic activity and trade. External financing was curtailed following the general rise in risk aversion and global demand shrunk as consumers mainly from advanced economies cut down on spending. In parallel with the rapid cooling of global activity, inflationary pressures and inflation subsided on account of the mounting economic slack and plummeting food and energy prices from July 2008 highs. Despite central banks and governments' coordinated massive fiscal stimulus and monetary policy easing, the global economic outlook remained bleak for the most part of the fiscal year. Signs of the global economy bottoming out only emerged towards year-end.

Economic activity in Mauritius, which had remained robust in the first half of 2008, slowed down in the first few months of the fiscal year 2008-09 and thereafter rapidly lost momentum, weighed down by weaker domestic and external demand. Year-on year quarterly data indicated a steady decline in the growth rate of real gross domestic product (GDP) from 4.4 per cent in the third quarter of 2008 to 3.8 per cent in the following quarter and further to 1.1 per cent in the first quarter of 2009. Economic activity picked up in the second quarter of 2009 to a year-on-year real growth rate of 2.3 per cent. Shorter-term dynamics captured through seasonally-adjusted quarter-on-quarter growth rate showed that real output growth decelerated at a much faster pace from 2.4 per cent in the third quarter of 2008 to 0.1 per cent in the following quarter. Real activity contracted by 0.8 per cent in the first quarter of 2009 but recovered in the second quarter of 2009 to record a positive 0.6 per cent. Overall for 2008-09, the real growth rate of GDP tumbled to 2.6 per cent from 6.0 per cent a year ago.

The slowdown in domestic demand from a real growth rate of 6.0 per cent a year ago to 3.3 per cent in 2008-09 was attributable to the significant deceleration in household consumption - which accounts for three-quarter of output - and in investment spending on building and construction work in the second half of 2008-09. Lower direct investment inflows than expected in the wake of the global economic crisis led to some major investment in new building and construction projects being shelved. Net external demand of goods and non-factor services continued to support real GDP growth in the year as the fall in imports outstripped the decline in exports. Exports contracted by 5.3 per cent over the year mainly due to weaker external demand for textiles products and tourism services while imports declined by 9.9 per cent reflecting the slowdown in domestic demand.

Exports of goods remained fairly resilient to the deterioration of external demand conditions, expanding in real terms for the first nine months of 2008-09 albeit moderately in the second and third quarters as exporters cut down profit margins to stay competitive. In the final quarter of 2008-09, exports of goods contracted relative to the corresponding quarter of 2007-08. Exports of non-factor services, however, declined on average by 15 per cent quarterly in the last nine months of 2008-09 reflecting negative contributions from travel and passenger transportation services, which together account for over 75 per cent of exports. As a result of the weakness in domestic demand, imports of both goods and non-factors services contracted in every single quarter during 2008-09 relative to a year ago.

On the supply side, economic growth was dragged down by the contraction in textiles and in hotels and restaurants as well as by the broad-based deceleration in other key sectors of the economy. Support came from the recovery of the sugar sector, which expanded at a real rate of 2.4 per cent after it contracted in the preceding year by 13.6 per cent and the robust performance of the financial intermediation sector, which sustained the growth rate of 8.1 per cent recorded a year ago. Within the year however, non-adjusted data indicated that real activity in the economy as a whole had actually contracted in the second semester from the first semester with a number of sectors, other than textiles and hotels and restaurants, recording negative growth rates.

Weaker external demand and lower capital flows in the second semester led to a protracted and deeper decline in economic activity of highly trade-exposed sectors with the multiplier effects of this initial drag in turn contributing to negatively affect the rest of the economy. Real activity in textiles and hotels and restaurants, which had already started contracting early in the year, shrunk at a faster pace in the second half although in the final quarter some signs of deceleration seemed to be emerging. The construction sector and the distributive trade sector witnessed two consecutive quarters of negative growth in the second semester. Faltering domestic demand adversely affected other manufacturing with a zero real growth rate in the third quarter and a contraction of 5 per cent in the final quarter of 2008-09. Financial intermediation, real estate, renting and business activities and utilities among others expanded at a much lower rate in the second semester. Sugar, other agriculture, and transport, storage and communications, in contrast, recorded higher real growth rates in the second semester compared with the first semester.

Reflecting worsening economic conditions, labour market conditions began to soften in the second half of fiscal year 2008-09. The seasonally adjusted unemployment rate, which had declined from 7.5 per cent in the third quarter of 2008 to 7.0 per cent in the fourth quarter of 2008, rose to 7.4 per cent in the following quarter and further to 7.9 per cent in the three months to June 2009. Job losses were significant in textiles and, to a lesser extent, in hotels and restaurants as firms face more competitive pressures amid increasingly difficult international trading conditions. Wage developments across the economy were largely influenced during the year by the pay award in the public sector implemented in July 2008, which in turn led to widespread and significant pay rise in the private sector. As a result, the economy-wide quarterly wage rate index (WRI) jumped from 109.7 in the second quarter to 128.2 in the third quarter of 2008. The contraction of real economic activity in key sectors in the second half of 2008-09 induced a moderate increase in the WRI in almost all sectors while in construction, health & social work, and to a lesser extent financial intermediation, the WRI declined partly due to a reduction in working hours.

Effective February 2009, two new legislations came into force. The Industrial Relations Act and the Labour Act were repealed and replaced by the Employment Relations Act and the Employment Rights Act respectively. These two legislations provide a new framework with regard to industrial relations and employment relationships within enterprises by enhancing the degree of flexibility for enterprises to manage their human resources and by making collective bargaining the foundation of the industrial relations system. As a measure of support to workers, who have lost their jobs due to the economic slowdown, a Workfare Programme has been set up under the Employment Rights Act providing job placements, self employment facilities, training for greater employability and financial assistance for a period of one year.

Consumer price inflation sharply declined in fiscal year 2008-09 on account of rapidly subsiding externally-generated inflationary pressures from food and energy prices on the one hand and lower inflation in main trading partners on the other hand. Food and energy prices had steadily risen in the first half of 2008 to unprecedented levels.

Weakening global demand thereafter led a sharp price correction on the international market. The food price index compiled by the Food and Agricultural Organisation (FAO) fell from 208 in July 2008 to 139 in February 2009 before resuming a general upward trend to close at 151 in June 2009. By December 2008, crude oil prices were down by more than two-third of the intra-day high of US$145.3 a barrel for NYMEX WTI and US$146.1 a barrel for IPE Brent hit on July 3, 2008 to an intra-year monthly average trough of US$39.4 and US$43.0 respectively. Renewed optimism about the global economic outlook in 2009 and supply cuts took crude oil prices higher but far below levels reached in the first half of 2008.

Headline inflation in Mauritius, measured by the percentage change in the 12-month average Consumer Price Index (CPI), eased from 8.8 per cent in 2007-08 to 6.9 per cent in 2008-09. During the year, it had steadily increased to peak at 9.9 per cent in October and November 2008 on higher food and fuel prices in the third quarter of 2008 mainly. Thereafter, lower food and fuel prices on average relative to a year ago as well as favourable base effects led to a decline in headline inflation. Year-on-year inflation declined at a much faster pace. From an intra-year peak of 11.7 per cent in August 2008, it declined to its lowest in May 2009 to 2.8 per cent before edging up to 3.3 per cent at the close of the year. Underlying core measures of inflation mirrored similar developments signalling that second round effects of initial price increases were also abating. Both CORE1, which strips "Food, Beverages and Tobacco" components and mortgage interest on housing loan from headline inflation, and CORE2, which is CORE1 excluding energy prices and administered prices, declined in the year under review. In line with the falling inflation rate, private sector inflation expectations gradually receded.

Balance of payments developments reflected a combination of external and domestic factors. Preliminary data indicated that the current account deficit to GDP ratio worsened from 8.8 per cent in 2007-08 to 9.4 per cent in 2008-09 as the narrowing down of the merchandise account deficit failed to offset the dramatic fall in the combined surpluses on the services, income and current transfers accounts. The improvement in the merchandise account deficit came from imports *f.o.b.* declining at a much faster pace than exports. Nominal exports of goods declined marginally by 1.2 per cent as the impact of the worsening external demand conditions were to a great extent mitigated by favourable exchange rate developments relative to the previous year. Nominal imports *f.o.b.* fell by 6.0 per cent reflecting the slowdown in domestic activity and falling international commodity prices. The reduction of the surplus on the services account was due to the higher decline in exports of non-factor services of 7.1 per cent relative to imports, which edged down by 1.8 per cent. The surplus on the income account decreased from 3.3 per cent of GDP in the preceding fiscal year to 0.3 per cent in 2008-09 while the current transfers account surplus as a percentage of GDP increased from 1.6 per cent to 2.3 per cent. The capital and financial account, inclusive of reserve assets, recorded marginally lower net inflows of Rs11.1 billion in 2008-09 compared to net inflows of Rs12.8 billion in 2007-08. Within the financial account, foreign direct investment, despite the slowdown in the second half of the year, recorded net inflows of Rs9.5 billion compared with Rs6.2 billion a year ago. Portfolio investment however continued to register net outflows in the year.

With a view to mitigating the impact of the global economic crisis on the Mauritian economy, Government and central bank initiated a coordinated expansionary fiscal and monetary policy towards the end of 2008. The additional stimulus package implemented in December 2008 was consolidated in May 2009 with a total budgeted spending of Rs14.2 billion to be spent over a period of 18 months. However, disbursements in 2008-09 under the fiscal stimulus package were not substantial and the impact on the government deficit was limited.

The government deficit for fiscal year 2008-09 as a percentage of GDP at market prices was 3.0 per cent while the ratio of total public sector debt to GDP increased by 1.8 percentage points to 58.3 per cent at the end of June 2009. The primary balance as a percentage of GDP stood at 0.8 per cent in the year under review. Government external debt went up by 41.9 per cent during the year but remained fairly low as a percentage of GDP at 6.5 per cent. Revenue increase over the year fell marginally short of the rise in expenses yielding a slightly higher deficit in the gross operating balance. The implementation of the pay award in July 2008 and higher Government grants contributed for 83.9 per cent of the additional expenses. Net acquisition of non-financial assets reached 2.1 per cent in 2008-09.

In line with the coordinated macroeconomic policy approach in the face of aggravating international and domestic economic conditions after mid-September 2008, the Monetary Policy Committee (MPC) cut the key Repo Rate by a cumulative total of 250 basis points over a period of five months from 31 October 2008 to 26 March 2009 to 5.75 per cent. Between October and March, the MPC convened two special meetings in addition to the two scheduled ones reflecting the urgency of getting interest rates at the appropriate level to support the economy in a context of rapidly declining inflation rate. Moreover, the Bank reduced the minimum Cash Reserve Ratio (CRR) in November and December 2008 after it was raised on 15 August 2008. The successive reductions in the key Repo Rate were effectively transmitted to banks' benchmark interest rates namely, their saving deposit rates and prime lending rates, both in terms of direction and magnitude. Interest rates along the yield curve also dropped significantly. By the time the MPC met on 22 June 2009, leading indicators in major economies suggested some stabilisation of the global economy although the growth outlook remained vulnerable and the key Repo Rate was left unchanged at 5.75 per cent. In July 2008, however, against a backdrop of still robust economic growth and rising inflation, the MPC had raised the key Repo Rate by 25 basis points to 8.25 per cent.

The pace of expansion of broad monetary liabilities (BML) moderated significantly in a context of low inflation, low interest rate and declining real economic activity. Within BML, the growth rate of narrow money liabilities (NML), which comprise of currency with public and rupee transferable deposits, accelerated relative to a year ago. On the assets side of depository corporations, net foreign assets (NFA) increased further. NFA of both Bank of Mauritius and other depository corporations recorded substantial increases. Domestic claims of depository corporations, excluding claims on GBL holders, expanded at a significantly lower pace in 2008-09 as a result of the slower growth in depository corporations claims (net) on budgetary central Government and on other sectors. The growth rate of credit extended to the private sector by banks declined marginally. There was no evidence of any credit crunch in Mauritius.

The net international reserves of the country, made up of the net foreign assets of the depository corporations, the foreign assets of the Government and the country's Reserve Position in the International Monetary Fund (IMF), increased by Rs13.9 billion in the year to Rs97.8 billion at the end of June 2009. The Bank of Mauritius holdings represented 64.7 per cent of the net international reserves while other depository corporations held 34.6 per cent. In terms of import cover, the level of net international reserves of the country at the end of June 2009 represented around 9.6 months of imports based on the value of the import (c.i.f.) bill for fiscal year 2008-09 excluding imports of marine vessels, compared with 7.9 months of imports at the end of June 2008.

Monetary and foreign exchange operations of the central bank on the money and interbank foreign exchange markets during 2008-09 were geared towards ensuring adequate liquidity and smoothing out excessive volatility in market interest rates and exchange rates.

The Bank proceeded with an early redemption of Bank of Mauritius Bills and the purchase of Treasury Bills to address the liquidity shortage on the money market after the minimum CRR was raised in August 2008. The Bank also reactivated its repo operations by conducting 16 repo transactions from September 2008 to January 2009 with a view to ensuring an adequate level of liquidity. Beginning February 2009, the money market started to stabilize and temporarily large excess of liquidity were met by timely reverse repo operations by the Bank. Activity on the interbank money market was more buoyant with the total turnover of transactions increasing by 46.8 per cent. On the interbank foreign exchange market, the Bank intervened and sold US$172 million between August and November 2008. For the remaining months, the interbank foreign exchange market was liquid reflecting banks' comfortable position and the Bank did not intervene. However, the Bank established a Special Foreign Currency Line of Credit aggregating US$125 million to be availed of by banks facing difficulty in accessing external trade financing after their foreign currency credit lines from usual sources were temporarily curtailed due to the global liquidity shortage.

Exchange rate developments on the domestic foreign exchange market during the year reflected mainly international trends as domestic demand and supply remained in balance on average. On a 12-month running average basis, the Mauritian rupee depreciated against the US dollar, euro and Japanese yen but appreciated against the Pound sterling during the period under review. The nominal effective exchange rate indices of the rupee namely, MERI1 and MERI2, showed a depreciation of 13.3 per cent and 12.9 per cent respectively. The narrowing down of the inflation differential between Mauritius and its trading partners entailed a depreciation of the real effective exchange rate of the rupee by 8.7 per cent in 2008-09.

As at end-June 2009, eighteen banks, thirteen non-bank deposit-taking institutions (NBDTIs), five foreign exchange dealers and eleven money changers were operating in Mauritius. Between end-March 2008 and end-March 2009, banks' average capital adequacy ratio rose from 15.1 per cent to 17.1 per cent due to the higher percentage increase in the aggregate capital base relative to total risk weighted assets. The ratio of non-performing advances went up from 2.2 per cent to 2.4 per cent. Operating profit before provision for bad and doubtful debts grew by 24.2 per cent, higher than the growth rate of 16.8 recorded in the preceding year. Pre-tax return on average assets remained around 1.7 per cent. The post-tax return on equity declined from 23.0 per cent a year ago to 21.2 per cent partly as a result of the larger capital base of banks. The 13 NBDTIs had total assets amounting to Rs42.4 billion as at end-March 2009 and the total deposits mobilized stood at Rs25.9 billion, representing 61.1 per cent of their resources. NBDTIs total credit facilities and securities, placements and other investments amounted to Rs31.5 billion and Rs6.3 billion respectively representing 74.3 per cent and 14.9 per cent of their total assets. Operating profit (before bad and doubtful debts and taxation) of the NBDTIs increased by 5.7 per cent and profit before tax rose by 1.8 per cent.

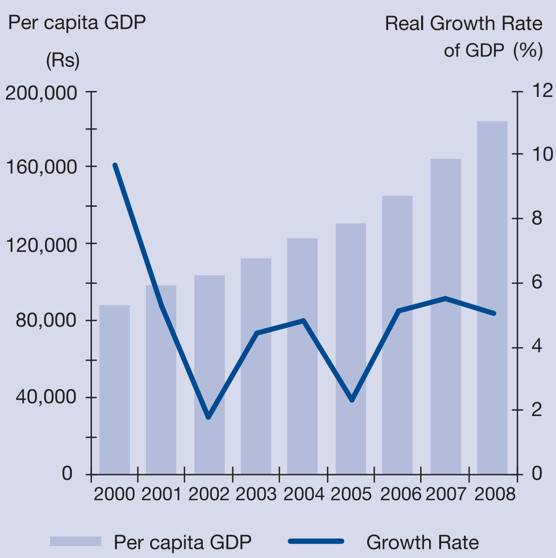
The foregoing economic and financial developments during the year 2008-09 are reviewed in greater detail in the following chapters of the report.

I. NATIONAL INCOME AND PRODUCTION

The real growth rate of economic activity slowed down from 5.5 per cent in 2007 to 5.0 per cent in 2008. Exclusive of sugar, Gross Domestic Product (GDP) grew in real terms by 5.1 per cent, compared to 6.3 per cent in 2007. Weak external demand in the second half of 2008, which adversely affected the performance of the textile and tourism sectors, was a major drag on economic activity. However, despite these external shocks, the domestic economy remained resilient on account of the robust performance of the services sector.

GDP at market prices went up by 12.6 per cent to Rs265,199 million in 2008. Net taxes on products increased by 9.3 per cent and amounted to Rs31,201 million. Gross National Income (GNI) at current market prices reached Rs270,099 million, up by 11.4 per cent compared to 2007. Per capita GNI at current market prices increased by 10.6 per cent to Rs212,701 in 2008.

Chart I.1: Per Capita GDP and GDP Growth Rate: 2000 - 2008



Source: Central Statistics Office, Government of Mauritius.

Table I.1: Main National Accounts Aggregates and Ratios: 2006 - 2009

		2006	2007 [1]	2008 [1]	2009 [2]
A.	**Aggregates (Rs million)**				
1.	GDP at basic prices	182,009	206,971	233,998	247,315
	Annual Real Growth Rate (Per cent)	*+5.1*	*+5.5*	*+5.0*	*+2.7*
2.	GDP at market prices	206,328	235,520	265,199	277,285
3.	GNI at market prices	207,961	242,543	270,099	278,485
4.	Per capita GNI at market prices (Rupees)	165,972	192,389	212,701	218,069
5.	Aggregate Consumption Expenditure	174,846	196,533	232,127	248,141
6.	Compensation of Employees	74,575	83,522	95,363	103,005
7.	Gross Domestic Fixed Capital Formation	50,048	59,170	65,176	71,100
8.	Gross Capital Formation	54,783	63,140	72,014	62,955
9.	Gross Domestic Saving	31,482	38,987	33,072	29,144
10.	Resource Balance (9 - 8)	-23,301	-24,153	-38,942	-33,811
11.	Gross National Disposable Income	210,230	246,425	276,508	283,626
B.	**Ratios: As a Percentage of GDP at market prices**				
1.	Gross Domestic Saving	15.3	16.6	12.5	10.5
2.	Aggregate Consumption Expenditure	84.7	83.5	87.6	89.5
3.	Gross Domestic Fixed Capital Formation	24.3	25.1	24.6	25.6
4.	Resource Balance	-11.3	-10.3	-14.7	-12.2
C.	**Ratio: As a Percentage of GDP at basic prices**				
1.	Compensation of Employees	41.0	40.4	40.8	41.6

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

Table I.1 shows the main national accounts aggregates and ratios for the years 2006 through 2009. Chart I.1 shows per capita GDP and GDP growth rate for the years 2000 through 2008.

Compensation of employees grew by 14.2 per cent to Rs95,363 million in 2008, representing 40.8 per cent of GDP at basic prices.

Taxes (net of subsidies) on production and imports rose by 9.7 per cent to Rs33,635 million in 2008. Taxes on products increased by 9.1 per cent to Rs32,038 million.

Gross operating surplus, which is the excess of gross output over the sum of compensation of employees and net taxes on production and imports, went up by 12.2 per cent to Rs136,201 million in 2008.

Net primary income from the rest of the world dropped by 30.2 per cent to Rs4,900 million in 2008. Net transfer from the rest of the world rose by 65.1 per cent to Rs6,409 million and included compensation by the European Union (EU) in respect of the sugar reform.

Gross National Disposable Income (GNDI) grew, in nominal terms, by 12.2 per cent, to Rs276,508 million in 2008.

Gross National Saving (GNS), which is that part of GNDI that is not spent on consumption, declined by 11.0 per cent to Rs44,381 million in 2008. The ratio of GNS to GDP at market prices and that of GNS to GNDI fell from 21.2 per cent and 20.2 per cent in 2007 to 16.7 per cent and 16.1 per cent, respectively in 2008.

EXPENDITURE

Consumption Expenditure

Aggregate final consumption expenditure of households and General Government went up, in nominal terms, by 18.1 per cent to Rs232,127 million in 2008. In real terms, it grew by 6.1 per cent. Household real consumption expenditure rose by 7.0 per cent while General Government consumption expenditure recorded a real growth rate of 1.4 per cent in 2008. As a percentage of GDP at market prices, aggregate final consumption expenditure stood at 87.6 per cent in 2008, up from 83.5 per cent in 2007. Household consumption expenditure as a percentage of GDP at market prices was 74.3 per cent while the ratio of General Government consumption expenditure to GDP at market prices was 13.3 per cent.

Gross Domestic Fixed Capital Formation (GDFCF)

GDFCF went up by 10.2 per cent to Rs65,176 million in 2008 and, in real terms, it grew by 3.9 per cent. The Resource Balance (defined as Saving minus Investment) deteriorated further to negative 14.7 per cent of GDP in 2008 compared to negative 10.3 per cent in 2007. GDFCF, exclusive of aircraft and marine vessel, grew, in real terms, by 7.5 per cent. The ratio of GDFCF to GDP at market prices stood at 24.6 per cent in 2008, down from 25.1 per cent in 2007.

Private sector GDFCF expanded by 16.8 per cent, in nominal terms, to Rs54,011 million in 2008. In real terms, it grew by 10.0 per cent, down from a growth of 24.0 per cent in 2007. The bulk of private sector investment was channelled to the construction sector in both residential and non-residential activity.

Public sector GDFCF fell by 13.5 per cent, in nominal terms, to Rs11,165 million in 2008. In real terms, it contracted by 17.9 per cent, which is lower than the contraction of 24.7 per cent in 2007. Exclusive of aircraft and marine vessel, public sector investment increased, in real terms, by 1.9 per cent in 2008.

The share of private sector GDFCF in total GDFCF was 82.9 per cent, while that of the public sector was 17.1 per cent in 2008.

Inventories, which include the value of the physical change in inventories of raw materials, work in progress and finished goods held by producers, increased by 72.2 per cent to Rs6,838 million in 2008.

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 2006 through 2008. Chart I.2 depicts movements in the ratios of GDFCF and GDS to GDP at market prices for the years 2000 through 2008. Chart I.3 shows investment by sector in 2008 and Chart I.4 illustrates the real growth rates of public and private sector GDFCF for the years 2000 through 2008. Chart I.5 shows the sectoral distribution of GDP at basic prices in 2008.

Table I.2: Real Growth Rates of GDFCF by Type of Capital Goods: 2006 - 2008 *(Per cent)*

	2006	2007 [1]	2008 [1]
A. Building and Construction Work	**+6.7**	**+16.9**	**+13.9**
Residential Building	+10.3	+5.5	+19.3
Non-residential Building	+3.9	+49.2	+12.7
Other Construction Work	+6.3	-17.4	+8.6
B. Machinery and Equipment	**+36.9**	**-1.0**	**-10.4**
Machinery and Equipment (excluding aircraft and marine vessel)	+3.8	+17.2	-2.8
Passenger Car	+4.2	+29.9	+6.2
Other Transport Equipment	+296.5	-38.2	-41.9
Other Transport Equipment (excluding aircraft and marine vessel)	+8.1	+19.1	-6.4
Other Machinery and Equipment	+3.1	+14.6	-4.2
Gross Domestic Fixed Capital Formation (GDFCF)	**+19.0**	**+8.6**	**+3.9**
GDFCF (excluding aircraft and marine vessel)	**+5.5**	**+17.0**	**+7.5**

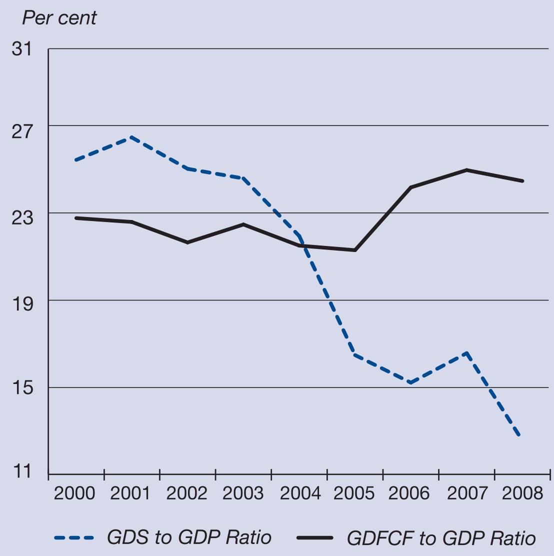
[1] Revised estimates.
Source: Central Statistics Office, Government of Mauritius.

Table I.3: Real Growth Rates of GDFCF by Industrial Use: 2006 - 2008 *(Per cent)*

		2006	2007 [1]	2008 [1]
1.	Agriculture, Hunting, Forestry and Fishing	+16.8	-17.0	+3.6
2.	Mining and Quarrying	-	+619.0	+213.2
3.	Manufacturing	-18.2	+63.1	-19.3
4.	Electricity, Gas and Water	+11.0	-39.4	-59.9
5.	Construction	+27.1	+57.5	+11.3
6.	Wholesale and Retail Trade; Repair of Motor Vehicles,			
	Motorcycles, Personal and Household Goods	+3.7	+48.2	+8.5
	of which: Wholesale and Retail Trade	*+4.1*	*+42.7*	*+8.6*
7.	Hotels and Restaurants	+46.8	+39.2	+8.4
8.	Transport, Storage and Communications	+123.2	-23.2	-25.2
9.	Financial Intermediation	+17.5	-19.9	-15.1
10.	Real Estate, Renting and Business Activities	+4.1	+16.5	+30.6
	Owner Occupied Dwellings	*+10.3*	*+5.5*	*+19.3*
	Other	*-21.0*	*+79.6*	*+69.7*
11.	Public Administration and Defence; Compulsory Social Security	-1.0	-21.6	+42.5
12.	Education	-29.1	+1.4	+43.6
13.	Health and Social Work	+2.8	+20.9	+62.9
14.	Other Services	-8.3	-9.2	+7.9
Gross Domestic Fixed Capital Formation		**+19.0**	**+8.6**	**+3.9**

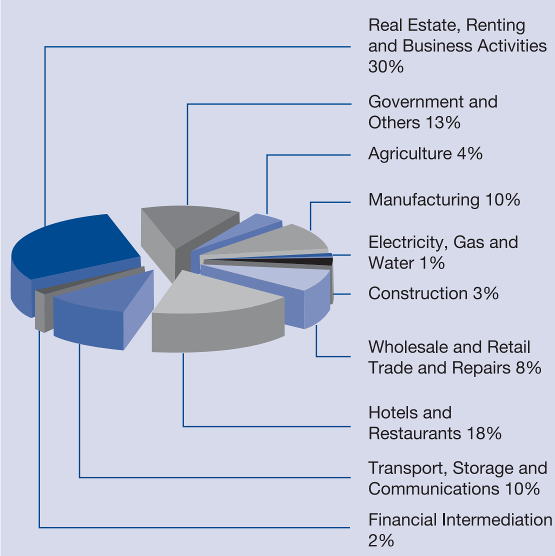
[1] Revised estimates.
Source: Central Statistics Office, Government of Mauritius.

Chart I.2: Ratios of GDFCF and GDS to GDP at Market Prices: 2000 - 2008



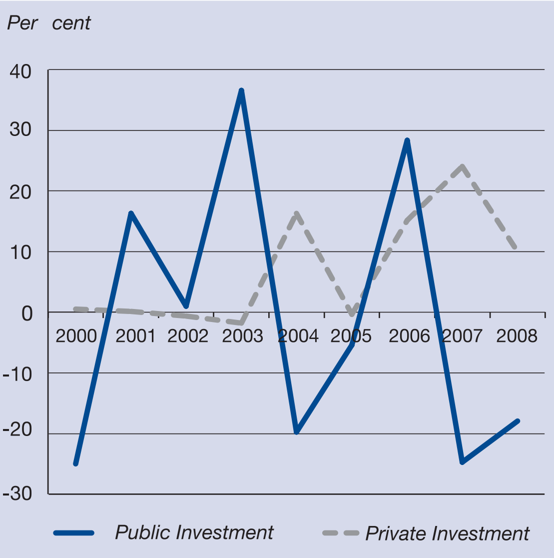
Source: Central Statistics Office, Government of Mauritius.

Chart I.3: Investment by Sector in 2008



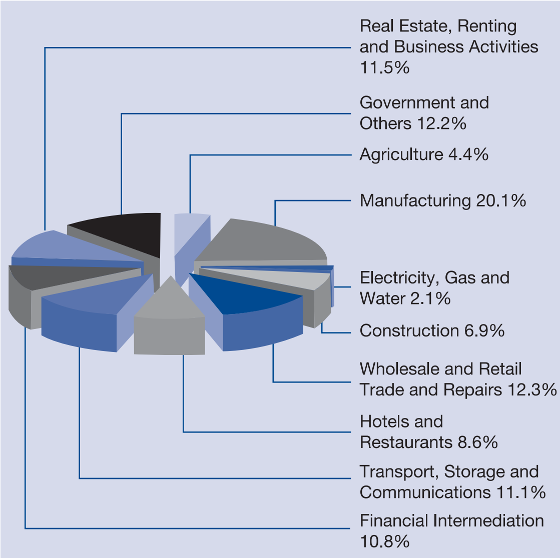
Source: Central Statistics Office, Government of Mauritius.

Chart I.4: Real Growth Rates of Public and Private Investment: 2000 - 2008



Source: Central Statistics Office, Government of Mauritius.

Chart I.5: Sectoral Distribution of GDP at Basic Prices in 2008



Source: Central Statistics Office, Government of Mauritius.

AGRICULTURE

The agricultural sector grew, in real terms, by 1.5 per cent in 2008 after contracting by 5.2 per cent in 2007. The sugarcane sector recovered from poor climatic conditions prevailing in 2006 and 2007 to post a real growth rate of 3.7 per cent in 2008 while the non-sugar agricultural sector, which includes activities related to hunting, forestry and fishing, contracted by 0.4 per cent. Agriculture contributed 0.1 percentage point to the growth rate of real output in 2008, reflecting among others, the declining share of agriculture in economic activity.

Value added of sugarcane accounted for nearly 43.5 per cent of the total value added of the agricultural sector.

Sugar production increased to 452,062 tonnes in 2008 while export proceeds of cane sugar fell by 13.7 per cent to Rs8,268 million in 2008, as a result of the phased decline in EU sugar prices. The share of sugar exports in total domestic exports fell from 19.0 per cent in 2007 to 17.8 per cent in 2008.

Table I.4: Main Aggregates of the Agricultural Sector: 2006 - 2008

	2006	2007 [1]	2008 [1]
1. Value Added at current basic prices (Rs million)	10,130	10,072	10,352
of which: Sugarcane	*5,137*	*4,620*	*4,503*
2. Annual Real Growth Rate (Per cent)	+0.6	-5.2	+1.5
3. Share of Agriculture in GDP at basic prices (Per cent)	5.5	4.9	4.4
4. Investment at current prices (Rs million)	2,764	2,508	2,691
5. Share of Investment in Agriculture in total GDFCF (Per cent)	5.5	4.2	4.1
6. Sugar Exports (Rs million)	11,198	9,578	8,268
7. Agricultural Exports other than Sugar (Rs million)	254	165	263
8. Share of Agricultural Exports in total Domestic Exports (Per cent)	24.0	19.3	18.4

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

Value added by the non-sugar agricultural sector went up, in nominal terms, to Rs5,849 million, representing a growth of 7.3 per cent and its share in the agricultural sector increased to 56.5 per cent over the same period.

Table I.4 shows the main aggregates of the agricultural sector for the years 2006 through 2008.

MANUFACTURING

The manufacturing sector posted a real growth rate of 3.2 per cent in 2008, up from 2.2 per cent in 2007, on account of an improved economic performance in sugar milling, food processing and other manufacturing, which more than offset the flat performance of textile. The manufacturing sector added 0.6 percentage point to the overall growth rate of the Mauritian economy in 2008 compared with 0.4 percentage point in 2007.

Within the manufacturing sector, activity in the food processing industries expanded by 7.5 per cent in 2008, higher than the 4.0 per cent growth recorded in 2007. Real output in textile remained unchanged at the preceding year's level compared to a robust growth rate of 8.5 per cent in 2007. Sugar milling registered a growth rate of 3.7 per cent in 2008, following a contraction of 13.6 per cent in 2007. Real output in other manufacturing recovered from a contraction of 3.1 per cent in the previous year to record a positive growth rate of 2.4 per cent in 2008.

Table I.5 shows the main aggregates of the manufacturing sector for the years 2006 through 2008.

Table I.5: Main Aggregates of the Manufacturing Sector: 2006 - 2008

	2006	2007 [1]	2008 [1]
1. Value Added at current basic prices (Rs million)	36,356	41,075	46,928
2. Annual Real Growth Rate (Per cent)	+4.0	`+2.2	+3.2
3. Share of Value Added in GDP at basic prices (Per cent)	20.1	19.8	20.1
4. Investment at current prices (Rs million)	4,819	8,375	6,764
5. Share of Investment in total GDFCF (Per cent)	9.6	14.2	10.4

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

Export-Oriented Enterprises (EOE) exports contracted by 7.3 per cent to Rs35,080 million in 2008, after growing by 12.6 per cent in 2007. Concurrently, EOE imports dropped by 4.1 per cent to Rs20,172 million compared to an increase of 10.6 per cent in 2007. Net EOE exports fell by 11.3 per cent to Rs14,908 million in 2008, after rising by 15.2 per cent in 2007.

The main markets of EOE exports in 2008 were the United Kingdom, France and the United States, accounting for 36.4 per cent, 18.1 per cent and 9.8 per cent, respectively, of total EOE exports. EOE exports to European and African countries fell by 7.7 per cent and 5.4 per cent, respectively.

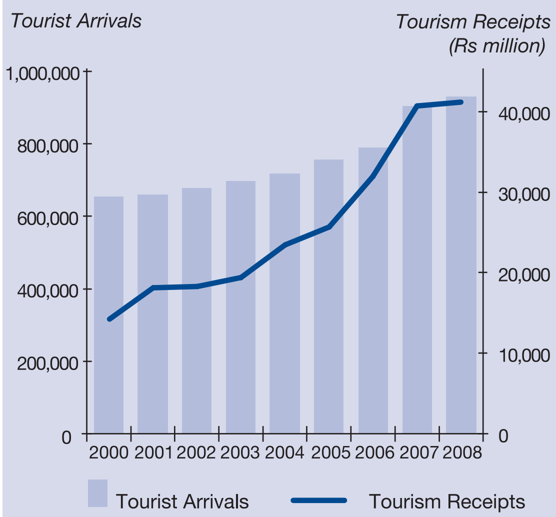
As regards the origin of EOE imports in 2008, the main countries were Spain, France, China and India with shares of 13.4 per cent, 12.2 per cent, 11.0 per cent and 10.7 per cent, respectively. EOE imports from European, African and Asian countries dropped by 3.5 per cent, 15.5 per cent and 6.6 per cent, respectively.

HOTELS AND RESTAURANTS

After the high growth of 14.0 per cent in 2007, the hotels and restaurants sector grew by 2.7 per cent in 2008, mainly reflecting a slowdown in tourist arrivals as a result of the economic downturn in key source markets. Nominal gross tourism receipts increased by 1.3 per cent to Rs41,213 million and tourist arrivals went up by 2.6 per cent to 930,456 in 2008. Tourist nights spent in Mauritius were estimated at 9.2 million, representing an increase of 2.6 per cent over the preceding year. In 2008, 88.3 per cent of foreign visitors came to Mauritius on holiday while 3.5 per cent were business travellers. The hotels and restaurants sector added 0.2 percentage point to the overall growth of the economy in 2008.

Chart I.6 shows tourist arrivals and tourism receipts for the years 2000 through 2008.

Chart I.6: Tourist Arrivals and Tourism Receipts: 2000 - 2008



Source: Central Statistics Office, Government of Mauritius.

European tourists accounted for 65.4 per cent of total tourist arrivals in 2008, recording an increase of 2.1 per cent to reach 608,358. Tourist arrivals from France and United Kingdom went up by 8.3 per cent and 0.6 per cent, respectively, while arrivals from Italy and Germany dropped by 4.4 per cent and 5.6 per cent, respectively. The number of tourists from the African region increased by 1.4 per cent to 213,868 in 2008 with arrivals from Reunion Island and the Republic of South Africa rising by 0.4 per cent and 3.3 per cent, respectively. Tourist arrivals from Asia and America went up by 6.3 per cent and 31.0 per cent, respectively while arrivals from Australia fell by 4.0 per cent.

At the end of December 2008, there were 102 hotels in operation with 11,488 rooms and 23,095 bed places compared to 97 hotels with 10,857 rooms and 21,788 bed places at the end of December 2007. The average room occupancy rate for all hotels fell from 76.0 per cent in 2007 to 68.0 per cent in 2008, while that of “large” hotels declined from 78.0 per cent to 70.0 per cent over the same period.

FINANCIAL INTERMEDIATION

Real activity in the financial intermediation sector expanded at a brisk pace of 10.1 per cent in 2008, up from 7.5 per cent in the preceding year, mainly driven by increased value addition at the rate of 12.9 per cent in the banking sector and to a lesser extent by the insurance sector and other financial intermediaries. The latter two sectors recorded growth rates of 5.0 per cent and 7.0 per cent, respectively in 2008.

REAL ESTATE, RENTING AND BUSINESS ACTIVITIES

In 2008, the 'Real Estate, Renting and Business Activities' sector, which includes owner occupied dwellings, renting of machinery and operator, computer activities and other business activities, grew by 7.6 per cent, as in 2007. Activity in the 'Owner occupied dwellings' sub-sector expanded by 4.0 per cent in 2008, while activities other than 'Owner occupied dwellings' grew by 10.8 per cent. This sector added 0.8 percentage point to the overall growth of the economy in 2008.

CONSTRUCTION

The 'Construction' sector grew by 11.1 per cent in 2008 due to the completion of major projects, after recording growth of 15.2 per cent in 2007. This sector added 0.7 percentage point to the growth of the economy in 2008.

TRANSPORT, STORAGE AND COMMUNICATIONS

In 2008, growth in the 'Transport, Storage and Communications' sector stood at 6.0 per cent, lower than 7.7 per cent expansion in 2007. The 'Transport, Storage and Communications' sector added 0.7 percentage point to GDP.

WHOLESALE AND RETAIL TRADE

The 'Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods' sector expanded by 4.6 per cent in 2008, marginally lower compared to the growth of 4.5 per cent recorded in 2007 and added 0.5 percentage point to GDP growth in 2008.

OTHER SECTORS

The 'Electricity, Gas and Water' sector grew, in real terms, by 4.0 per cent in 2008, higher than the 3.4 per cent growth registered in 2007. The 'Public Administration and Defence; Compulsory Social Security' sector grew by 1.7 per cent compared to 0.5 per cent over the same period. The 'Education' sector grew by 3.4 per cent in 2008, higher than 2.5 per cent in 2007. The 'Health and Social Work' sector grew by 4.6 per cent in 2008, unchanged from the growth rate of the previous year. 'Other Services' expanded by 8.3 per cent in 2008 compared to 8.0 per cent in 2007.

Table 1.6 shows the contribution of industry groups to GDP growth for the years 2006 through 2008.

Table I.6 - Contribution of Industry Groups to GDP Growth: 2006 - 2008

	Industry Group	2006	2007 [1]	2008 [1]
1	Agriculture, Hunting, Forestry and Fishing	0.0	-0.3	+0.1
2	Mining and Quarrying	0.0	0.0	0.0
3	Manufacturing	+0.8	+0.4	+0.6
4	Electricity, Gas and Water	+0.1	+0.1	+0.1
5	Construction	+0.3	+0.8	+0.7
6	Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	+0.7	+0.6	+0.5
7	Hotels and Restaurants	+0.3	+1.2	+0.2
8	Transport, Storage and Communications	+0.9	+0.9	+0.7
9	Financial Intermediation	+0.7	+0.8	+1.0
10	Real Estate, Renting and Business Activities	+0.7	+0.8	+0.8
11	Public Administration and Defence; Compulsory Social Security	+0.3	0.0	+0.1
12	Education	+0.2	+0.1	+0.2
13	Health and Social Work	+0.3	+0.2	+0.2
14	Other Services	+0.2	+0.3	+0.4
Gross Domestic Product at basic prices		**+5.1**	**+5.5**	**+5.0**

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

II. LABOUR MARKET AND PRICE DEVELOPMENTS

The labour market was fairly resilient during the year under review in spite of the economy slowing down, recording fewer job losses than initially anticipated. The seasonally-adjusted unemployment rate picked up from 7.4 per cent in the first quarter of 2009 to 7.9 per cent in the second quarter. In the fourth quarter of 2008, the seasonally-adjusted unemployment rate was 7.0 per cent.

Developments across sectors were, however, uneven. Job losses were significant in the textile sector and, to a lesser extent, in the hotels and restaurants sector, which together account for around 19.0 per cent of total employment, as firms cut costs to remain profitable amid difficult international trading conditions. Employment prospects in the services sector, which account for roughly 61.0 per cent of total employment, remained, on average, positive. The fiscal and monetary stimulus package has contributed to boost confidence at a time of heightened uncertainty and change firms' incentives to shed labour by offering government support to viable firms experiencing short-term financial or operational difficulties. In addition, increasing optimism in the second half of the fiscal year about the global recession coming to an end encouraged firms to hold on to their existing staff with a view to benefiting from the recovery eventually.

Effective February 2009, two new legislations have come into force, namely the Employment Relations Act 2008 which replaces the Industrial Relations Act 1973 and provides the new framework for industrial relations and the Employment Rights Act 2008, replacing the Labour Act 1975 to govern employment relationships in enterprises. These legislations are expected to provide a degree of flexibility for enterprises to manage their human resources and make collective bargaining the foundation of the industrial relations system. They focus on better protecting workers and effectively strengthening tripartism and social dialogue. The Workfare Programme set up under the Employment Rights Act 2008 aims at supporting laid off workers, particularly for economic reasons, for a maximum period of one year, through the provision of job placement or self employment facilities, training for greater employability and a measure of financial assistance.

Wage developments during the year included the full implementation of the Pay Research Bureau (PRB) report in the public sector in July 2008, with a total estimated cost of Rs5.2 billion. The wage award in the public sector led to a significant pay rise across the private sector as well.

WAGE DEVELOPMENTS

Average Monthly Earnings

According to the Survey of Employment and Earnings in “large” establishments carried out by the Central Statistics Office (CSO), the average monthly earnings for all industrial groups increased from Rs14,438 to Rs16,849, or 16.7 per cent, between March 2008 and March 2009 compared to an increase of 7.8 per cent between March 2007 and March 2008. Adjusted for the twelve-month running inflation rate, the average monthly earnings for all industrial groups increased by 7.6 per cent between March 2008 and March 2009 against a decline of 1.1 per cent between March 2007 and March 2008.

An analysis by industrial group shows that in March 2009, ‘Financial Intermediation’ recorded the highest average monthly earnings (Rs28,768) while ‘Mining and Quarrying’ registered the lowest average monthly earnings (Rs6,870). The highest increases in average monthly earnings between March 2008 and March 2009 were registered in ‘Public Administration and Defence; Compulsory Social Security’ (30.8 per cent), ‘Education’ (29.3 per cent) and ‘Health and Social Work’ (19.7 per cent) mainly as a result of the implementation of the PRB report in July 2008. Important increases were also noted in 'Hotels and Restaurants' (16.3 per cent), 'Agriculture, Hunting, Forestry and Fishing' (13.5 per cent), 'Manufacturing' (12.3 per cent) and 'Construction' (9.8 per cent). The remaining industrial groups recorded increases in average monthly earnings in the range of 0.5 per cent to 9.4 per cent.

Table II.1 shows the average monthly earnings in large establishments by industrial group over the period March 2007 through March 2009.

Cost of Living Compensation

During the fiscal year 2008-09, a cost of living compensation of 8.1 per cent was awarded to employees receiving a monthly salary of up to Rs3,500. For employees drawing higher salaries, a monetary compensation of Rs300 and up to a maximum of Rs400 was awarded. In line with the Government's policy to promote collective bargaining, profitable enterprises decided to pay a higher rate of compensation than the National Pay Council's award.

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

	Industrial Group	Mar-07 (Rs)	Mar-08 [2] (Rs)	Mar-09 [3] (Rs)	% Nominal Change between Mar-08 and Mar-09	% Change Adjusted for Increase in Price Level
1.	Agriculture, Hunting, Forestry and Fishing	10,409	10,990	12,470	13.5	4.6
	of which: Sugarcane	*9,453*	*9,926*	*10,504*	*5.8*	*-2.5*
2.	Mining and Quarrying	6,340	6,735	6,870	2.0	-6.0
3.	Manufacturing	8,622	8,979	10,087	12.3	3.5
	of which: Sugar	*12,897*	*13,691*	*15,756*	*15.1*	*6.1*
	Food	*8,930*	*9,018*	*9,996*	*10.8*	*2.2*
	Textile	*7,203*	*7,520*	*8,274*	*10.0*	*1.4*
	Other	*10,722*	*11,114*	*12,123*	*9.1*	*0.5*
4.	Electricity, Gas and Water	24,125	24,449	24,945	2.0	-6.0
5.	Construction	14,143	15,457	16,970	9.8	1.2
6.	Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	14,387	15,786	16,631	5.4	-2.9
	of which: Wholesale and Retail Trade	*14,270*	*15,819*	*16,575*	*4.8*	*-3.4*
7.	Hotels and Restaurants	11,325	11,550	13,434	16.3	7.2
8.	Transport, Storage and Communications	17,472	19,824	19,918	0.5	-7.4
9.	Financial Intermediation	24,504	27,413	28,768	4.9	-3.3
	of which: Insurance	*21,212*	*23,306*	*25,863*	*11.0*	*2.3*
10.	Real Estate, Renting and Business Activities	13,880	15,231	16,668	9.4	0.9
11.	Public Administration and Defence; Compulsory Social Security	15,497	16,880	22,079	30.8	20.6
12.	Education	16,682	17,287	22,354	29.3	19.2
13.	Health and Social Work	18,866	19,571	23,417	19.7	10.3
14.	Other Services	12,513	13,173	13,768	4.5	-3.7
	Total	**13,397**	**14,438**	**16,849**	**16.7**	**7.6**

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

Compensation of Employees

Compensation of employees went up, in nominal terms, by 14.2 per cent, from Rs83,522 million in 2007 to Rs95,363 million in 2008 compared to an increase of 12.0 per cent in 2007. Compensation of employees as a percentage of GDP at basic prices increased from 40.4 per cent in 2007 to 40.8 per cent in 2008. Compensation of employees in the General Government sector, which accounts for around 24.0 per cent of total compensation, grew, in nominal terms, by 16.5 per cent in 2008 compared to 3.3 per cent in 2007, while that in the rest of the economy increased by 13.5 per cent in 2008 compared to 14.9 per cent in 2007.

Wage Rate Index

The wage rate index measures changes in the price of labour, that is, changes in the average rates actually paid by employers to their employees for work during normal working hours. As from the first quarter of 2007, the wage rate index is calculated on the basis of the occupational structure of the working population in September 2006, the new base period.

The quarterly wage rate index increased in the first three quarters of 2008 and marginally declined in the fourth quarter. The average wage rate index for 2008 was 118.8. It went up by 13.9 per cent from 2007 on account of an increase in wage rates across all industrial groups. The highest increase in wage rate was registered in 'Health and Social Work' (17.8 per cent) followed by 'Education' (17.7 per cent). The lowest increase was registered in 'Electricity, Gas and Water Supply' (7.4 per cent).

'Public Administration and Defence; Compulsory Social Security' and 'Manufacturing, Mining and Quarrying', the two most important industrial groups in terms of weight, registered increases of 17.3 per cent and 10.3 per cent in wage rates, respectively.

The main contributors to the increase of 14.5 points in the index for 2008 were 'Public Administration and Defence; Compulsory Social Security' (3.0 points), 'Education' (2.3 points), 'Manufacturing, Mining and Quarrying' (1.8 points) and 'Transport, Storage and Communications' (1.4 points).

The wage rate index rose by 17.4 per cent in the second quarter of 2009 compared to the second quarter of 2008. A comparison of wage rate increases by industrial groups over the same period shows that the largest rise of 32.5 per cent was registered in 'Public Administration and Defence; Compulsory Social Security' followed by 'Education' (31.6 per cent) and 'Health and Social Work' (25.2 per cent) mainly as a result of the implementation of the PRB report in July 2008. The lowest increase of 4.1 per cent was registered in 'Financial Intermediation'.

Table II.2 gives details on the quarterly wage rate indices by industrial group.

Table II.2: Quarterly Wage Rate Indices by Industrial Group, Q1 2008 - Q2 2009

Industrial Group	Weight	2008				2009	
		Q1	Q2	Q3	Q4	Q1	Q2
Agriculture, Hunting, Forestry and Fishing	61	105.6	106.7	129.8	120.3	115.5	119.3
Manufacturing, Mining and Quarrying	170	110.9	113.7	120.1	122.2	121.5	122.5
Electricity, Gas and Water	20	106.9	107.0	118.7	120.4	119.9	119.7
Construction	37	111.5	113.4	124.8	124.2	117.6	122.2
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	69	115.6	116.5	131.6	128.8	128.5	134.7
Hotels and Restaurants	64	116.4	116.2	124.4	125.0	123.3	127.1
Transport, Storage and Communications	91	115.9	114.1	126.2	126.1	125.9	126.4
Financial Intermediation	61	109.9	112.6	117.8	115.1	117.7	117.2
Real Estate, Renting and Business Activities	54	110.0	111.3	122.6	129.9	130.9	132.3
Public Administration and Defence; Compulsory Social Security	170	103.8	103.3	136.2	136.4	137.2	136.9
Education	124	106.2	104.6	136.4	136.6	138.1	137.7
Health and Social Work	59	102.7	102.9	136.3	134.8	136.6	128.8
Other Community, Social and Personal Services	20	107.3	109.0	120.0	126.8	128.2	131.8
All sectors	**1,000**	**109.2**	**109.7**	**128.2**	**128.1**	**128.0**	**128.8**
of which General Government [1]	*333*	*103.7*	*103.2*	*137.1*	*137.1*	*137.7*	*136.0*

[1] Ministries, government departments and agencies operating under them; municipalities; district councils and Rodrigues Regional Assembly.
Source: Central Statistics Office, Government of Mauritius.

LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT

Labour Force

The population of the Republic of Mauritius, including Agalega and St Brandon, was estimated at 1,275,323 as at mid year 2009, of whom 629,348 were males and 645,975 were females, that is, a sex ratio of 97.4 males to 100 females. The population growth rate was 0.5 per cent in mid year 2009, down from 0.6 per cent in mid year 2008.

According to the "Continuous Multi-Purpose Household Survey" (CMPHS), the total labour force, inclusive of foreign workers, grew from 570,500 in 2007 to 583,400 in 2008, or 2.3 per cent, up from 1.0 per cent in 2007. The number of foreign workers increased from 21,600 in 2007 to 24,000 in 2008. The male labour force grew by 1.3 per cent in 2008 compared to 1.7 per cent in 2007 while the female labour force grew by 4.1 per cent in 2008 against a contraction of 0.3 per cent in 2007.

Table II.3 shows the main labour market indicators for the years 2000 through 2008.

Employment

The total number of persons in employment, inclusive of foreign workers, increased by 3.7 per cent to 543,000 in 2008 compared to a growth of 1.6 per cent in 2007. Male employment grew by 2.5 per cent to reach 355,700 while female employment grew by 6.1 per cent to stand at 187,300 in 2008.

An analysis of preliminary data on employment by sector of economic activity in 2008 shows that with around 122,000 workers, the 'Manufacturing' sector had the largest workforce, which represented 22.5 per cent of total employment compared to 23.4 per cent in 2007. 'Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods' was the second largest employer with 80,800 workers, or 14.9 per cent of total employment, compared to 15.0 per cent in 2007. Each of the remaining sectors employed between 200 and 52,500 workers.

Table II.4 shows employment by industrial group for 2007 and 2008.

Employment in the Export Oriented Enterprises (EOE)

As at June 2009, the number of enterprises in the EOE sector was 403 compared to 407 as at June 2008. Employment in the EOE sector dropped by 6,582 from 64,648 at the end of June 2008 to 58,066 at the end of June 2009. Male employment and female employment declined by 2,469 and 4,113, respectively between June 2008 and June 2009. Expatriate employment also fell by 868 during the same period. In the 'Wearing Apparel' group, employment decreased by 5,271 from 46,494 to 41,223. Within the group, employment fell by 622 in 'Pullovers' and by 4,649 in 'Other Garments'.

Direct employment in the tourism industry stood at 26,922 at the end of March 2009, representing a decline of 6.4 per cent over the employment figure of 28,764 at the end of March 2008.

Table II.3: Main Labour Market Indicators *(Thousand)*

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Labour force	517.6	526.8	530.0	539.1	548.8	559.1	565.1	570.5	583.4
Employment	484.9	492.1	493.2	499.0	504.2	507.2	515.3	523.7	543.0
Unemployment	32.7	34.7	36.8	40.1	44.6	51.9	49.8	46.8	40.4
Unemployment rate (%)	6.5	6.8	7.2	7.7	8.4	9.6	9.1	8.5	7.2

Note: Data are based on the CMPHS. As from 2007, estimates refer to population aged 16 years and over and include foreign workers.
Source: Central Statistics Office, Government of Mauritius.

Table II.4: Employment by Industrial Group		(Thousand)
Industrial Group	**2007 [1]**	**2008 [2]**
1. Agriculture, Forestry and Fishing	47.3	46.8
of which: Sugarcane	*17.8*	*15.9*
Non-sugar	*29.5*	*30.9*
2. Mining and Quarrying	0.2	0.2
3. Manufacturing	122.5	122.0
of which: Sugar	*2.0*	*1.7*
Food	*11.9*	*12.2*
Textile	*65.6*	*63.8*
Other	*43.0*	*44.3*
4. Electricity, Gas and Water	3.0	3.1
5. Construction	49.7	52.5
6. Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	78.4	80.8
7. Hotels and Restaurants	32.1	36.1
8. Transport, Storage and Communications	37.4	39.2
9. Financial Intermediation	10.6	12.5
10. Real Estate, Renting and Business Activities	24.7	28.4
11. Public Administration and Defence; Compulsory Social Security	39.1	39.6
12. Education	28.8	29.3
13. Health and Social Work	15.6	16.4
14. Other Services	34.3	36.1
All Sectors	**523.7**	**543.0**

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

Unemployment

The rate of unemployment declined from 8.5 per cent in 2007 to 7.2 per cent in 2008. The number of unemployed persons fell from 46,800 (18,600 males and 28,200 females) in 2007 to 40,400 (14,600 males and 25,800 females) in 2008. Male unemployment rate declined from 5.3 per cent in 2007 to 4.1 per cent in 2008 while female unemployment rate fell from 14.4 per cent to 12.7 per cent over the same period. The seasonally adjusted unemployment rate increased from 6.9 per cent in the second quarter of 2008 to 7.9 per cent in the second quarter of 2009.

In the second quarter of 2009, 39.8 per cent of the unemployed were in the age bracket of 25 to 39 years while 24.1 per cent were in the age bracket of 20 to 24 years. The mean age of the unemployed was 27 years for males and 31 years for females. Around 19.0 per cent of the unemployed had not reached the Certificate of Primary Education (CPE) and a further 44.0 per cent did not possess the Cambridge School Certificate (SC). The proportion with SC as the highest educational attainment was 20.8 per cent and that with the Higher School Certificate (HSC) was 8.1 per cent. The number of unemployed having studied up to the tertiary level represented 8.0 per cent. Regarding the duration of unemployment, 74.2 per cent of the unemployed had been looking for a job for up to a year and 25.8 per cent for more than a year.

Chart II.1 shows the unemployment rate from 2000 to 2008.

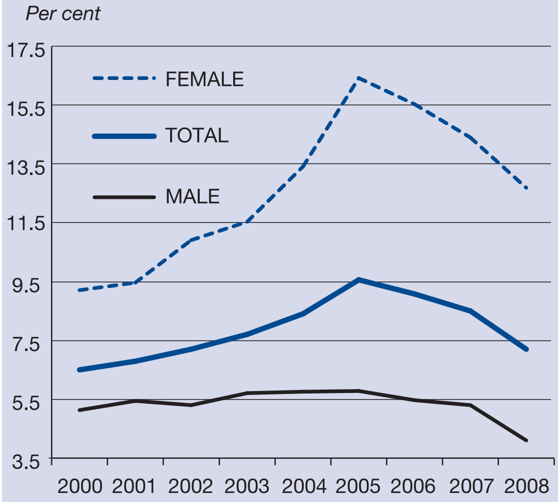
UNIT LABOUR COST AND PRODUCTIVITY

Unit labour cost, defined as the remuneration of labour to produce one unit of output, grew by 8.7 per cent in 2008 compared to 6.7 per cent in 2007. Average compensation in the economy grew by 10.4 per cent in 2008 compared to 10.6 per cent in 2007. In the manufacturing sector, unit labour cost increased by 10.1 per cent in 2008 compared to 11.2 per cent in 2007. Over the period 1998 to 2008, unit labour cost in the manufacturing sector grew at an average annual rate of 5.7 per cent, driven by higher growth in average compensation (9.2 per cent) relative to that of labour productivity (3.3 per cent). In US dollar terms, unit labour cost for the total economy rose by 20.2 per cent in 2008 compared to 5.9 per cent in 2007. In the manufacturing sector, unit labour cost, in dollar terms, rose by 21.8 per cent in 2008 compared to 10.4 per cent in 2007.

In 2008, labour productivity for the whole economy, defined as the ratio of real output to labour input, grew by 1.6 per cent compared to an increase of 3.7 per cent in 2007. For the manufacturing sector, labour productivity increased by 2.4 per cent in 2008 compared to 0.8 per cent in 2007, while in the EOE sector, it rose by 2.5 per cent in 2008 compared to 6.2 per cent in 2007. Labour productivity in the textile sub-sector of the EOE rose by 2.8 per cent in 2008 compared to 7.6 per cent in 2007 while in the non-textile sub-sector of the EOE, it contracted by 2.7 per cent in 2008 against a growth of 1.3 per cent in 2007.

Over the period 1998 to 2008, for the total economy, multifactor productivity grew by an average of 0.1 per cent annually while capital productivity contracted by an average annual rate of 0.8 per cent. In 2008, multifactor productivity rose by 0.4 per cent compared to 0.1 per cent in 2007 while capital productivity declined by 0.5 per cent compared to a contraction of 0.4 per cent in 2007.

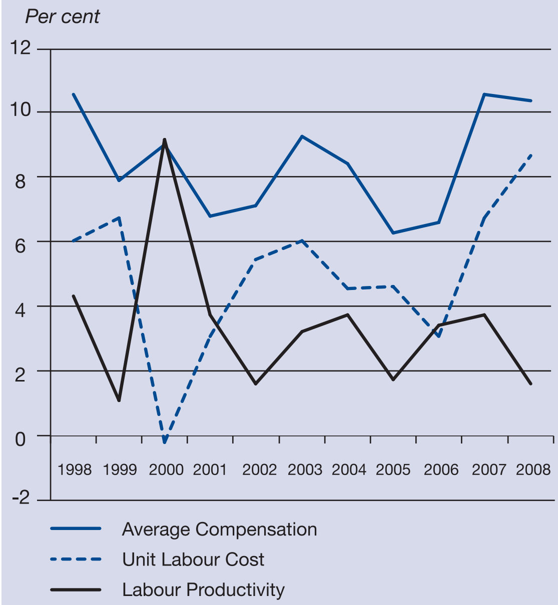
Chart II.1: Unemployment Rate



Source: Central Statistics Office, Government of Mauritius.

Chart II.2 shows the growth rates of average compensation, unit labour cost and labour productivity for the total economy for the years 1998 through 2008.

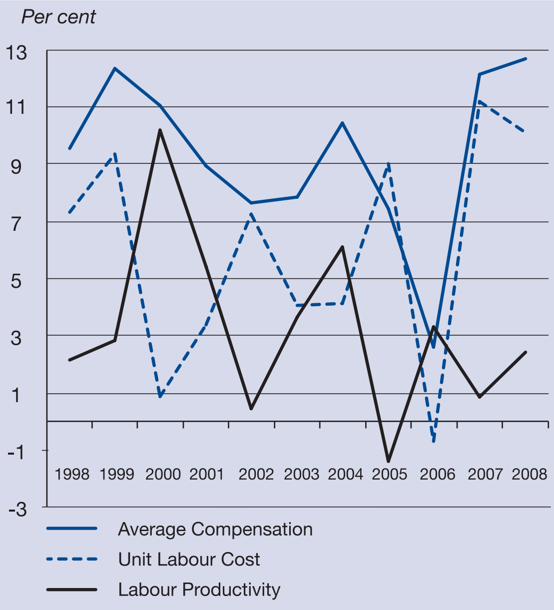
Chart II.2: Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity - Total Economy



Source: Central Statistics Office, Government of Mauritius.

Chart II.3 shows the growth rates of average compensation, unit labour cost and labour productivity for the manufacturing sector for the years 1998 through 2008.

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



Source: Central Statistics Office, Government of Mauritius.

PRICES

Headline inflation in Mauritius, measured by the percentage change in the yearly average Consumer Price Index (CPI), eased from 8.8 per cent in 2007-08 to 6.9 per cent in 2008-09 mainly due to favourable developments in external factors. During the year, headline inflation steadily increased from July 2008 to peak at 9.9 per cent in October and November 2008 on higher food and fuel prices in the third quarter of 2008. Thereafter, lower food and fuel prices on average relative to a year ago as well as base effects mainly accounted for the decline in headline inflation. In line with this decline, the three Inflation Expectations Surveys carried out by the Bank of Mauritius during the year indicated that the private sector inflation expectations had indeed receded.

Among the external factors favourably impacting on the domestic inflation rate was the sharp decline in international food and energy prices and the disinflation in major trading partner countries.

International food prices were lower in the period under review compared to the preceding year. The food price index compiled by the Food and Agricultural Organisation (FAO) declined sharply from 208 in July 2008 to 139 in February 2009 before resuming a general upward trend to close at 151 in June 2009. Individual components of the index namely, cereals, dairy, oil & fats as well as sugar also witnessed similar trends. The cereals price index fell from 257 in July 2008 to 183 in June 2009, while the indices for dairy and oil & fats declined from 239 and 265 to 123 and 160 respectively over the same period.

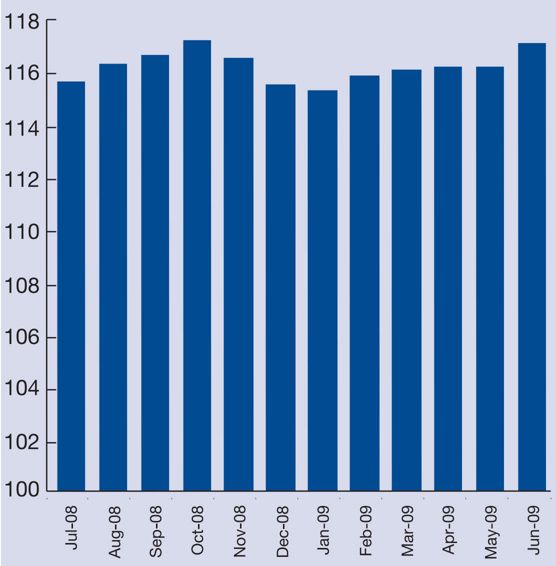
Crude oil prices on the international market almost collapsed on worsening global economic conditions after having steadily increased for an extended period since early 2007 and reached historical highs of US$145.3 a barrel (NYMEX WTI) and US$146.1 a barrel (IPE Brent) respectively on July 3, 2008.

The average price of IPE Brent and NYMEX WTI declined to an intra-year trough of US$43.0 a barrel and US$39.4 a barrel in December 2008 and February 2009, respectively. On an annual average basis, NYMEX WTI, which rose by 52.8 per cent in 2007-08, fell by 27.9 per cent to US$69.9 in 2008-09. Similarly, the average price per barrel of IPE Brent futures dropped by 27.1 per cent to US$69.8 in 2008-09 compared to an increase of 48.1 per cent in 2007-08.

Reflecting sharply declining international prices of food and oil as well as lower consumer demand, headline inflation in major advanced economies, which had firmed up till the third quarter of 2008, subsequently fell to relatively low or even negative levels at the close of fiscal year 2008-09. Among the major economies, US headline inflation fell from 5.0 per cent in June 2008 to -1.4 per cent in June 2009 while in the United Kingdom, inflation declined from 3.8 per cent in June 2008 to 1.8 per cent in June 2009. In the Euro area, inflation came down from 4.0 per cent in June 2008 to -0.1 per cent in June 2009.

In Mauritius, the CPI increased by 3.7 points or 3.3 per cent, from 113.4 in June 2008 to 117.1 in June 2009. With the exception of "Housing, water, electricity, gas and other fuels" and "Communication", all the divisions of the CPI basket of goods and services recorded increases during the period under review. During fiscal year 2008-09, "food and non alcoholic beverages", which has the greatest weight in the consumer basket, contributed for 1.7 index points followed by "Alcoholic beverages and tobacco" (0.6 point), "Transport" (0.6 point), "Furnishings, household equipment and routine household maintenance" (0.4 point), "Clothing and footwear" (0.3 point), "Health" (0.2 point), "Restaurants and hotels" (0.2 point), "Miscellaneous goods and services" (0.2 point), and "Education" (0.1 point). "Housing, water, electricity, gas and other fuels" and "Communication" were the two divisions recording decreases of 0.7 index point and 0.1 index point, respectively. The contribution of the division "Recreation and culture" was negligible.

Chart II.4: Monthly Consumer Price Index (Base year July 2006-June 2007=100)



Source: Central Statistics Office, Government of Mauritius.

The favourable price developments on the external front led to the abatement of inflationary pressures in the domestic economy as from the third quarter of 2008. However, the pass-through of lower international prices to retail prices initially remained weak but strengthened subsequently. In November and December 2008, the Automatic Pricing Mechanism (APM) Review Committee reduced the prices of Mogas, Diesel Oil and Fuel Oil on lower import prices of petroleum products. With a view to speeding up the adjustment of domestic prices of petroleum products to international prices, the authorities decided effective December 2008 that the APM Review Committee would meet every month instead of every quarter to adjust prices of petroleum products accordingly with the maximum price change allowable of ±7.5 per cent.

Effective 5 January 2009, the prices of Mogas and Diesel Oil were reduced by 7.5 per cent and 7.4 per cent, respectively. In addition in January 2009, the administered prices of government imported flour, bread and cooking gas were brought down. Headline inflation continued to fall in the second half of 2008-09 as higher food and energy prices particularly in the final quarter were largely offset by the base effects.

Table II.5 shows the quarterly percentage change in the sub-indices of the 12 divisions in the CPI basket of goods and services. Table II.6 shows the weighted contribution of the CPI Divisions during fiscal year 2008-09. Chart II.4 shows the monthly evolution of CPI during fiscal year 2008-09. Charts II.5 and II.6 depict the monthly evolution of the twelve divisions of the CPI basket of goods and services during fiscal year 2008-09 and Chart II.7 shows the year-on-year inflation rates in Mauritius and some of our major trading partner countries. Chart II.8 shows the daily movement of oil prices during fiscal year 2008-09. Chart II.9 shows the monthly movement of the FAO Food Price Index and its components during fiscal year 2008-09.

Table II.5: Quarterly Percentage Change in the Sub-indices of the CPI by Division *(per cent)*

DIVISIONS	Weights	Quarter ended Sep-08	Quarter ended Dec-08	Quarter ended Mar-09	Quarter ended Jun-09	2008-09
1. Food and non alcoholic beverages	286	2.8	-0.1	0.9	1.1	4.8
2. Alcoholic Beverages and Tobacco	92	3.8	-0.6	2.0	0.3	5.6
3. Clothing and Footwear	51	0.3	3.6	0.5	1.7	6.1
4. Housing, Water, Electricity, Gas and Other Fuels	131	0.8	-2.7	-0.5	-2.3	-4.7
5. Furnishings, Household Equipment and Routine Household Maintenance	64	2.1	0.4	1.2	1.8	5.6
6. Health	30	3.3	0.5	2.0	1.3	7.3
7. Transport	147	8.5	-5.6	-2.3	3.7	3.8
8. Communication	36	-0.2	-0.2	-1.2	0.0	-1.6
9. Recreation and Culture	48	-0.4	-0.9	1.7	0.3	0.7
10. Education	32	0.7	-0.0	3.0	0.0	3.7
11. Restaurants and Hotels	43	3.6	1.1	-0.4	0.3	4.7
12. Miscellaneous Goods and Services	40	0.4	0.0	3.6	1.0	5.2
ALL GROUPS	**1000**	**2.9**	**-1.0**	**0.5**	**0.9**	**3.3**

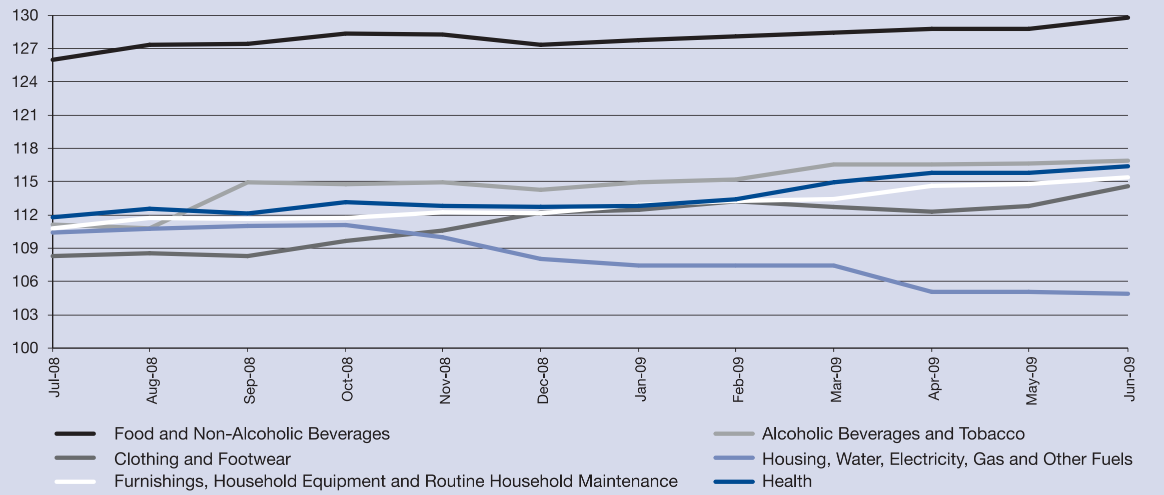
Source: Central Statistics Office, Government of Mauritius and Bank calculations.

Table II.6: Weighted contribution to Change in CPI index in terms of Divisions

DIVISIONS	Weights	Jun-08	Jun-09	Change *(index point)*	Weighted contribution: June 2008-June 2009 *(index point)*
1. Food and Non Alcoholic Beverages	286	123.9	129.8	5.9	1.7
2. Alcoholic Beverages and Tobacco	92	110.7	116.9	6.2	0.6
3. Clothing and Footwear	51	108.0	114.6	6.6	0.3
4. Housing, Water, Electricity, Gas and Other Fuels	131	110.1	104.9	-5.2	-0.7
5. Furnishings, Household Equipment and Routine Household Maintenance	64	109.3	115.4	6.1	0.4
6. Health	30	108.5	116.4	7.9	0.2
7. Transport	147	110.5	114.7	4.2	0.6
8. Communication	36	96.7	95.2	-1.5	-0.1
9. Recreation and Culture	48	101.6	102.3	0.7	0.0
10. Education	32	106.9	110.9	4.0	0.1
11. Restaurants and Hotels	43	118.1	123.6	5.5	0.2
12. Miscellaneous Goods and Services	40	111.5	117.3	5.8	0.2
ALL GROUPS	**1000**	**113.4**	**117.1**	**3.7**	**3.7**

Source: Central Statistics Office, Government of Mauritius and Bank calculations.

Chart II.5 and II.6: Monthly Evolution of the Twelve Divisions of the CPI Basket of Goods and Services during 2008-09 (Base: July 2006 – June 2007 = 100)



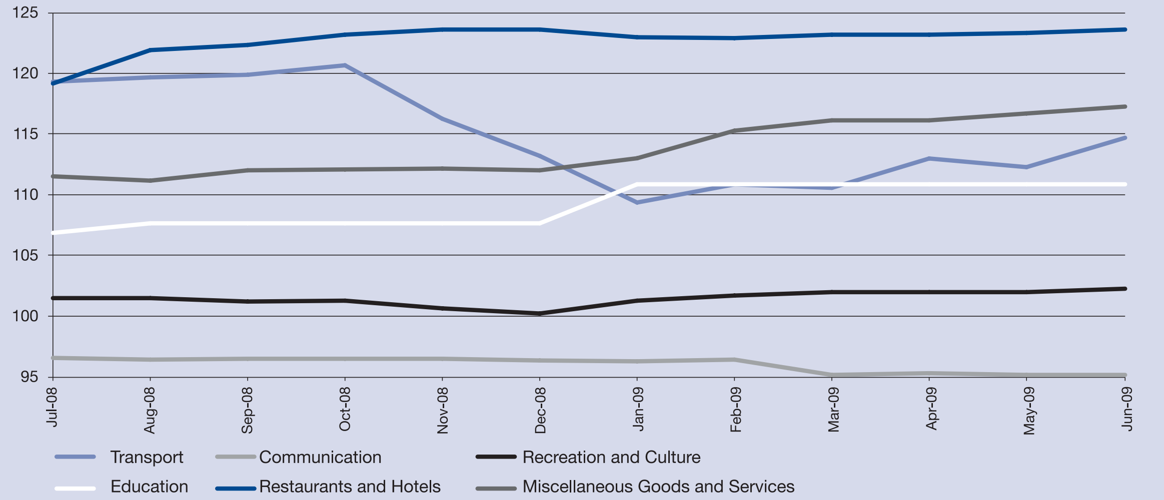
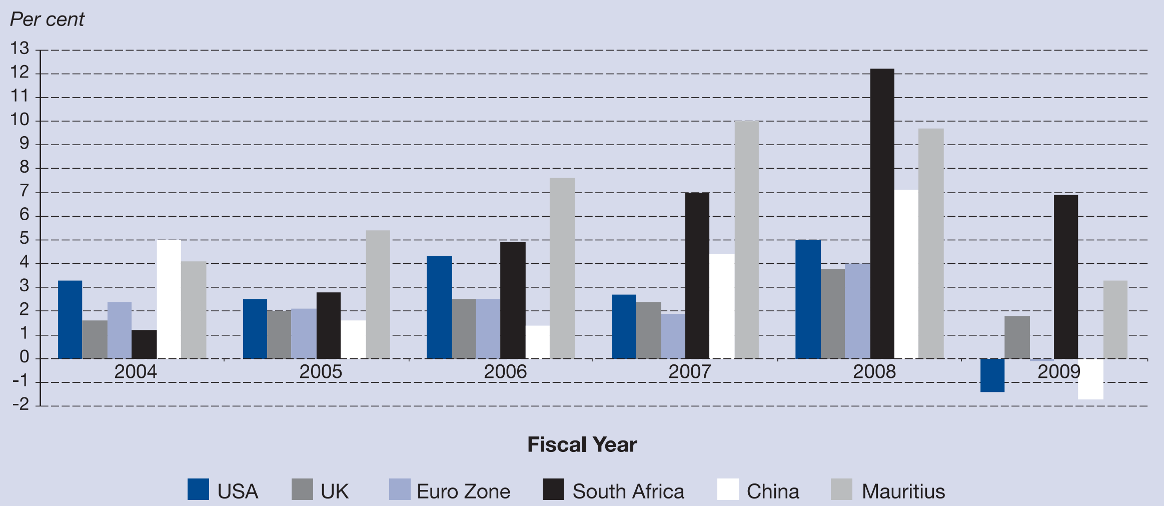


Chart II.7: Inflation Rates



CORE INFLATION

The first measure, CORE1 is obtained using the exclusion-based approach. It strips "Food, Beverages and Tobacco" components and mortgage interest on housing loan from headline inflation. The second measure, CORE2, also uses the exclusion-based approach. In addition to "Food, Beverages and Tobacco" and mortgage interest, it also excludes energy prices and administered prices from the overall CPI. The third measure of core inflation is calculated using the trimmed mean approach (TRIM10). It truncates 5 per cent of each tail of the distribution of price changes.

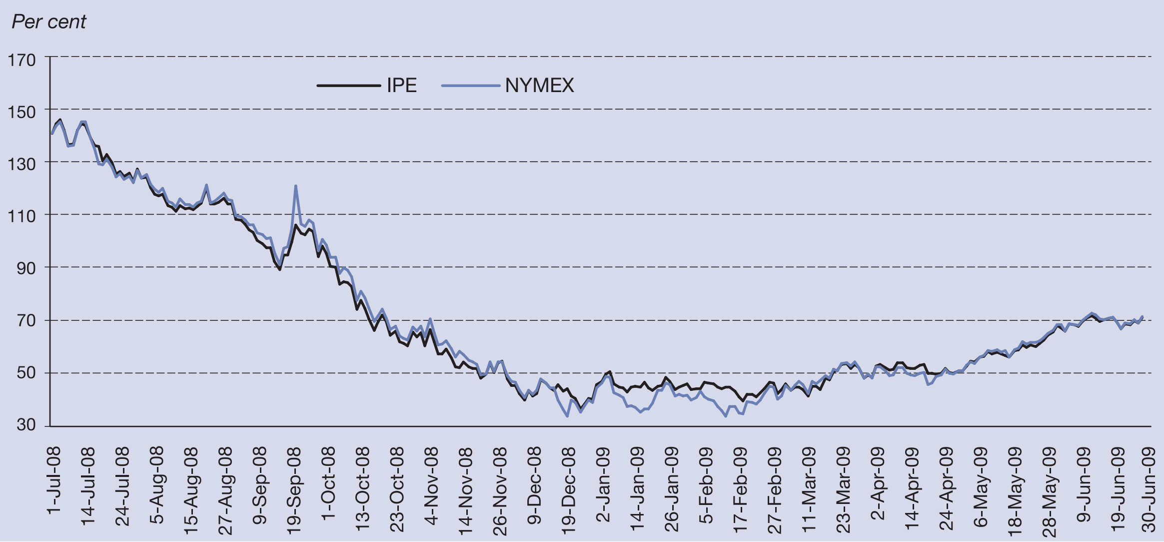
The various underlying measures of inflation mirrored the paths of headline inflation. CORE1 inflation dropped further to 6.1 per cent in June 2009, down from 6.6 per cent in June 2008. CORE2 rose in the second half of 2008 but eventually reverted to June 2008 rate of 5.5 per cent. TRIM10 inflation dropped significantly from 6.5 per cent in June 2008 to 2.8 per cent in June 2009.

Chart II.10 shows the movements of headline inflation and the three measures of core inflation over the period June 2007 through June 2009.

CPI INFLATION AND CORE INFLATION BASED ON YEAR-ON-YEAR METHODOLOGY

Year-on-year measures of inflation witnessed a more pronounced decline during the period under review. CPI inflation fell from a peak of 11.7 per cent in August 2008 to 3.3 per cent in June 2009. CORE1 inflation dropped from 9.5 per cent in June 2008 to 3.6 per cent in June 2009, while CORE2 eased from 5.6 per cent in June 2008 to 4.5 per cent in June 2009. Chart II.11 shows the year-on-year movements of CPI inflation and core inflation rates over the period June 2008 through June 2009.

Chart II.8: Daily Movements of Oil Prices During 2008-09

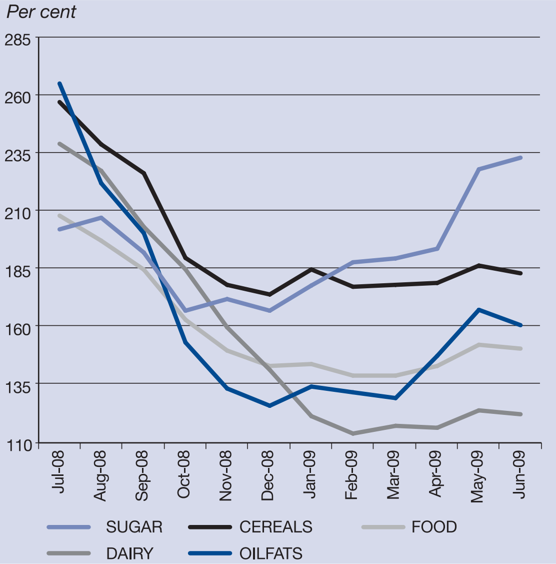


Source: Reuters.

PRODUCER PRICES

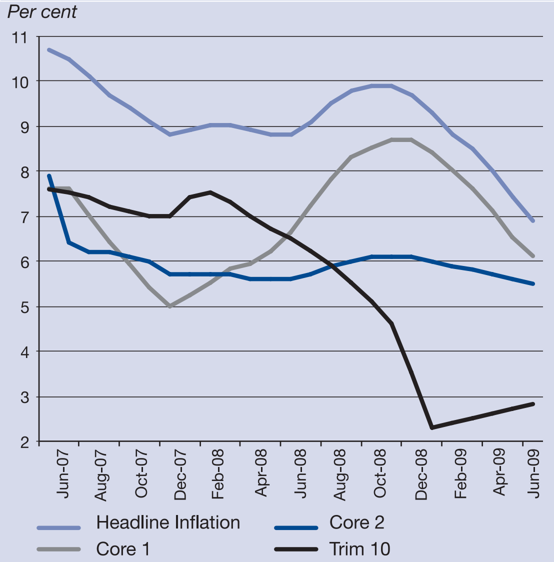
There are two measures of producer prices in Mauritius. The Producer Price Index-Manufacturing (PPI-M) measures changes in the effective prices received by producers for their output sold on the domestic market on the basis of a constant basket of goods, representative of the output of the manufacturing industries. The Producer Price Index-Agriculture (PPI-A) gives a measure of the average change in the selling prices which producers receive for their agricultural products.

Chart II.9: FAO Food Price Indices



Source: FAO website.

Chart II.10: Headline and Core Inflation



Source: Central Statistics Office, Government of Mauritius, and Bank calculations.

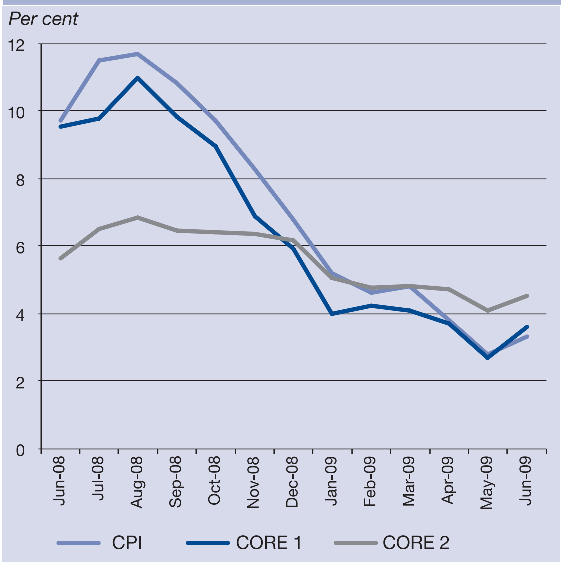
Using both the 12-month moving average and year-on-year methodology, PPI inflation was moderate during fiscal year 2008-09.

The Producer Price Index-Agriculture (PPI-A) dropped from 110.4 in June 2008 to 108.5 in June 2009, or 1.7 per cent as against an increase of 14.8 per cent in 2007-08. The PPI-A covers two sub-groups, namely "Crop Products" and "Animals and Animal Products". The index for 'Crop Products', which carries 75.6 per cent of the total weight, decreased by 6.1 per cent for the fiscal year 2008-09 while the index for the other sub-group 'Animals and Animal Products' rose by 10.3 per cent. PPI-A inflation, calculated as the percentage change in the yearly average PPI-A index, declined from 5.4 per cent in 2007-08 to 3.8 per cent for the 12-months period ended June 2009. Based on year-on-year methodology, PPI-A inflation dropped substantially from a double digit of 14.7 per cent in June 2008 to -1.7 per cent in June 2009.

The Producer Price Index-Manufacturing (PPI-M) remained unchanged at 165.7 in June 2009, compared to June 2008. PPI-M inflation, calculated as the percentage change in the yearly average PPI-M index, fell from 15.9 per cent in 2007-08 to 9.2 per cent for the 12-months period ended June 2009. The year-on-year PPI-M inflation fell from 12.1 in June 2008 to 0.0 per cent in June 2009.

Chart II.12 and Chart II.13 give the PPI-A inflation, PPI-M inflation and CPI inflation from June 2008 to June 2009, based on both methodologies.

Chart II.11: CPI and Core Inflation based on Year-on-year Methodology

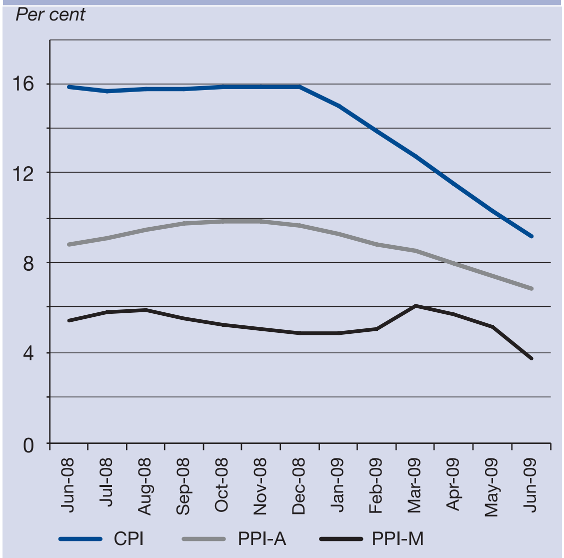


Source: Central Statistics Office, Government of Mauritius, and Bank calculations.

INFLATION OUTLOOK

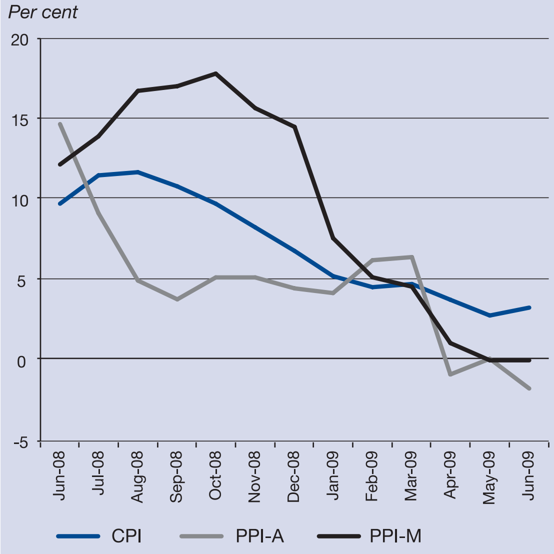
As of end June 2009, risks to the inflation outlook were broadly balanced. In the near term, downside risks emanating from weaker domestic economic activity were likely to dominate and inflation should remain moderate mainly on the back of benign global economic conditions.

Chart II.12: Inflation Indicators-12-month Moving Average



Source: Central Statistics Office, Government of Mauritius, and Bank calculations.

Chart II.13: Inflation Indicators-Year-on-Year Methodology



Source: Central Statistics Office, Government of Mauritius, and Bank calculations.

III. MONEY AND BANKING

MONETARY POLICY: 2008-09

During the fiscal year, monetary policy remained geared towards maintaining price stability and promoting orderly and balanced economic development. The global economic downturn in the second half of 2008 and the sharp fall in the international market prices of food and energy were accompanied by a rapid decline in inflation worldwide and in Mauritius. With downside risks to the growth outlook firming up and subsiding inflationary pressures, the Monetary Policy Committee (MPC) cut the key Repo Rate by a cumulative total of 250 basis points in a period of five months to March 2009.

The successive reductions in the key Repo Rate were effectively transmitted to banks' benchmark interest rates namely, their saving deposit rates and prime lending rates, both in terms of direction and magnitude. Interest rates along the yield curve also dropped significantly.

Developments in monetary policy formulation and communication policy

The MPC held four regular and two special meetings during the fiscal year ended June 2009. The decision and assessment of the MPC continued to be communicated in a timely and transparent manner. In addition to the established communication practice on monetary policy – namely the communiqué issued immediately after a meeting, the post-meeting press conference held by the Governor on the next working day and the publication of the Monetary Policy Statement a week after the meeting–the Bank started publishing the Inflation Report twice a year in compliance with section 33(2)(b) of the Bank of Mauritius Act 2004. The Inflation Report focuses on price developments and the assessment underpinning the monetary policy stance. The aim is to clarify the monetary policy stance for the benefit of stakeholders and the wider public. The first issue of the Inflation Report was launched in November 2008 and the second issue was released in March 2009. The Bank will release two issues of the Inflation Report yearly, in September and March.

Monetary policy-making was characterised by four important developments during the period under review. First, the MPC started to consider movements in year-on-year inflation while assessing risks to inflation and deciding on monetary policy in addition to the inflation rate published by the CSO. The year-on-year methodology captures the short-term dynamics of inflation and is a more appropriate measure for assessing inflationary pressures and for guiding monetary policy decisions. The Bank started publishing year-on-year inflation rate on its website and in its regular publications. Second, the Governor announced in June 2009 that section 5(2)(a) of the Bank of Mauritius Act 2004 will be considered for implementation. The section stipulates that the Bank shall "… for the purposes of subsection (1)(a), determine, with the concurrence of the Minister, the accepted range of the rate of inflation during a given period consistent with the pursuit of the price stability objective". The fulfilment of this requirement will foster the anchoring of inflation expectations which will generate wide-ranging benefits to the economy. Third, the MPC started, effective June 2009, announcing the date for its next meeting in the Monetary Policy Statement. Fourth, with a view to increasing expertise on the MPC, its membership would be strengthened by one additional external member bringing the total number of such members to four from three previously.

Monetary policy decisions

The MPC convened a special meeting on 21 July 2008 in view of the upward pressure on inflation with serious risks of high inflation expectations becoming entrenched.

The MPC considered it judicious to raise the policy interest rate by 25 basis points to 8.25 per cent per annum in order to avoid the domestic economy falling into an inflation spiral. The minimum CRR was subsequently raised by the Bank effective 15 August 2008, which led to a rise in short-term interest rates thereby further tightening monetary conditions.

Recognising an increase in the downside risks to growth amid worsening external demand conditions and an improvement in the inflation outlook, the MPC decided to leave the key Repo Rate unchanged at 8.25 per cent per annum at its regular meeting of 29 September 2008. The intensification of the global economic crisis thereafter reinforced the view that the outlook for global growth had deteriorated substantially and the economic slump was expected to be deep and prolonged. Against this backdrop, the MPC convened a special meeting on 31 October 2008. The MPC took cognisance of government's policy stance to shore up the domestic economy with special measures to mitigate the effects of the global economic slowdown. Many central banks acting jointly with their respective governments were pursuing expansionary policies. Growing evidence that faltering demand in major export markets could weaken domestic economic prospects while the inflation outlook had improved significantly led the MPC to lower the key Repo Rate by 50 basis points to 7.75 per cent per annum. Effective 7 November 2008, the Bank also reduced the minimum CRR banks were required to maintain from 6.0 per cent to 5.0 per cent as part of the exceptional measures to shore up the domestic economy.

Monetary policy was further eased at the regular meetings held in December 2008 and March 2009. The global economic and financial situation had deteriorated further worsening the outlook while disinflationary pressures had significantly increased in major economies. The Mauritian economy had decelerated significantly dragged down by the contraction in real output of key outward looking sectors. In view of the heightened downside risks to the growth outlook and the significant improvement in the inflation outlook, the MPC maintained its easing policy stance thereby supporting the government's policy to stimulate the domestic economy. It further reduced the key Repo Rate by 100 basis points on 8 December 2008 and by another 100 basis points on 26 March 2009 to 5.75 per cent per annum. Meanwhile, effective 19 December 2008, the Bank had lowered the minimum CRR from 5.0 per cent to 4.5 per cent with a view to supporting the initiatives taken by Government to stimulate the economy.

By the time the MPC met on 22 June 2009, leading indicators in major economies suggested some stabilisation of the global economy although the growth outlook remained vulnerable. The fiscal and monetary stimulus implemented by a large number of countries accompanied by the support to major financial systems appeared to have been successful in arresting the pace of economic decline. Global inflation had reverted to low levels. The MPC was of the view that the full effects of the coordinated expansionary economic policies on the domestic economy had yet to unfold. With the inflation outlook clouded by uncertainties regarding the future direction of commodity prices, particularly oil, on international markets and exchange rate movements, the MPC judged the stance of monetary policy to be appropriate and kept the key Repo Rate unchanged at 5.75 per cent.

DEPOSITORY CORPORATIONS SURVEY

The Depository Corporations Survey (DCS) covers the Bank of Mauritius and other depository corporations, which comprised 18 banks and 13 nonbank deposit-taking institutions as at end of June 2009.

Net foreign assets of depository corporations grew by Rs13,518 million, from Rs83,628 million at the end of June 2008 to Rs97,146 million at the end of June 2009, or 16.2 per cent, compared to an increase of 0.6 per cent recorded in the previous fiscal year. Net foreign assets of other depository corporations rose by 27.3 per cent, in contrast to a fall of 14.0 per cent in 2007-08.

The net foreign assets of Bank of Mauritius expanded by 11.0 per cent as against an expansion of 9.2 per cent in 2007-08.

Broad Money Liabilities (BML) grew by Rs31,603 million, from Rs252,175 million at the end of June 2008 to Rs283,778 million at the end of June 2009, or 12.5 per cent, down from 17.1 per cent registered in the preceding fiscal year. Of the components of BML, currency with public rose by 15.0 per cent, higher than the increase of 11.4 per cent recorded between end-June 2007 and end-June 2008; transferable deposits went up by 22.4 per cent, or lower than the increase of 26.7 per cent in 2007-08; savings deposits increased by 10.9 per cent, lower than the growth of 13.1 per cent registered in the previous year; time deposits expanded by 8.7 per cent compared to an increase of 16.9 per cent in 2007-08; and securities other than shares included in broad money rose by 1.1 per cent.

The rupee component of deposits included in BML went up by 11.1 per cent in 2008-09, down from 16.7 per cent in 2007-08 while the foreign currency component of deposits included in BML rose by 18.0 per cent compared to a rise of 21.8 per cent a year ago.

Narrow Money Liabilities (NML), which comprises currency with public and rupee transferable deposits, increased by Rs7,938 million, from Rs46,148 million at the end of June 2008 to Rs 54,086 million at the end of June 2009, or 17.2 per cent, higher than the rise of 15.1 per cent registered in 2007-08.

The increase of 12.5 per cent in BML in 2008-09 resulted from positive contributions of 7.9 and 5.4 percentage points in claims on other sectors and net foreign assets of depository corporations, respectively. Net claims on budgetary Central Government and net other items made negative contributions of 1.3 percentage points and 0.6 percentage points, respectively. The increase of 17.1 per cent in BML in 2007-08 resulted from positive contributions of 17.3 and 5.1 percentage points in claims on other sectors and net claims on budgetary Central Government, respectively. Net foreign assets of depository corporations made positive contributions of 0.2 per cent. Net other items made negative contributions of 5.5 percentage points.

As a percentage of GDP at market prices, average BML rose from 93.8 per cent in 2007-08 to 100.0 per cent in 2008-09, average NML rose from 17.0 per cent in 2007-08 to 18.5 per cent in 2008-09 while average domestic claims rose from 90.7 per cent to 99.3 per cent. Average claims on other sectors rose from 72.5 per cent in 2007-08 to 81.1 per cent in 2008-09.

Table III.1 shows the Depository Corporations Survey as at end-June 2007 through end-June 2009.

Table III.1: Depository Corporations Survey

	Jun-07 (1) (Rs Mn)	Jun-08 (2) (Rs Mn)	Jun-09 (3) (Rs Mn)	Change Between (1) and (2) (Rs Mn)	(Per cent)	Change Between (2) and (3) (Rs Mn)	(Per cent)
1. Net Foreign Assets	**83,161.6**	**83,627.6**	**97,145.7**	**466.0**	**0.6**	**13,518.1**	**16.2**
Bank of Mauritius	52,222.7	57,026.5	63,281.8	4,803.8	9.2	6,255.3	11.0
Other Depository Corporations	30,938.9	26,601.1	33,863.9	-4,337.8	-14.0	7,262.8	27.3
Banks	*30,978.2*	*26,719.9*	*39,068.5*	-4,258.3	-13.7	12,348.6	46.2
Non-Bank Deposit-Taking Institutions	*-39.3*	*-118.8*	*-209.6*	-79.5	202.1	-90.8	76.4
2. Domestic Claims	**210,442.8**	**258,703.8**	**275,223.5**	**48,261.0**	**22.9**	**16,519.7**	**6.4**
A. Net Claims on Central Government	***42,235.5***	***53,171.3***	***49,784.8***	**10,935.8**	**25.9**	**-3,386.5**	**-6.4**
Bank of Mauritius	-1,417.3	-4,361.6	-10,174.6	-2,944.3	207.7	-5,813.0	-133.3
Other Depository Corporations	43,652.8	57,532.9	59,959.4	13,880.1	31.8	2,426.5	4.2
Banks	*41,517.1*	*56,126.3*	*58,609.0*	14,609.2	35.2	2,482.7	4.4
Non-Bank Deposit-Taking Institutions	*2,135.7*	*1,406.5*	*1,350.4*	-729.2	-34.1	-56.1	-4.0
B. Claims on Other Sectors	***168,207.3***	***205,532.6***	***225,438.7***	**37,325.3**	**22.2**	**19,906.1**	**9.7**
Bank of Mauritius	238.1	134.5	133.3	-103.6	-43.5	-1.2	-0.9
Other Depository Corporations	167,969.2	205,398.0	225,305.4	37,428.8	22.3	19,907.4	9.7
Banks	*141,686.9*	*176,763.8*	*191,518.7*	35,076.9	24.8	14,754.9	8.3
Non-Bank Deposit-Taking Institutions	*26,282.3*	*28,634.2*	*33,786.6*	2,351.9	8.9	5,152.4	18.0
3. ASSETS = LIABILITIES	**293,604.4**	**342,331.4**	**372,369.2**	**48,727.0**	**16.6**	**30,037.8**	**8.8**
4. Broad Money Liabilities	**215,407.8**	**252,175.1**	**283,777.8**	**36,767.3**	**17.1**	**31,602.7**	**12.5**
A. Currency with Public	***11,597.3***	***12,914.4***	***14,847.9***	**1,317.1**	**11.4**	**1,933.5**	**15.0**
B. Transferable Deposits	***42,148.6***	***53,396.6***	***65,368.7***	**11,248.0**	**26.7**	**11,972.1**	**22.4**
Bank of Mauritius	643.4	288.9	101.0	-354.5	-55.1	-187.9	-65.0
Other Depository Corporations	41,505.2	53,107.7	65,267.7	11,602.5	28.0	12,160.0	22.9
Banks	*41,505.2*	*53,107.7*	*65,267.7*	11,602.5	28.0	12,160.0	22.9
Non-Bank Deposit-Taking Institutions	*0.0*	*0.0*	*0.0*	0.0	**0.0**	**0.0**	**0.0**
C. Savings Deposits	***65,344.0***	***73,897.5***	***81,932.9***	**8,553.5**	**13.1**	**8,035.4**	**10.9**
Bank of Mauritius	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
Other Depository Corporations	65,344.0	73,897.5	81,932.9	8,553.5	13.1	8,035.4	10.9
Banks	*64,224.1*	*73,136.0*	*80,603.4*	8,911.9	13.9	7,467.4	10.2
Non-Bank Deposit-Taking Institutions	*1,119.8*	*761.5*	*1,333.6*	-358.3	-32.0	572.1	75.1
D. Time Deposits	***94,478.0***	***110,426.9***	***120,072.4***	**15,948.9**	**16.9**	**9,645.5**	**8.7**
Bank of Mauritius	205.3	97.3	78.8	-108.0	-52.6	-18.5	-19.0
Other Depository Corporations	94,272.6	110,329.7	119,993.6	16,057.1	17.0	9,663.9	8.8
Banks	*75,787.0*	*86,890.1*	*94,502.6*	11,103.1	14.7	7,612.5	8.8
Non-Bank Deposit-Taking Institutions	*18,485.6*	*23,439.5*	*25,491.0*	4,953.9	26.8	2,051.5	8.8
E. Securities other than Shares	***1,840.0***	***1,539.5***	***1,555.9***	-300.5	-16.3	16.4	1.1
Bank of Mauritius	647.9	167.6	0.0	-480.3	-74.1	-167.6	-100.0
Other Depository Corporations	1,192.1	1,372.0	1,555.9	179.9	15.1	183.9	13.4
Banks	*727.4*	*784.8*	*851.5*	57.4	7.9	66.7	8.5
Non-Bank Deposit-Taking Institutions	*464.7*	*587.2*	*704.4*	122.5	26.4	117.2	20.0
5. Other	**78,196.5**	**90,156.3**	**88,591.4**	**11,959.8**	**15.3**	**-1,564.9**	**-1.7**

Figures may not add up to totals due to rounding.
Source: Statistics Division.

Trends in Monetary Base and Monetary Ratios

The monthly average level of the monetary base went up from Rs25,590 million in 2007-08 to Rs30,009 million in 2008-09, or 17.3 per cent, compared to an increase of 14.4 per cent in 2007-08. The monthly average level of broad money liabilities rose from Rs235,972 million to Rs271,255 million, or 15.0 per cent, between end-June 2008 and end-June 2009, up from 13.9 per cent in 2007-08. Consequently, the average multiplier for broad money liabilities decreased from 9.2 in 2007-08 to 9.0 in 2008-09.

On an average basis and as a ratio of broad money liabilities, currency with public stood unchanged at 5.4 per cent in 2008-09; transferable deposits rose from 20.0 per cent to 21.5 per cent; savings deposits fell from 28.6 per cent to 28.5 per cent; time deposits declined from 45.4 per cent to 44.0 per cent; and securities other than shares included in broad money fell from 0.7 per cent to 0.6 per cent over the same period.

The income velocity of circulation of broad money liabilities fell from 1.1 to 1.0 in 2008-09. Table III.2a gives details on monetary ratios for the years ended June 2007 through June 2009 and Table III.2b gives details on the income velocity of circulation for the years 2006-07 through 2008-09.

Table III.2a: Monetary Aggregates and Ratios

	June-07	June-08	June-09
1. Monthly Average for year ended (Rs million)			
A. Monetary Base	**22,362**	**25,590**	**30,009**
	(+8.0)	*(+14.4)*	*(+17.3)*
B. Broad Money Liabilities (BML)	**207,122**	**235,972**	**271,255**
	(+9.5)	*(+13.9)*	*(+15.0)*
(a) Currency with public	**11,447**	**12,703**	**14,525**
	(+9.6)	*(+11.0)*	*(+14.3)*
(b) Transferable deposits	**39,063**	**47,109**	**58,343**
	(+14.0)	*(+20.6)*	*(+23.8)*
(c) Savings deposits	**63,303**	**67,376**	**77,438**
	(+5.9)	*(+6.4)*	*(+14.9)*
(d) Time deposits	**91,568**	**107,204**	**119,457**
	(+11.4)	*(+17.1)*	*(+11.4)*
(e) Securities other than shares included in	**1,742**	**1,581**	**1,492**
broad money	*(-30.2)*	*(-9.3)*	*(-5.6)*
2. Average Broad Money Multiplier	**9.3**	**9.2**	**9.0**
3. Other Monetary Ratios (Per cent)			
A. Currency to BML	**5.5**	**5.4**	**5.4**
B. Transferable Deposits to BML	**18.9**	**20.0**	**21.5**
C. Savings deposits to BML	**30.6**	**28.6**	**28.5**
D. Time Deposits to BML	**44.2**	**45.4**	**44.0**
E. Securities other than shares inc. in broad	**0.8**	**0.7**	**0.6**
money to BML			

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.
Source: Statistics Division.

Table III.2b: Income Velocity of Circulation of Money			
	Income Velocity of Circulation of Currency	Income Velocity of Circulation of Narrow Money Liabilities	Income Velocity of Circulation of Broad Money Liabilities
2006-07	19.1	5.8	1.1
2007-08	19.8	5.9	1.1
2008-09	18.7	5.2	1.0

Source: Statistics Division.

Central Bank Survey

The Central Bank Survey (CBS) shows the components of the monetary base. The monetary base consists of central bank liabilities that support the expansion of broad money and credit.

The monetary base expanded by Rs2,705 million, or 9.9 per cent, from Rs27,328 million at the end of June 2008 to Rs30,033 million at the end of June 2009, as against an expansion of 14.6 per cent in 2007-08. Of its major components, currency in circulation rose by 14.0 per cent compared to an increase of 11.1 per cent in 2007-08 and reserve deposits increased by 6.8 per cent as against an increase of 25.9 per cent in 2007-08.

On the sources side of the monetary base, net foreign assets of the Bank increased by Rs6,255 million, or 11.0 per cent, from Rs57,027 million at the end of June 2008 to Rs63,282 million at the end of June 2009 compared to an increase of 9.2 per cent in the previous fiscal year. Domestic claims by the Bank contracted by Rs6,278 million or 193.7 per cent, to Rs9,519 million at the end of June 2009, as against a decrease of 706.1 per cent in 2007-08.

Table III.3 shows the Central Bank Survey as at end-June 2007 through end-June 2009.

Table III.3: Central Bank Survey	Jun-07 (1) *(Rs Mn)*	Jun-08 (2) *(Rs Mn)*	Jun-09 (3) *(Rs Mn)*	Change Between (1) and (2) *(Rs Mn)*	*(Per Cent)*	Change Between (2) and (3) *(Rs Mn)*	*(Per Cent)*
1. Net Foreign Assets	**52,222.7**	**57,026.5**	**63,281.8**	**4,803.8**	**9.2**	**6,255.3**	**11.0**
Claims on Nonresidents	52,772.1	57,059.0	63,300.9	4,286.9	8.1	6,241.9	10.9
Liabilities to Nonresidents	549.4	32.5	19.1	-516.9	-94.1	-13.4	-41.3
2. Domestic Claims	**534.7**	**-3,240.9**	**-9,518.9**	**-3,775.6**	**-706.1**	**-6,278.0**	**193.7**
A. Net Claims on Budgetary Central Government	-1,417.3	-4,361.6	-10,174.6	-2,944.3	-207.7	-5,813.0	-133.3
B. Claims on Other Sectors	238.1	134.5	133.3	-103.5	-43.5	-1.2	-0.9
C. Claims on Other Depository Corporations	1,714.0	986.2	522.4	-727.7	-42.5	-463.8	-47.0
3. ASSETS = LIABILITIES	**52,757.4**	**53,785.6**	**53,762.9**	**1,028.2**	**1.9**	**-22.7**	**-0.0**
4. Monetary Base	**23,840.9**	**27,327.5**	**30,032.5**	**3,486.6**	**14.6**	**2,705.0**	**9.9**
A. Currency in Circulation	13,511.8	15,008.3	17,104.7	1,496.5	11.1	2,096.3	14.0
B. Liabilities to Other Depository Corporations	9,480.3	11,933.0	12,748.1	2,452.7	25.9	815.1	6.8
C. Deposits Included in Broad Money	848.7	386.2	179.8	-462.5	-54.5	-206.4	-53.4
5. Securities other than Shares Included in Broad Money	**647.9**	**167.6**	**0.0**	**-480.3**	**-74.1**	**-167.6**	**-100.0**
6. Other	**28,268.7**	**26,290.6**	**23,730.4**	**-1,978.1**	**-7.0**	**-2,560.2**	**-9.7**

Figures may not add up to totals due to rounding.
Source: Statistics Division.

Other Depository Corporations Survey

The Other Depository Corporations Survey (ODCS) covers all institutional units that issue liabilities included in the national definition of broad money. The ODCS is derived from the sectoral balance sheets of other depository corporations, i.e. banks and non-bank deposit-taking institutions.

Net foreign assets of ODCs grew by Rs7,263 million, or 27.3 per cent, from Rs26,601 million at the end of June 2008 to Rs33,864 million at the end of June 2009, as against a contraction of 14.0 per cent in 2007-08. Claims on nonresidents rose by Rs18,585 million, or 6.9 per cent, to Rs288,406 million while liabilities to nonresidents increased by Rs11,322 million, or 4.7 per cent, to Rs254,542 million at the end of June 2009.

Domestic claims rose by Rs17,208 million, or 6.1 per cent, from Rs283,102 million at the end of June 2008 to Rs300,309 million at the end of June 2009, compared to a growth of 24.3 per cent in the preceding fiscal year. Of the components of domestic claims, net claims on Central Government increased by Rs2,427 million, or 4.2 per cent, to Rs59,959 million, compared to an expansion of 31.8 per cent recorded in the previous fiscal year. Claims on other sectors grew by Rs19,907 million, or 9.7 per cent, to Rs225,305 million, compared to a growth of 22.3 per cent noted in 2007-08. Claims on the central bank fell by Rs5,126 million, or 25.4 per cent, to Rs15,045 million at the end of June 2009 as against an increase of Rs3,964 million, or 24.5 per cent, in the preceding fiscal year.

Claims on GBL holders expanded by Rs7,381 million, or 65.5 per cent, from Rs11,264 million at the end of June 2008 to Rs18,645 million at the end of June 2009, compared to a growth of 10.9 per cent registered in 2007-08.

Deposits included in broad money grew by Rs29,859 million, or 12.6 per cent, from Rs237,335 million at the end of June 2008 to Rs267,194 million at the end of June 2009, down from 18.0 per cent recorded during the previous fiscal year. Transferable deposits increased by Rs12,160 million to Rs65,268 million, or 22.9 per cent, compared to an increase of 28.0 per cent in 2007-08. Savings deposits went up by Rs8,035 million, or 10.9 per cent, to Rs81,933 million compared with a rise of 13.1 per cent in 2007-08, and time deposits increased by Rs9,664 million to Rs119,994 million, or 8.8 per cent, compared to a growth of 17.0 per cent in 2007-08.

Securities other than shares included in Broad Money went up by Rs184 million, from Rs1,372 million at the end of June 2008 to Rs1,556 million at the end of June 2009, or 13.4 per cent, lower than the growth of 15.1 per cent registered in the preceding fiscal year.

Table III.4 presents the Other Depository Corporations Survey as at end-June 2007 through end-June 2009.

Table III.4: Other Depository Corporations Survey

	Jun-07 (1) *(Rs Mn)*	Jun-08 (2) *(Rs Mn)*	Jun-09 (3) *(Rs Mn)*	Change Between (1) and (2) *(Rs Mn)*	*(Per Cent)*	Change Between (2) and (3) *(Rs Mn)*	*(Per Cent)*
1. Net Foreign Assets	**30,938.9**	**26,601.1**	**33,863.9**	**-4,337.7**	**-14.0**	**7,262.7**	**27.3**
Claims on Nonresidents	267,222.7	269,821.0	288,406.0	2,598.3	1.0	18,585.0	6.9
Liabilities to Nonresidents	236,283.9	243,219.9	254,542.1	6,936.0	2.9	11,322.2	4.7
2. Domestic Claims	**227,828.3**	**283,101.5**	**300,309.4**	**55,273.2**	**24.3**	**17,207.8**	**6.1**
A. Net Claims on Central Government	43,652.8	57,532.9	59,959.4	13,880.0	31.8	2,426.5	4.2
B. Claims on Other Sectors	167,969.2	205,398.0	225,305.4	37,428.8	22.3	19,907.3	9.7
C. Claims on Central Bank	16,206.2	20,170.6	15,044.6	3,964.4	24.5	-5,126.0	-25.4
3. Claims on Global Business Licence Holders Sector	**10,158.2**	**11,264.0**	**18,644.9**	**1,105.8**	**10.9**	**7,380.9**	**65.5**
4. ASSETS = LIABILITIES	**268,925.3**	**320,966.7**	**352,818.1**	**52,041.3**	**19.4**	**31,851.5**	**9.9**
5. Liabilities to Central Bank	**1,368.5**	**852.2**	**470.9**	**-516.3**	**-37.7**	**-381.3**	**-44.7**
6. Deposits Included in Broad Money	**201,121.8**	**237,334.9**	**267,194.2**	**36,213.0**	**18.0**	**29,859.3**	**12.6**
A. Transferable Deposits	41,505.2	53,107.7	65,267.7	11,602.5	28.0	12,160.0	22.9
B. Savings Deposits	65,344.0	73,897.5	81,932.9	8,553.5	13.1	8,035.4	10.9
C. Time Deposits	94,272.6	110,329.7	119,993.6	16,057.0	17.0	9,663.9	8.8
7. Securities other than Shares included in Broad Money	**1,192.1**	**1,372.0**	**1,555.9**	**179.9**	**15.1**	**183.9**	**13.4**
8. Other	**65,242.9**	**81,407.6**	**83,597.2**	**16,164.7**	**24.8**	**2,189.6**	**2.7**

Figures may not add up to totals due to rounding.
Source: Statistics Division

Banks Survey

The total assets (liabilities) of banks grew by Rs20,102 million, or 7.1 per cent, from Rs282,989 million at the end of June 2008 to Rs303,091 million at the end of June 2009, down from the growth of 20.5 per cent noted in the previous fiscal year.

Net foreign assets of banks expanded by Rs7,349 million, or 27.5 per cent, from Rs26,720 million at the end of June 2008 to Rs34,069 million at the end of June 2009, in contrast to a contraction of 13.7 per cent in 2007-08. The expansion in net foreign assets during fiscal year 2008-09 was the net result of a rise in claims on nonresidents of Rs18,582 million, or 6.9 per cent, more than offsetting the increase in liabilities to nonresidents of Rs11,233 million or 4.6 per cent.

Domestic claims expanded by Rs12,754 million, or 5.0 per cent, from Rs256,269 million at the end of June 2008 to Rs269,023 million at the end of June 2009, which was significantly lower than the growth of 25.6 per cent recorded in the preceding fiscal year. Of the components of domestic claims, net claims on Central Government increased by Rs2,483 million, or 4.4 per cent, from Rs56,126 million at the end of June 2008 to Rs58,609 million at the end of June 2009. Claims on Other Sectors grew by Rs14,755 million, or 8.3 per cent, lower than the increase of 24.8 per cent in 2007-08. Claims on the Bank of Mauritius contracted by Rs5,127 million, or 25.4 per cent while claims on Non-Bank Deposit-Taking Institutions increased by Rs643 million, or 20.1 per cent, to Rs3,852 million over the same period.

Deposits included in broad money grew by Rs27,240 million, or 12.8 per cent, from Rs213,134 million at the end of June 2008 to Rs240,374 million at the end of June 2009 compared to the rise of 17.4 per cent registered in the preceding fiscal year. This expansion reflects increases of Rs12,160 million, or 22.9 per cent, in transferable deposits; Rs7,613 million, or 8.8 per cent, in time deposits; and of Rs7,467 million, or 10.2 per cent, in savings deposits.

Table III.5 shows the Banks Survey as at end-June 2007 through end-June 2009.

Table III.5: Banks Survey

	Jun-07 (1)	Jun-08 (2)	Jun-09 (3)	Change Between (1) and (2) (Rs Mn)	(Per Cent)	Change Between (2) and (3) (Rs Mn)	(Per Cent)
1. Net Foreign Assets	**30,978.2**	**26,719.9**	**34,068.5**	**-4,258.3**	**-13.7**	**7,348.6**	**27.5**
Claims on Nonresidents	267,222.5	269,819.4	288,401.0	2,596.9	1.0	18,581.6	6.9
Liabilities to Nonresidents	236,244.3	243,099.5	254,332.5	6,855.2	2.9	11,233.0	4.6
2. Domestic Claims	**203,964.7**	**256,269.1**	**269,022.6**	**52,304.4**	**25.6**	**12,753.5**	**5.0**
A. Net Claims on Central Government	41,517.1	56,126.3	58,609.0	14,609.2	35.2	2,482.7	4.4
B. Claims on Other Sectors	141,686.9	176,763.8	191,518.7	35,076.9	24.8	14,754.9	8.3
C. Claims on Central Bank	16,157.2	20,170.3	15,042.8	4,013.1	24.8	-5,127.4	-25.4
D. Claims on NonBank Deposit-Taking Institutions	4,603.5	3,208.7	3,852.1	-1,394.8	-30.3	643.4	20.1
3. ASSETS = LIABILITIES	**234,942.9**	**282,989.0**	**303,091.2**	**48,046.1**	**20.5**	**20,102.1**	**7.1**
4. Liabilities to Central Bank	**1,351.7**	**838.4**	**453.9**	**-513.3**	**-38.0**	**-384.6**	**-45.9**
5. Deposits Included in Broad Money	**181,516.4**	**213,133.8**	**240,373.7**	**31,617.4**	**17.4**	**27,239.8**	**12.8**
A. Transferable Deposits	41,505.2	53,107.7	65,267.7	11,602.5	28.0	12,160.0	22.9
B. Savings Deposits	64,224.1	73,136.0	80,603.4	8,911.9	13.9	7,467.3	10.2
C. Time Deposits	75,787.0	86,890.1	94,502.6	11,103.1	14.7	7,612.5	8.8
6. Securities other than Shares included in Broad Money	**727.4**	**784.8**	**851.5**	**57.4**	**7.9**	**66.7**	**8.5**
7. Liabilities to NonBank Deposit-Taking Institutions	**2,081.0**	**4,285.8**	**4,179.8**	**2,204.8**	**105.9**	**-106.0**	**-2.5**
8. Other	**49,266.3**	**63,946.1**	**57,232.3**	**14,679.8**	**29.8**	**-6,713.8**	**-10.5**

Figures may not add up to totals due to rounding.
Source: Statistics Division

Non-Bank Deposit-taking Institutions Survey

Total assets (liabilities) of non-bank deposit-taking institutions grew by Rs4,828 million, or 14.1 per cent, from Rs34,252 million at the end of June 2008 to Rs39,080 million at the end of June 2009, compared to a growth of 11.8 per cent in the preceding fiscal year.

Domestic claims increased by Rs4,914 million, or 14.3 per cent, from Rs34,371 million at the end of June 2008 to Rs39,284 million at the end of June 2009. The bulk of the increase was accounted for by the increase of Rs5,152 million or 18.0 per cent in claims on other sectors, more than offsetting the falls in net claims on central government and claims on banks.

Deposits included in broad money grew by Rs2,624 million, or 10.8 per cent, from Rs24,201 million at the end of June 2008 to Rs26,825 million at the end of June 2009. This expansion in deposits can be explained by the increases of 2,051 million, or 8.8 per cent, in time deposits and Rs572 million, or 75.1 per cent, in savings deposits.

Securities other than shares included in broad money rose by Rs117 million, or 20.0 per cent, from Rs587 million at the end of June 2008 to Rs704 million at the end of June 2009.

Table III.6 shows the Non-Bank Deposit-Taking Institutions Survey as at end-June 2007 through end-June 2009.

Table III.6: Non-Bank Deposit-Taking Institutions' Survey

	Jun-07 (1)	Jun-08 (2)	Jun-09 (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	**-39.3**	**-118.8**	**-204.6**	**-79.5**	**202.1**	**-85.8**	**72.3**
Claims on Nonresidents	0.2	1.6	4.9	1.4	650.5	3.3	207.7
Liabilities to Nonresidents	39.5	120.4	209.6	80.9	204.5	89.2	74.1
2. Domestic Claims	**30,683.6**	**34,370.5**	**39,284.1**	**3,686.9**	**12.0**	**4,913.6**	**14.3**
A. Net Claims on Central Government	2,135.7	1,406.5	1,350.4	-729.2	-34.1	-56.1	-4.0
B. Claims on Other Sectors	26,282.3	28,634.2	33,786.6	2,351.9	8.9	5,152.4	18.0
C. Claims on Central Bank	49.0	0.4	1.8	-48.7	-99.3	1.4	401.3
D. Claims on Banks	2,216.6	4,329.4	4,145.4	2,112.8	95.3	-184.1	-4.3
3. ASSETS = LIABILITIES	**30,644.3**	**34,251.7**	**39,079.5**	**3,607.4**	**11.8**	**4,827.8**	**14.1**
4. Liabilities to Central Bank	**16.7**	**13.8**	**17.0**	**-3.0**	**-17.8**	**3.3**	**23.8**
5. Deposits Included in Broad Money	**19,605.4**	**24,201.1**	**26,824.5**	**4,595.6**	**23.4**	**2,623.5**	**10.8**
A. Transferable Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Savings Deposits	1,119.8	761.5	1,333.6	-358.3	-32.0	572.0	75.1
C. Time Deposits	18,485.6	23,439.5	25,491.0	4,954.0	26.8	2,051.4	8.8
6. Securities other than Shares included in Broad Money	**464.7**	**587.2**	**704.4**	**122.5**	**26.4**	**117.2**	**20.0**
7. Liabilities to Banks	**4,646.1**	**2,973.1**	**3,580.4**	**-1,673.0**	**-36.0**	**607.4**	**20.4**
8. Other	**5,911.3**	**6,476.6**	**7,953.1**	**565.3**	**9.6**	**1,476.5**	**22.8**

Figures may not add up to totals due to rounding.
Source: Statistics Division.

BANKING SECTOR

Main Features

At the end of June 2009, the banking sector in Mauritius comprised eighteen banks licensed to carry out banking business. Of these, six are locally incorporated; seven are foreign-owned banks incorporated locally while five are branches of foreign banks.

The 18 banks operated 197 branches, 15 counters, 1 mobile van and 369 Automated Teller Machines (ATMs) in Mauritius and employed 6,404 people at the end of June 2009.

The number of inhabitants per branch went down from 6,820 as at end-June 2008 to 6,472 as at end-June 2009. Besides traditional banking facilities, eleven banks offer card-based payment services such as credit and debit cards while nine banks provide internet banking and three banks provide phone banking facilities. Between end-June 2008 and end-June 2009, the number of cards in circulation increased by 110,643, from 1,096,368 to 1,207,011, with the number of credit cards rising by 10,909 and debit and other cards rising by 99,734.

The average balance per account for demand, savings, time and foreign currency deposits stood at Rs141,723, Rs54,495, Rs647,736 and Rs5,354,301 at the end of June 2009 compared to Rs137,277, Rs50,692, Rs580,941 and Rs5,928,153 at the end of June 2008.

Sectorwise Distribution of Credit

Credit extended to the private sector by banks grew by Rs26,834 million, or 17.2 per cent, from Rs155,847 million at the end of June 2008 to Rs182,681 million at the end of June 2009, compared to an increase of 18.6 per cent registered over the preceding fiscal year. Average private sector credit as a percentage of GDP at market prices went up from 57.2 per cent in 2007-08 to 64.2 per cent in 2008-09. Construction and tourism sectors continued to drive the increase in bank credit, representing respective shares of 30.9 per cent and 22.7 per cent in total credit expansion in 2008-09. The "Agriculture and Fishing", "Manufacturing", "Traders", "Public Nonfinancial Corporations" and "Personal" sectors were the other major recipients of additional credit with around 44.6 per cent of the increase channelled to them. Credit to the household sector remained buoyant with an increase of Rs3,783 million or representing 14.1 per cent of the increase in total credit expansion in 2008-09. Its share of average credit to GDP at market prices stood at 13.9 per cent in 2008-09, up from 13.0 per cent a year earlier.

Loans and overdrafts facilities went up by Rs19,985 million, or 16.8 per cent, to Rs138,805 million at the end of June 2009, more than the increase of 12.5 per cent noted in 2007-08. They represented 76.0 per cent of total credit at the end of June 2009, down from 76.2 per cent at the end of June 2008. Foreign currency financing of credit increased by Rs6,640 million, or 26.4 per cent, to Rs31,758 million at the end of June 2009, in contrast to an increase of 85.7 per cent in 2007-08. The share of foreign currency lending out of total credit rose by 17.4 per cent at the end of June 2009 up from 16.1 per cent at the end of June 2008. Local Bills Purchased and Discounted declined by Rs117 million, or 10.2 per cent, to Rs1,028 million, compared to a rise of 4.1 per cent recorded in the preceding fiscal year. As a share of total credit, they accounted for 0.6 per cent at the end of June 2009, marginally lower than the share of 0.7 per cent at the end of June 2008. Bills Receivable grew by Rs167 million, or 6.0 per cent, to Rs2,944 million compared to an increase of 24.6 per cent registered in 2007-08. Their share in total credit was 1.6 per cent at the end of June 2009 compared to 1.8 per cent at the end of June 2008. Banks' investment in shares and debentures expanded by 2.0 per cent, from Rs7,985 million at the end of June 2008 to Rs8,147 million at the end of June 2009, compared to a decrease of 10.3 per cent in the preceding fiscal year. As a percentage of total credit, they represented 4.5 per cent as at end-June 2009, lower than the share of 5.1 per cent as at end-June 2008.

Chart III.1 shows the sectorwise contribution to the increase in credit to the private sector by banks in 2008-09. Table III.7 gives the breakdown of the sectorwise distribution of credit to the private sector by banks as at end-June 2007, end-June 2008 and end-June 2009.

Table III.7: Sectorwise Distribution of Credit to the Private Sector

Sectors	Jun-07 (1) (Rs Mn)	Jun-08 (2) (Rs Mn)	Jun-09 (3) (Rs Mn)	Change between (1) and (2) (Rs Mn)	Per cent	Change between (2) and (3) (Rs Mn)	Per cent
Agriculture & Fishing	**6,851.7**	**9,248.1**	**12,221.6**	**2,396.4**	**35.0**	**2,973.5**	**32.2**
- of which							
Sugar Industry - Estates	4,129.0	5,487.7	7,036.4	1,358.8	32.9	1,548.6	28.2
Sugar Industry - Others	608.7	992.3	1,090.1	383.6	63.0	97.8	9.9
Agricultural Development Certificate Holders	17.5	18.2	62.6	0.7	3.8	44.5	244.7
Agro-based Industrial Certificate Holders	13.5	9.9	18.3	-3.6	-26.6	8.3	83.9
Sugarcane Planters	708.2	692.3	1,471.4	-15.8	-2.2	779.0	112.5
Other Plantation	52.7	114.2	135.1	61.4	116.5	20.9	18.3
Animal Breeding	606.7	553.3	742.4	-53.5	-8.8	189.1	34.2
Fishing	203.4	253.9	381.3	50.5	24.8	127.3	50.2
Other	511.9	1,126.4	1,284.2	614.5	120.0	157.8	14.0
Manufacturing	**14,944.9**	**17,304.5**	**18,042.5**	**2,359.5**	**15.8**	**738.0**	**4.3**
- of which							
Export Enterprise Certificate Holders	6,548.0	8,152.6	7,529.9	1,604.6	24.5	-622.7	-7.6
Export Service Certificate Holders	275.6	301.2	318.3	25.6	9.3	17.2	5.7
Pioneer Status Certificate Holders	213.1	122.3	144.0	-90.8	-42.6	21.7	17.8
Small and Medium Enterprise Certificate Holders	107.2	110.6	208.3	3.5	3.2	97.7	88.3
Strategic Local Enterprise Certificate Holders	0.0	1.8	5.0	1.8		3.3	0.0
Furniture & Wood Products	451.6	435.8	285.7	-15.8	-3.5	-150.1	-34.4
Printing & Publishing	713.8	614.6	832.7	-99.2	-13.9	218.1	35.5
Steel/Metal Products	394.1	449.4	575.2	55.3	14.0	125.8	28.0
Food & Beverages	2,761.0	3,418.6	3,178.7	657.7	23.8	-239.9	-7.0
Plastic Products	192.4	150.5	186.1	-41.9	-21.8	35.6	23.6
Pharmaceuticals & Health Care	119.0	166.3	149.6	47.3	39.7	-16.7	-10.0
Jewellery & Precision Engineering	158.7	240.5	222.0	81.8	51.6	-18.5	-7.7
Electronics	118.3	69.2	136.9	-49.1	-41.5	67.7	97.9
Leather Products & Footwear	74.0	80.8	81.6	6.8	9.2	0.8	1.0
Paints	198.6	198.9	166.1	0.3	0.2	-32.9	-16.5
Cement	117.0	117.9	101.5	0.9	0.7	-16.4	-13.9
Other	2,502.6	2,673.6	3,920.8	171.0	6.8	1,247.2	46.6
Tourism	**17,882.8**	**24,037.6**	**30,133.7**	**6,154.8**	**34.4**	**6,096.1**	**25.4**
- of which							
Hotels	9,077.0	13,628.7	17,095.0	4,551.7	50.1	3,466.3	25.4
Tour Operators & Travel Agents	466.6	528.9	808.2	62.2	13.3	279.4	52.8
Hotel Development Certificate Holders	1,062.5	897.7	870.9	-164.8	-15.5	-26.8	-3.0
Hotel Management Service Certificate Holders	6,511.3	7,858.4	10,127.0	1,347.1	20.7	2,268.6	28.9
Restaurants	232.9	252.6	265.0	19.6	8.4	12.4	4.9
Duty-Free Shops	16.8	54.2	31.4	37.5	223.3	-22.8	-42.1
Other	515.5	817.1	936.1	301.5	58.5	119.1	14.6
Transport	**1,771.6**	**955.7**	**926.0**	**-815.9**	**-46.1**	**-29.7**	**-3.1**
- of which							
Airlines	114.0	15.8	8.2	-98.2	-86.1	-7.6	-47.9
Buses, Lorries, Trucks & Cars	507.5	494.1	502.4	-13.4	-2.6	8.3	1.7
Shipping & Freight Forwarders	1,011.8	221.2	211.4	-790.6	-78.1	-9.8	-4.4
Other	138.4	224.6	204.0	86.3	62.3	-20.7	-9.2
Construction	**22,917.1**	**29,957.0**	**38,248.2**	**7,039.9**	**30.7**	**8,291.1**	**27.7**
- of which							
Building & Housing Contractors	1,540.4	1,587.8	1,609.4	47.3	3.1	21.7	1.4
Property Development - Commercial	1,881.8	4,165.1	6,402.8	2,283.3	121.3	2,237.8	53.7
Property Development - Residential	1,156.8	2,653.7	2,829.7	1,496.8	129.4	176.0	6.6
Property Development - Land Parcelling	161.8	233.3	341.5	71.5	44.2	108.2	46.4
Housing	14,867.7	17,189.5	19,860.4	2,321.8	15.6	2,670.9	15.5
Housing - Staff	1,099.0	1,426.1	1,929.2	327.1	29.8	503.2	35.3
Housing Development Certificate Holders	8.4	4.5	2.3	-3.9	-46.0	-2.2	-49.0
Industrial Building Enterprise Certificate Holders	292.3	505.9	2,497.6	213.6	73.1	1,991.7	393.7
Building Supplies & Materials	67.3	216.1	250.4	148.8	0.0	34.3	0.0
Stone Crushing and Concrete Products	928.6	598.4	645.3	-330.2	-35.6	46.9	7.8
Other	913.0	1,376.8	1,879.4	463.8	50.8	502.6	36.5

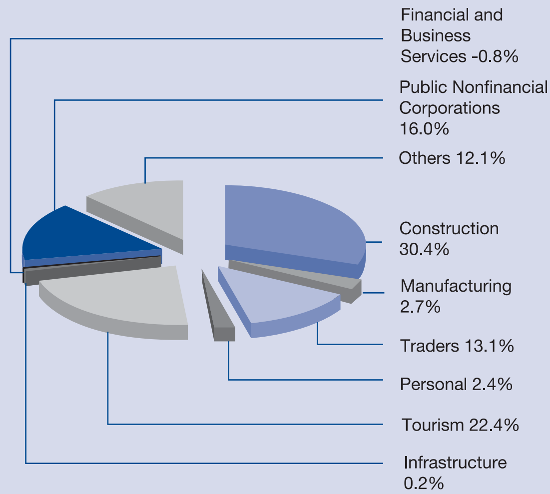
Table III.7: Sectorwise Distribution of Credit to the Private Sector (cont)

Sectors	Jun-07 (1) (Rs Mn)	Jun-08 (2) (Rs Mn)	Jun-09 (3) (Rs Mn)	Change between (1) and (2) (Rs Mn)	Change between (1) and (2) Per cent	Change between (2) and (3) (Rs Mn)	Change between (2) and (3) Per cent
Traders	**19,736.4**	**20,053.9**	**23,295.4**	**317.4**	**1.6**	**3,241.6**	**16.2**
- of which							
Marketing Companies	0.0	65.9	37.0	65.9	0.0	-28.9	0.0
Wholesalers	5,163.7	5,288.4	5,591.9	124.7	2.4	303.5	5.7
Retailers - Hypermarkets	305.7	33.5	88.4	-272.2	-89.0	54.9	163.9
Retailers - Supermarkets	833.8	494.4	474.9	-339.4	-40.7	-19.5	-3.9
Retailers - Shops & Snacks	179.8	739.9	888.5	560.1	311.5	148.6	20.1
Retailers - Pharmaceuticals and Chemists	224.0	175.2	171.1	-48.8	-21.8	-4.1	-2.3
Retailers - Others	3,042.3	3,197.7	2,963.7	155.4	5.1	-234.0	-7.3
Automobile Dealers & Garages	1,585.7	2,008.5	1,996.8	422.9	26.7	-11.7	-0.6
Petroleum and Energy Products	750.5	737.9	911.6	-12.7	-1.7	173.7	23.5
Tyre Dealers and Suppliers	4.2	17.7	26.1	13.5	318.5	8.4	47.7
Other	7,646.6	7,294.7	10,145.3	-351.9	-4.6	2,850.6	39.1
Information Communication and Technology	**599.2**	**924.9**	**1,244.7**	**325.7**	**54.4**	**319.8**	**34.6**
- of which							
Telecommunications	179.7	239.9	306.7	60.2	33.5	66.8	27.8
Internet	221.8	228.8	309.6	7.0	3.1	80.8	35.3
E-Commerce	2.1	226.6	204.0	224.5		-22.6	-10.0
Information Technology - Hardware	53.7	53.4	53.9	-0.3	-0.5	0.5	0.9
Information Technology - Software	88.4	84.2	67.6	-4.2	-4.8	-16.6	-19.7
Personal Computers	7.5	18.7	48.1	11.2	150.7	29.4	157.3
Other	46.0	73.4	254.8	27.3	59.3	181.4	247.3
Financial and Business Services	**15,812.7**	**18,819.7**	**18,928.4**	**3,006.9**	**19.0**	**108.7**	**0.6**
- of which							
Stockbrokers & Stockbroking Companies	12.7	19.3	61.8	6.7	52.4	42.5	219.5
Insurance Companies	453.1	415.7	207.5	-37.4	-8.2	-208.3	-50.1
Nonbank Deposit-Taking Institutions	4,476.5	2,879.4	4,213.5	-1,597.1	-35.7	1,334.1	46.3
Mutual Funds	6.5	85.0	128.6	78.5	1,207.3	43.6	51.3
Accounting & Consultancy Services	317.0	378.6	627.9	61.6	19.4	249.3	65.8
Investment Companies	1,855.4	4,989.9	3,576.0	3,134.5	168.9	-1,413.9	-28.3
Public Financial Corporations	875.2	739.9	759.5	-135.4	-15.5	19.7	2.7
Other	7,816.3	9,311.8	9,353.4	1,495.4	19.1	41.7	0.4
Infrastructure	**4,136.7**	**5,124.9**	**5,170.3**	**988.3**	**23.9**	**45.4**	**0.9**
- of which							
Airport Development	2.7	25.4	37.8	22.7	845.4	12.4	48.7
Port Development	0.0	0.8	0.9	0.8	0.0	0.1	0.0
Power Generation	4,075.1	5,004.8	5,035.8	929.7	22.8	31.0	0.6
Water Development	13.0	7.6	20.4	-5.4	-41.8	12.9	170.2
Road Development	0.0	0.0	0.0	0.0	23.2	0.0	19.3
Other	45.9	86.3	75.3	40.4	88.0	-11.0	-12.7
State and Local Government	**95.1**	**47.7**	**49.0**	**-47.4**	**-49.8**	**1.3**	**2.7**
Public Nonfinancial Corporations	**6,904.1**	**7,768.1**	**12,136.7**	**864.0**	**12.5**	**4,368.7**	**56.2**
Regional Development Certificate Holders	**0.0**	**0.5**	**0.0**	**0.5**	**0.0**	**-0.5**	**0.0**
Regional Headquarters Certificate Holders	**0.5**	**0.5**	**0.0**	**0.0**	**0.0**	**-0.5**	**0.0**
Freeport Enterprise Certificate Holders	**320.2**	**488.4**	**650.5**	**168.1**	**52.5**	**162.2**	**33.2**
Health Development Certificate Holders	**64.4**	**72.0**	**465.9**	**7.6**	**11.8**	**393.9**	**546.9**
Modernisation & Expansion Enterprise Cert Holders	**0.1**	**0.1**	**0.0**	**-0.0**	**0.0**	**-0.1**	**0.0**
Personal	**13,683.2**	**15,887.4**	**16,545.7**	**2,204.2**	**16.1**	**658.3**	**4.1**
Professional	**628.1**	**805.3**	**755.8**	**177.1**	**28.2**	**-49.4**	**-6.1**
Education	**466.4**	**499.3**	**591.0**	**32.9**	**7.0**	**91.7**	**18.4**
Human Resource Development Certificate Holders	**0.1**	**0.0**	**1.5**	**-0.0**	**0.0**	**1.5**	**0.0**
Media, Entertainment and Recreational Activities	**376.7**	**1,013.9**	**534.7**	**637.2**	**169.1**	**-479.2**	**-47.3**
Other	**4,188.7**	**2,837.6**	**2,739.8**	**-1,351.1**	**-32.3**	**-97.8**	**-3.4**
Total	**131,381.0**	**155,847.0**	**182,681.4**	**24,466.0**	**18.6**	**26,834.4**	**17.2**

Source: Statistics Division.

Chart III.1 shows the sectorwise contribution to the increase in credit to the private sector by banks in 2008-09. Table III.7 gives the breakdown of the sectorwise distribution of credit to the private sector by banks as at end-June 2007, end-June 2008 and end-June 2009.

Chart III.1: Sectorwise Contribution to the Increase in Credit to the Private Sector by Banks in June 08 - June 09



Source: Statistics Division.

Maintenance of Cash Ratio

With effect from the maintenance period starting 15 August 2008, the cash ratio that banks were required to maintain was raised from 4.0 per cent to 6.0 per cent of their average deposits liabilities held over the two-week period preceding the maintenance period on the back of high monetary expansion and excess liquidity on the money market. Concurrently, the minimum cash reserve ratio on any particular day during the maintenance period was raised from 2.0 per cent to 4.0 per cent. With effect from the fortnight beginning 7 November 2008, the cash reserve ratio that banks were required to maintain was reduced from 6.0 per cent to 5.0 per cent as part of the exceptional measures to shore up the domestic economy and taking into consideration the government's policy stance to further strengthen the resilience of the domestic economy. The minimum cash reserve ratio on any particular day remained unchanged at 4.0 per cent. The cash reserve ratio was further reduced from 5.0 per cent to 4.5 per cent with effect from the maintenance period starting 19 December 2008 with a view to countering the possible adverse impact of the global economic crisis on Mauritius and to support the initiatives being taken by Government to stimulate the economy.

Table III.8: Average Cash Ratio Maintained by Banks

	Average Cash Balances Held	Average Excess/ (Shortfall) Cash Balances	Average Cash Ratio
	(Rs million)		*(Per cent)*
2007-08			
Jul-Sep	8,800-9,634	1,210-1,982	4.64-5.06
Oct-Dec	9,535-11,155	1,505-3,406	4.75-5.76
Jan-Mar	9,449-11,357	926-2,926	4.43-5.39
Apr-Jun	9,848-10,956	1,276-2,145	4.60-4.98
2007-08	**8,800-11,357**	**926-3,406**	**4.43-5.76**
2008-09			
Jul-Sep	10,966-14,936	399-2,843	4.89-6.60
Oct-Dec	12,522-16,362	846-2,512	5.37-7.09
Jan-Mar	12,869-14,710	1,830-3,782	5.25-6.06
Apr-Jun	12,173-16,909	901-5,521	4.86-6.68
2008-09	**10,966-16,909**	**399-5,521**	**4.86-7.09**

Cash balances consist exclusively of balances held with the Bank of Mauritius.
Source: Statistics Division.

The minimum cash reserve ratio on any particular day was also reduced from 4.0 per cent to 3.0 per cent. The minimum cash balances held by banks consist exclusively of balances held by banks with the Bank of Mauritius.

The average cash balances held by banks at the Bank of Mauritius were in the range of Rs11.0-16.9 billion in 2008-09, higher than the range of Rs8.8-11.4 billion in 2007-08. Similarly, the average excess reserves held by banks during the monitoring period were higher, in the range of Rs0.4-5.5 billion, during the period under review compared to Rs0.9-3.4 billion in 2007-08. Hence, the average cash ratio stood in the range of 4.86-7.09 per cent in 2008-09 compared to 4.43-5.76 per cent in the previous fiscal year.

Table III.8 gives details of the average cash ratio maintained by banks in 2007-08 and 2008-09.

INTEREST RATES

Banks' Savings Deposit Rate (SDR) followed the same trend as the change in the key Repo Rate and moved from a range of 6.25-7.25 per cent at the end of June 2008 to a range of 6.50-7.25 per cent at the end of July 2008. At the end of November 2008, banks' SDR came down to a range of 6.00-6.75 per cent and to 5.00-5.75 per cent the following month. Banks' SDR fell further to 4.00-4.75 per cent by the end of April 2009 and remained unchanged until end-June 2009.

The modal PLR went up from 10.50 per cent at the end of June 2008 to 10.75 per cent at the end of July 2008 and to 11.00 per cent at the end of August 2008. It subsequently fell to 10.50 per cent, to 9.50 per cent and to 8.50 per cent at the end of November, December 2008 and April 2009, respectively. The modal SDR declined from 7.25 per cent to 6.50 per cent, to 5.50 per cent and to 4.50 per cent over the same period. Banks' modal PLR and SDR stood at 8.50 per cent and 4.50 per cent, respectively, at the end of June 2009.

The weighted average lending rate of banks dropped from 12.04 per cent at the end of July 2008 to 10.12 per cent at the end of June 2009 while the weighted average deposits rate fell from 6.60 per cent to 4.78 per cent over the same period. The spread varied between 5.10 and 5.66 percentage points in 2008-09 compared to a range of 4.88-5.81 percentage points in 2007-08.

The real rate of interest on savings deposits widened during fiscal year 2008-09, from negative 1.88 per cent at the end of June 2008 to negative 2.20 per cent at the end of June 2009.

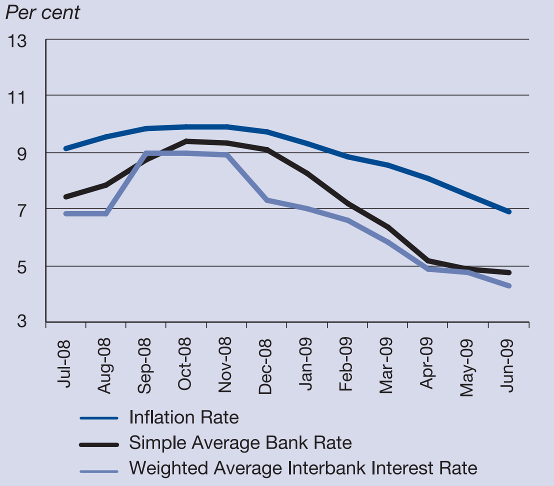
Table III.9 gives details of the interest rate structure of the banking sector, while Chart III.2 shows the movements in the rate of inflation, the simple average Bank Rate and the weighted average interbank interest rate during 2008-09. Chart III.3 shows the movements in the weighted average lending rate and the weighted average deposits rate during 2008-09.

Table III.9: 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 Rupee Savings Deposits with Banks	Interest Rate on Rupee Term Deposits with Banks	Interest Rate on Rupee Loans and Advances by Banks	Weighted Average Rupee Deposits Rate of Banks	Weighted Average Rupee Lending Rate of Banks
2008									
Jul	7.36	7.37	6.82	10.15-11.50	6.50-7.25	4.75-15.00	6.00-22.22	6.60	12.04
Aug	7.93	7.83	6.78	10.65-11.75	6.50-7.25	4.75-15.00	6.00-22.30	6.65	12.31
Sep	8.91	8.70	8.97	10.65-11.75	6.50-7.25	4.75-15.00	6.00-22.26	6.70	12.27
Oct	9.40	9.39	8.94	10.65-11.75	6.50-7.25	4.75-15.00	6.00-22.26	6.76	12.26
Nov	9.24	9.28	8.89	10.05-11.00	6.00-6.75	4.65-15.00	6.00-22.00	6.38	11.74
Dec	8.96	9.06	7.24	9.05-10.00	5.00-5.75	4.75-15.00	6.00-21.00	5.77	11.04
2009									
Jan	8.04	8.21	6.96	9.05-10.00	5.00-5.75	4.75-15.00	6.00-21.00	5.79	10.99
Feb	7.02	7.17	6.53	9.05-10.00	5.00-5.75	4.75-15.00	6.00-21.00	5.79	10.98
Mar	6.07	6.31	5.77	8.05-10.00	4.00-5.75	4.63-15.00	6.00-21.00	5.44	10.54
Apr	5.09	5.10	4.81	8.05-9.00	4.00-4.75	4.00-15.00	6.00-21.00	4.79	10.22
May	4.79	4.81	4.70	8.05-9.00	4.00-4.75	4.00-15.00	6.00-21.00	4.81	10.21
Jun	4.72	4.75	4.28	8.05-9.00	4.00-4.75	4.00-15.00	6.00-21.00	4.78	10.12

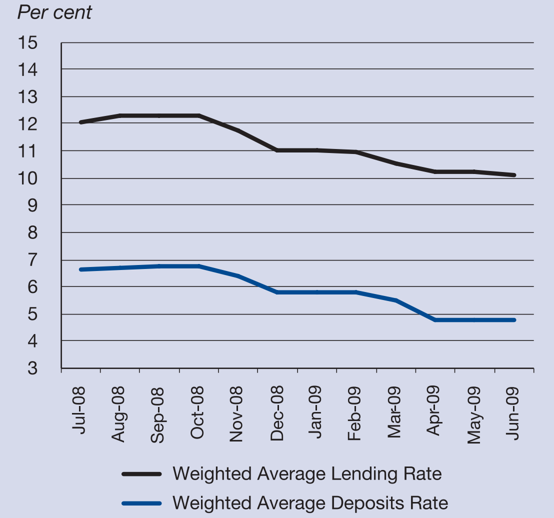
Source: Statistics Division.

Chart III.2: Simple Average Bank Rate, Weighted Average Interbank Interest Rate and Inflation Rate



Source: Statistics Division.

Chart III.3: Weighted Average Rupee Lending and Deposits Rates



Source: Statistics Division.

Box I Collaboration between The Bank of Mauritius and The Treasury to Mitigate the Impact of The Global Financial Crisis on the Mauritian Economy

The global financial and economic crisis has brought about a high level of coordination between the Bank of Mauritius and Government, recognising the fact that the monetary tool kit alone is inadequate for dealing with the emerging problems. As a preventive measure to mitigate the adverse impact of the crisis on the economy, the Bank of Mauritius has reduced the key Repo Rate by a cumulative 250 basis points since October 2008 to 5.75 per cent at the end of March 2009. Government unveiled an Additional Stimulus Package (ASP) to the tune of Rs10.4 billion, equivalent to about 3.8 per cent of GDP, in mid-December 2008 to boost economic growth, protect jobs and maintain purchasing power. The ASP has benefited several textile enterprises since the beginning of 2009. It has provided funds to enable the enterprises to overcome the financial crisis, helped to eliminate the obstacles to entrepreneurship and to speed up procedures to create a business. The fiscal stimulus package implemented by Government together with the substantial easing of monetary policy have supported business as well as consumer sentiment. However, the full effects of these coordinated policies are yet to be felt.

The Bank of Mauritius has also provided inputs in the ASP. The Bank reduced its Cash Reserve Ratio, from 5 per cent to 4.5 per cent, with effect from the fortnight beginning 19 December 2008, and made available to banks operating in Mauritius a Special Foreign Currency Line of Credit aggregating USD125 million to finance the country's requirements in trade, in view of difficulties faced by some local banks due to non-availability, or inadequacy, of foreign exchange credit facilities from their usual sources.

The global financial crisis has also brought financial stability issues to the forefront of policy considerations. The crisis highlights the need for strengthening financial sector regulation to ensure stability. So far, banks operating in Mauritius have shown considerable resilience in terms of capital adequacy, balance sheet growth, profitability and loan delinquencies. Our banking system has not witnessed any serious liquidity crunch either, part of which can be explained by the non-dependence of banks on large-scale inter-bank borrowings to fund their operations and much less reliance on extra-territorial sources for meeting domestic asset build up. The foreign funds used for domestic deployment were as low as 2 per cent of total domestic assets thus providing the insulation from the liquidity crunch in the global financial markets. Banks maintained an estimated average capital adequacy ratio of 15.8 per cent at the end of December 2008 against the regulatory minimum of 10 per cent. There are no indications that the Mauritian banking sector has any direct exposure to the toxic debt that has affected global financial markets, and banking soundness indicators are healthy. The domestic banking sector remains stable, profitable and well capitalised.

The Bank has been reviewing its existing banking guidelines to align them with international best practices, taking into consideration the recent financial turmoil and the measures taken subsequently. The Bank's aim is to ensure that the banking system grows robustly and continues to conduct business consistent with sound risk management standards. The Joint Coordination Committee between the Bank of Mauritius and the Financial Services Commission (FSC) has pursued its exchange of supervisory information considered vital for avoiding regulatory gaps in the system.

The Bank has also pursued its efforts to modernise the payment and settlement system as the smooth operation of the financial system hinges on an efficient payment and settlement system.

Government has decided to set up a Financial Stability Committee, comprising the Minister of Finance and Economic Empowerment, the Governor of the Bank of Mauritius, the Financial Secretary and the Chief Executive of the FSC, to regularly review and ensure the soundness and stability of the financial system.

IV. GOVERNMENT FINANCE

Since 1 July 2008, Government has been compiling and presenting fiscal statistics in accordance with the IMF's Government Finance Statistics (GFS) Manual 2001. The reported data are not strictly comparable to data reported under the previous GFS Manual 1986. This change in methodology is part of a worldwide trend toward greater accountability and transparency in government finances, operations and oversight. The first Programme-Based Budget (PBB), which also came into force at the same time, can be an effective tool in enhancing fiscal discipline, bringing efficiency gains and promoting good governance in the public sector. The Public Debt Management Act 2008, which became effective as from 1 July 2008, set statutory ceilings and targets on public sector debt levels with a view to reinforcing fiscal discipline. Furthermore, the Act defined public sector debt as consisting of general government debt and that of public enterprises. The July-December 2009 Budget has appropriated funds for the six months ending December 2009, and thereafter, the fiscal year would be matched with the calendar year.

The general government deficit for fiscal year 2008-09 has been estimated at Rs8,169.0 million as against the original estimate of Rs9,147.2 million. As a percentage of GDP at market prices, it represented 3.0 per cent as against the original estimate of 3.3 per cent.

Higher amounts of medium- and long-term government securities were put on tender during 2008-09, in line with the government policy of lengthening the maturity structure of its debt profile. Total public sector debt, consisting of general government and public enterprise debt, increased by 11.2 per cent, from Rs142,267 million at the end of June 2008 to Rs158,179 million at the end of June 2009. As a percentage of GDP at market prices, total public sector debt increased from 56.5 per cent at the end of June 2008 to 58.3 per cent at the end of June 2009.

REVENUE

Revenue went up by 16.9 per cent, from Rs53,221.6 million in 2007-08 to Rs62,216.1 million in 2008-09. As a percentage of GDP at market prices, revenue rose from 21.2 per cent to 22.9 per cent over the same period. The increase in Taxes accounted for 50.0 per cent of the increase in Revenue in 2008-09. As a percentage of Revenue, the share of Taxes declined from 89.9 per cent in 2007-08 to 84.1 per cent in 2008-09. Conversely, the share of non-tax revenue rose from 10.1 per cent to 15.9 per cent over the same period.

Taxes registered a rise of 9.4 per cent, from Rs47,831.4 million in 2007-08 to Rs52,332.6 million in 2008-09. The buoyancy of Taxes however stood at 0.4 in 2008-09. Social Contributions rose by Rs763.2 million to Rs959.9 million in 2008-09, reflecting to a large extent contributions made by civil servants under the New Pension Scheme as per the latest Pay Research Bureau (PRB) recommendations. As a percentage of Revenue, the share of Social Contributions rose from 0.4 per cent in 2007-08 to 1.5 per cent in 2008-09.

Grants surged from Rs454.1 million in 2007-08 to Rs2,781.0 million in 2008-09 on the back of significant disbursements made under the European Union Accompanying measures for economic restructuring. As a percentage of Revenue, the share of Grants increased from 0.9 per cent to 4.5 per cent over the same period. Other Revenue went up by 29.6 per cent to Rs6,142.6 million in 2008-09 and its buoyancy was 1.3.

Table IV.1 gives details on Government Revenue for fiscal years 2007-08, 2008-09 and estimates for the six months July-December 2009.

Table IV.1: Revenue			(Rs million)
	2007-08 *Actual*	**2008-09** *Provisional Actual*	**Jul-Dec 2009** *Estimates*
Revenue	53,221.6	62,216.1	31,780.0
Taxes	47,831.4	52,332.6	25,523.0
Social Contributions	196.7	959.9	500.0
Grants	454.1	2,781.0	2,624.0
Other Revenue	4,739.4	6,142.6	3,133.0

Notes: (i) The figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Empowerment, Government of Mauritius.

EXPENSE

Expense went up by 16.6 per cent, from Rs55,589.6 million in 2007-08 to Rs64,823.2 million in 2008-09. Compensation of Employees rose by 27.9 per cent, from Rs12,700.0 million in 2007-08 to Rs16,246.5 million in 2008-09, largely on account of the latest PRB award to civil servants that became effective as from 1 July 2008. Its share in Expense increased from 22.8 per cent to 25.1 per cent over the same period. Grants was the largest component of Expense in 2008-09 with a share of 27.2 per cent compared with 24.2 per cent in 2007-08. Grants rose by 31.2 per cent to Rs17,656.7 million in 2008-09 while expenditure by government on Social Benefits increased by 14.3 per cent to Rs11,692.2 million. Expenditure on Use of Goods and Services grew by 19.7 per cent to Rs5,108.7 million in 2008-09. Interest payments fell by 2.4 per cent to Rs10,424.0 million, reflecting largely the low interest rate environment, while subsidies also went down from Rs1,392.8 million in 2007-08 to Rs916.9 million in 2008-09 in the wake of the decline in international commodity prices.

Table IV.2 gives details on Government Expense for fiscal years 2007-08, 2008-09 and estimates for the six months July-December 2009.

Table IV.2: Expense			(Rs million)
	2007-08 *Actual*	**2008-09** *Provisional Actual*	**Jul-Dec 2009** *Estimates*
Expense	**55,589.6**	**64,823.2**	**34,221.0**
Compensation of Employees	12,700.0	16,246.5	9,339.0
Use of Goods and Services	4,269.4	5,108.7	3,269.0
Interest	10,675.2	10,424.0	5,032.0
Internal	*10,354.5*	*10,070.5*	*4,731.0*
External	*320.7*	*353.5*	*301.0*
Subsidies	1,392.8	916.9	475.0
Grants	13,455.6	17,656.7	7,278.0
Social Benefits	10,232.1	11,692.2	6,803.0
Other expense	2,864.5	2,778.2	1,050.0
Contingencies	0.0	0.0	975.0

Notes: (i) The figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Empowerment, Government of Mauritius.

GOVERNMENT OPERATIONS

The general government deficit for fiscal year 2008-09 has been estimated at Rs8,169.0 million as against the original estimate of Rs9,147.2 million. As a percentage of GDP at market prices, it represented 3.0 per cent as against the original estimate of 3.3 per cent. The lower than budgeted general government deficit was largely accounted for by buoyant government revenue that largely offset the impact of the Additional Stimulus Package (ASP) that was presented in December 2008 with a view to mitigating the adverse impact of the world recession on the domestic economy. The primary surplus, which is the difference between revenue and expense excluding interest payments, as a percentage of GDP at market prices was 0.8 per cent in 2008-09 compared to an original estimate of 0.7 per cent.

The deficit was mirrored by a rise in "Net Incurrence of Liabilities" to the tune of Rs9,880.8 million that was only partly offset by an increase in "Net Acquisition of Financial Assets" of Rs1,711.8 million. After adjusting for difference in cash and accrual, the borrowing requirements of the Government for 2008-09 amounted to Rs9,969.8 million, representing 3.6 per cent of GDP. Domestic and foreign borrowing totalled Rs6,487.9 million and Rs3,481.9 million, respectively, in 2008-09.

Table IV.3 provides details about budgetary operations and financing the fiscal years 2007-08, 2008-09 and estimates for the six months July-December 2009.

Table IV.3: Statement of Government Operations *(Rs million)*

		2007-08 *Actual*	2008-09 *Provisional Actual*	Jul-Dec 2009 *Estimates*
1.	Revenue	53,221.6	62,216.1	31,780.0
2.	Expense	55,589.6	64,823.2	34,221.0
3.	Gross Operating Balance (1-2)	-2,368.0	-2,607.1	-2,441.0
4.	Net Acquisition of Non-Financial Assets	4,538.5	5,561.9	4,760.0
5.	Net Lending (+)/Borrowing (-): Budget Balance	-6,906.5	-8,169.0	-7,201.0
6.	*Net Lending (+)/Borrowing (-) as a % of GDP*	*-2.7%*	*-3.0%*	*-4.8%*
7.	Net Acquisition of Financial Assets	1,418.1	1,711.8	-145.1
8.	Net Incurrence of Liabilities	8,324.6	9,880.8	7,055.9
9.	*Adjustment for difference in cash and accrual*	-	*-89.0*	*-343.0*
10.	Borrowing Requirements	8,324.6	9,969.8	7,398.9
	Borrowing Requirements as a % of GDP	*3.3%*	*3.6%*	*4.9%*
	Domestic	8,564.2	6,487.9	2,122.9
	Foreign	-239.6	3,481.9	5,276.0
	Memo item:			
	Primary Balance	3,768.7	2,255.0	-2,169.0
	Primary Balance as a % of GDP	1.5%	0.8%	-1.5%

Notes: (i) The figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Empowerment, Government of Mauritius.

DEBT

Public Sector Debt

Total public sector debt, consisting of general government and public enterprise debt, increased by 11.2 per cent, from Rs142,267 million at the end of June 2008 to Rs158,179 million at the end of June 2009. As a percentage of GDP at market prices, total public sector debt increased from 56.5 per cent to 58.3 per cent over the same period. Domestic and external public sector debt, which stood at Rs121,379 million and Rs20,889 million, respectively, at the end June 2008, went up to Rs133,320 million and Rs24,859 million, respectively, at the end of June 2009. Between end-June 2008 and end-June 2009, the share of domestic public sector debt in total public sector debt went down from 85.3 per cent to 84.3 per cent and, conversely, the share of external public sector debt rose from 14.7 per cent to 15.7 per cent over the same period.

Government Debt

Total government debt went up from Rs122,287 million at the end of June 2008 to Rs134,899 million at the end of June 2009, or an increase of 10.3 per cent. Government debt represented 49.7 per cent of GDP as at end-June 2009, slightly up from 48.7 per cent as at end-June 2008.

Domestic government debt rose by 6.7 per cent, from Rs109,836 million at the end of June 2008 to Rs117,233 million at the end of June 2009. As a percentage of GDP at market prices, domestic government debt went down from 43.7 per cent to 43.2 per cent over the same period. There was a notable rise in long-term domestic obligations, from Rs33,881 million as at end-June 2008 to Rs40,030 million as at end-June 2009, on account of significant net issuance of Long-Term Government of Mauritius Bonds and Five-Year Government of Mauritius Bonds during the period under review. The outstanding stock of Treasury Bills and Treasury Notes issued to residents went up by Rs460 million and Rs778 million, respectively, to Rs37,022 million and Rs40,171 million at the end of June 2009. Some progress was achieved regarding the policy of lengthening the maturity profile of government domestic debt with short and medium-term domestic obligations in government domestic obligations falling from 33.3 per cent and 35.9 per cent, respectively, at the end of June 2008 to 31.6 per cent and 34.3 per cent, respectively, at the end of June 2009. The share of long-term domestic obligations however rose from 30.8 per cent to 34.1 per cent over the same period.

Between end-June 2008 and end-June 2009, external government debt went up from Rs12,451 million to Rs17,666 million. External debt servicing of government, that is amortisation plus interest payments and other charges on government external debt, during fiscal year 2008-09 totalled Rs1,717 million, up from Rs1,249 million in 2007-08. Capital repayments on central government domestic debt, excluding those on Treasury Bills and Treasury Notes, amounted to Rs2,523 million in 2008-09 compared to Rs1,664 million in the previous fiscal year. Interest payments on central government domestic debt totalled Rs10,017 million in 2008-09 compared to Rs10,035 million a year earlier.

Tables IV.4 and IV.5 provide details on public sector debt and Government debt charges, respectively.

BUDGET OUTLOOK: PBB ESTIMATES 2009 (JULY-DECEMBER)

The theme of the July-December 2009 Budget was “Riding out the Global Crisis – Saving Jobs – Protecting People – Preparing for Recovery”. This was in fact an action plan for the following eighteen months in the context of business support, capacity building, a large public sector investment programme, poverty eradication and the maintenance of an expansionary fiscal and monetary policy. It is however worth noting that the action plan and its constituent measures are meant to be temporary, and a targeted approach has been chosen. The general government deficit to GDP ratio has been estimated at 4.8 per cent for the period July-December 2009. For fiscal year 2010, this ratio has been projected at 5.0 per cent before coming down to 3.3 per cent in 2011.

Table IV.4: Public Sector Debt *as at end of period* *(Rs million)*

	Jun-08 *Actual*	Jun-09 *Revised Estimates*	Dec-09 *Budget Estimates*
1. Short-term Domestic Obligations [1]	**36,561**	**37,022**	
(a) Treasury Bills	36,561	37,022	
(b) Advances from Bank of Mauritius	-	-	
(c) Advances from Banks	-	-	
2. Medium-term Domestic Obligations [1]	**39,394**	**40,182**	
o/w: Treasury Notes	39,394	40,171	
3. Long-term Domestic Obligations [1]	**33,881**	**40,030**	
o/w: (a) MDLS/GoM Bonds	20,773	22,890	
(b) Five-Year Government of Mauritius Bonds	13,108	17,139	
4. Domestic Government Debt (1+2+3)	**109,836**	**117,233**	**120,241**
	(43.7)	*(43.2)*	*(43.4)*
5. External Government Debt	**12,451**	**17,666**	**23,321**
	(5.0)	*(6.5)*	*(8.4)*
(a) Foreign Loans	11,236	17,597	
(b) Foreign Investment in Government Securities	1,215	69	
6. Total Government Debt (4+5)	**122,287**	**134,899**	**143,562**
	(48.7)	*(49.7)*	*(51.8)*
7. Domestic Public Sector Debt	**121,379**	**133,320**	**136,297**
	(48.3)	*(49.2)*	*(49.2)*
8. External Public Sector Debt	**20,889**	**24,859**	**32,839**
	(8.3)	*(9.2)*	*(11.8)*
9. Total Public Sector Debt (7+8)	**142,267**	**158,179**	**169,136**
	(56.5)	*(58.3)*	*(61.0)*

[1] By original maturity and excluding government securities held by foreigners.
Notes: (i) Short-term: Up to 12 months; Medium-term: Over 1 year but less than 5 years; Long-term: 5 years and above.
(ii) Figures in brackets are percentages to GDP.
(iii) Figures may not add up to totals due to rounding.
Sources: Bank of Mauritius; Ministry of Finance and Economic Empowerment, Government of Mauritius.

Table IV.5: Government Debt Charges *(Rs million)*

	2007-08 *Actual*	2008-09 *Revised Estimates*	Jul-Dec-09 *Budget Estimates*
1. Amortisation of Central Government Domestic Debt [1]	**1,664**	**2,523**	n.a.
2. Interest Payments on Central Government Domestic Debt	**10,035**	**10,017**	n.a.
3. Amortisation of External Government Debt	**920**	**1,356**	**567**
4. Interest and Other Charges on External Government Debt	**329**	**361**	**312**
5. Total External Government Debt Servicing (3+4)	**1,249**	**1,717**	**879**

[1] Exclude Treasury Bills and Treasury Notes.
Note: Figures may not add up to totals due to rounding.
Sources: Bank of Mauritius; Ministry of Finance and Economic Empowerment, Government of Mauritius.

V. BALANCE OF PAYMENTS AND EXTERNAL DEBT

Balance of payments developments during the year under review reflected a combination of external and domestic factors. While worsening external demand conditions negatively affected exports of goods and non-factor services, the slowdown in domestic activity and falling international commodity prices led to a sharper decline in nominal imports, leading to a lower merchandise account deficit. However, the combined surpluses on the services, income and current transfers accounts declined, relative to a year ago by even more and as a result, the current account deficit widened in 2008-09. The capital and financial account, inclusive of reserve assets, recorded lower net inflows in 2008-09 compared to 2007-08.

The current account of the balance of payments deteriorated further to record a deficit of Rs25,466 million in 2008-09 compared with Rs22,232 million registered in 2007-08. The current account deficit to GDP ratio rose from 8.8 per cent in 2007-08 to 9.4 per cent in 2008-09.

The deficit of the merchandise account of the balance of payments declined by 11.9 per cent, from Rs55,313 million in 2007-08 to Rs48,713 million in 2008-09. The lower deficit was due to a larger reduction in nominal imports (fob) (-6.0 per cent) relative to the fall in nominal exports (-1.2 per cent) during the period under review.

On a balance of payments basis, total nominal imports (f.o.b.) decreased from Rs122,986 million in 2007-08 to Rs115,602 million in 2008-09. The fall in the value of imports was attributed to sharply lower commodity prices on the international market and lower import volume on account of the slowdown in domestic activity, which more than offset the impact of domestic currency depreciation on the import bill. Total exports (f.o.b.) decreased slightly from Rs67,673 million in 2007-08 to Rs66,889 million in 2008-09, as the depreciation of the rupee in 2008-09 outweighed the contraction in volume of exports resulting from weaker demand from trading partner countries.

The capital and financial account, inclusive of reserve assets, recorded lower net inflows of Rs11,148 million in 2008-09 compared to net inflows of Rs12,781 million in 2007-08. Exclusive of reserve assets, the capital and financial account recorded lower net inflows of Rs13,632 million in 2008-09 compared to net inflows of Rs21,891 million in 2007-08.

Table V.1 gives a summary of the balance of payments accounts for the years 2004-05 through 2008-09.

SERVICES, INCOME AND CURRENT TRANSFERS

The surplus on the services account contracted in 2008-09 following two successive years of expansion. In 2008-09, the services account surplus declined by 20.5 per cent to Rs16,401 million from Rs20,626 million a year ago. The decline largely reflected the significant reduction in the surplus on the travel account, from Rs31,100 million in 2007-08 to Rs24,886 million in 2008-09. Gross tourism receipts fell by 13.5 per cent from Rs43,105 million in 2007-08 to Rs37,292 million in 2008-09 as against an expansion of 18.9 per cent registered in 2007-08. Tourist arrivals fell by 4.6 per cent from 930,616 in 2007-08 to 888,202 in 2008-09. Total visitor nights spent decreased from 9,224,000 to 8,918,000 while the average length of stay per tourist increased marginally from 9.9 nights to 10.0 nights. Expenditure on foreign travel by residents increased by 3.3 per cent to Rs12,406 million in 2008-09. The deficit in the "other services" account decreased from Rs5,363 million in 2007-08 to Rs2,707 million in 2008-09 and the transportation account recorded a higher deficit of Rs5,778 million in 2008-09 compared to Rs5,111 million in 2007-08.

Table V.1: Balance of Payments Summary

	2004-05	2005-06	2006-07	2007-08 [1]	2008-09 [2]
					(Rs million)
Current Account	**-6,322**	**-10,187**	**-17,415**	**-22,232**	**-25,466**
Goods	**-20,343**	**-25,533**	**-38,008**	**-55,313**	**-48,713**
Exports f.o.b.	57,857	68,959	72,840	67,673	66,889
Imports f.o.b.	78,200	94,492	110,848	122,986	115,602
Imports c.i.f.	84,324	101,148	1 17,797	130,671	123,342
Services	**12,482**	**12,364**	**14,069**	**20,626**	**16,401**
Income	**-134**	**1,341**	**3,499**	**8,340**	**680**
Current Transfers	**1,673**	**1,641**	**3,025**	**4,115**	**6,166**
Capital and Financial Account	**3,380**	**4,141**	**6,212**	**12,781**	**11,148**
Capital Account	**-28**	**-98**	**-50**	**-49**	**-16**
Financial Account	**3,408**	**4,239**	**6,262**	**12,830**	**11,164**
Direct Investment	-887	578	7,084	6,211	9,510
Portfolio Investment	-325	-1,679	2,949	-3,219	-4,662
Other Investment	1,487	2,321	2,832	18,947	8,800
Reserve Assets	3,133	3,019	-6,603	-9,110	-2,484
Net Errors and Omissions	2,942	6,047	11,203	9,451	14,318
					(USD million)
Current Account	**-221**	**-335**	**-536**	**-773**	**-810**
Goods	**-710**	**-839**	**-1,170**	**-1,922**	**-1,550**
Exports f.o.b.	2,020	2,266	2,241	2,352	2,129
Imports f.o.b.	2,730	3,105	3,411	4,274	3,679
Imports c.i.f.	2,944	3,324	3,625	4,541	3,925
Services	**436**	**406**	**433**	**717**	**522**
Income	**-5**	**44**	**108**	**290**	**22**
Current Transfers	**58**	**54**	**93**	**143**	**196**
Capital and Financial Account	**118**	**136**	**191**	**444**	**355**
Capital Account	**-1**	**-3**	**-2**	**-2**	**-1**
Financial Account	**119**	**139**	**193**	**446**	**355**
Direct Investment	-31	19	218	216	303
Portfolio Investment	-11	-55	91	-112	-148
Other Investment	52	76	87	659	280
Reserve Assets	109	99	-203	-317	-79
Net Errors and Omissions	103	199	345	328	456

Data on certain components of 'Other Investment' for fiscal years 2007-08 and 2008-09 are not strictly comparable to previous fiscal years on the basis that banks' foreign assets and liabilities for 2007-08 and 2008-09 have been derived using the Depository Corporations Survey.

[1] Revised. [2] Estimates.

Notes: (a) Import data for 2004-05 are inclusive of import of aircraft (Rs120 million).
(b) Export data for 2005-06 are inclusive of sale of aircrafts (Rs670 million).
(c) Import data for 2005-06 are inclusive of import of aircraft (Rs125 million) and marine vessel (Rs21 million).
(d) Import data for 2006-07 are inclusive of import of aircrafts (Rs6,700 million).
(e) Export data for 2006-07 are inclusive of sale of aircraft (Rs465 million).
(f) Import data for 2007-08 are inclusive of import of aircrafts (Rs3,700 million).
(g) Import data for 2008-09 are inclusive of import of ships (Rs583 million).
(h) As from 2005-06, income data include interest income of banks.

The surplus on the income account shrank from Rs8,340 million in 2007-08 to Rs680 million in 2008-09 largely on account of a significant drop in income drawn by banks on foreign assets as well as higher direct investment earnings remitted abroad. The surplus on the current transfers account increased from Rs4,115 million in 2007-08 to Rs6,166 million in 2008-09.

Chart V.1: Components of the Current Account

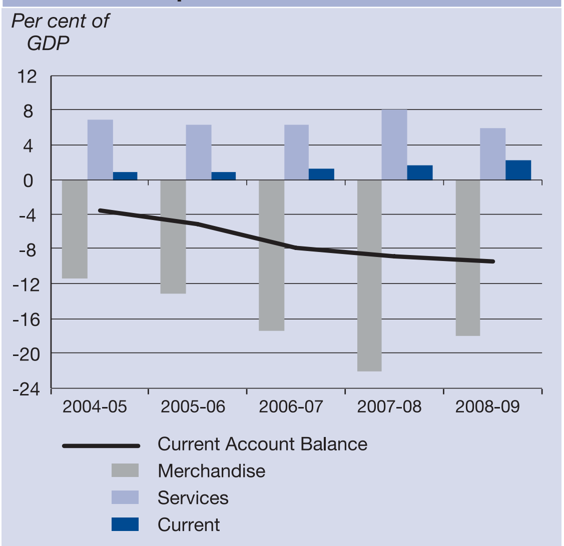


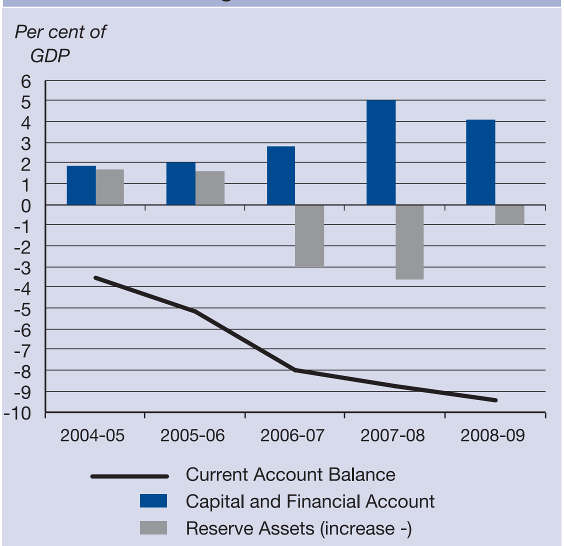
Chart V.1 shows the main components of the current account for the fiscal years 2004-05 through 2008-09. Chart V.2 shows the financing of the current account from 2004-05 through 2008-09.

CAPITAL AND FINANCIAL ACCOUNT

During 2008-09, foreign direct investment (FDI) in Mauritius recorded higher net inflows of Rs10,568 million compared to net inflows of Rs8,597 million in 2007-08. Against the backdrop of the global economic downturn, inward FDI has remained resilient although some slowdown has been noted in the second half of 2008-09 compared with the corresponding period in the preceding year. Gross foreign direct investment in Mauritius stood at Rs11,169 million in 2008-09, with the bulk of the investment directed to the "Financial Intermediation" sector (Rs4.2 billion) and the "Hotels and restaurants' sector (Rs3.5 billion). Non-residents' disinvestments from Mauritius amounted to Rs601 million in 2008-09.

Direct investment abroad by residents registered net outflows of Rs1,058 million in 2008-09 compared to net outflows of Rs2,386 million in the preceding fiscal year. Gross foreign direct investment by Mauritian residents stood at Rs1,231 million in 2008-09 and was mainly directed to the 'Hotels and restaurants" sector followed by the "Real estate, renting and other business activities" sector. Residents' repatriation of foreign direct investment from abroad amounted to Rs173 million. Consequently, direct investment recorded net inflows of Rs9,510 million in 2008-09 compared to net inflows of Rs6,211 million in 2007-08.

Chart V.2: Financing of the Current Account



Portfolio investments recorded net outflows of Rs4,662 million in 2008-09 as against net outflows of Rs3,219 million registered in 2007-08. Non-residents' portfolio investment on both the domestic stock and money markets recorded net outflows of Rs1,528 million and Rs1,087 million respectively in 2008-09 compared to net inflows of Rs2,115 million on the equity market and net outflows of Rs2,104 million on the money market in 2007-08. Outward portfolio investment recorded lower net outflows of Rs2,047 million in 2008-09 as against net outflows of Rs3,230 million in 2007-08.

Other investment recorded lower net inflows of Rs8,800 million in 2008-09 compared to Rs18,947 million in 2007-08 largely reflecting a sharp reduction in both banks' assets held with non-residents and banks' liabilities to non-residents. The government sector registered higher net inflows of Rs4,569 million in 2008-09 on account of long-term loan receipts of Rs5,563 million and capital repayments of Rs995 million. Loan disbursements to public corporations, both financial and non-financial, amounted to Rs130 million while capital repayments totalled Rs2,701 million, thus registering net outflows of Rs2,571 million in 2008-09 compared to net inflows of Rs630 million during 2007-08. Private long-term capital movements recorded net outflows of Rs80 million in 2008-09 compared to net outflows of Rs73 million during the preceding fiscal year.

NET INTERNATIONAL RESERVES

The net international reserves of the country, made up of the net foreign assets of the depository corporations, the foreign assets of the Government and the country's Reserve Position in the International Monetary Fund (IMF), increased by Rs13,856 million, from Rs83,946 million at the end of June 2008 to Rs97,802 million at the end of June 2009.

Table V.2 shows the monthly level of net international reserves of the country during fiscal year 2008-09.

Of the components of net international reserves, net foreign assets of the Bank of Mauritius, increased by Rs6,256 million, from Rs57,026 million at the end of June 2008 to Rs63,282 million at the end of June 2009 and those of other depository corporations went up by Rs7,263 million, from Rs26,601 million to Rs33,864 million.

In terms of import cover, the level of net international reserves of the country at the end of June 2009 represented around 9.6 months of imports based on the value of the import (c.i.f.) bill for fiscal year 2008-09 excluding imports of marine vessels, compared with 7.9 months of imports at the end of June 2008.

Table V.2: Net International Reserves *

	Bank of Mauritius Net Foreign Assets	Other Depository Corporations Net Foreign Assets [1]	Others [2]	Net International Reserves
2008				
Jul	55,746	25,391	310	**81,447**
Aug	56,573	26,525	320	**83,418**
Sep	55,389	24,661	312	**80,362**
Oct	56,110	30,493	344	**86,947**
Nov	53,300	30,841	623	**84,763**
Dec	56,025	33,496	643	**90,164**
2009				
Jan	54,839	36,238	646	**91,723**
Feb	57,299	34,409	664	**92,372**
Mar	57,042	31,468	652	**89,162**
Apr	60,371	33,456	671	**94,498**
May	60,458	33,224	659	**94,341**
Jun	63,282	33,864	656	**97,802**

** :Based on the methodological framework of the IMF Depository Corporations Survey.*

[1] The Net Foreign Assets of Other Depository Corporations are adjusted for transactions of Global Business Licence Holders.

[2] Comprise Foreign Assets of the Government and the country's Reserve Position in the IMF.

EXTERNAL DEBT

As at end June 2009, total external debt outstanding stood at Rs26,367 million from Rs22,378 million as at end June 2008, reflecting a rise of Rs3,989 million over the fiscal year. The total external debt-to-GDP ratio rose by 0.7 percentage points to 9.6 per cent as at end June 2009.

Component-wise, between end-June 2008 and end-June 2009, external debt of government went up from Rs12,451 million to Rs17,666 million. This was largely accounted for by significant disbursement of loans contracted from the World Bank and the Agence Française de Developpement during 2008-09. Non-residents" holdings of government securities went down significantly from Rs1,215 million at the end of June 2008 to Rs69 million at the end of June 2009.

Public enterprise government guaranteed and non-guaranteed external debt, inclusive of government guaranteed external debt of extra budgetary agencies, declined from Rs8,438 million as at end June 2008 to Rs7,293 million as at end June 2009. Capital repayments over the fiscal year 2008-09 amounted to Rs2,700 million while disbursement stood at Rs130 million.

Long-term private sector external debt declined by Rs81 million, from Rs1,489 million at the end of June 2008 to Rs1,408 million at the end of June 2009. Capital repayments amounted to Rs907 million in 2008-09 while interest payments totalled Rs13 million.

External debt servicing, that is amortisation plus interest payments and other charges on total external debt, during fiscal year 2008-09 totalled Rs5,733 million, up from Rs5,696 million in 2007-08. The debt service ratio of the country, defined as capital repayments and interest payments on total external debt as a percentage of exports of goods and non-factor services, rose from 4.1 per cent in 2007-08 to 4.3 per cent in 2008-09.

Table V.3: Total External Debt and Debt Servicing			*(Rs million)*
	2007-08	**2008-09**	**Jul-Dec-09**
	Actual	*Revised Estimates*	*Budget Estimates*
1. Total External Debt Outstanding	**22,378**	**26,367**	
Government	*12,451*	*17,666*	*n.a.*
Public Corporations	*8,438*	*7,293*	*n.a.*
Private Sector	*1,489*	*1,408*	*n.a.*
2. Amortisation of External Debt	**4,805**	**4,963**	**2,130**
Government	*920*	*1,356*	*567*
Public Corporations	*2,881*	*2,700*	*963*
Private Sector	*1,004*	*907*	*600*
3. Interest and Other Charges on External Debt	**891**	**770**	**539**
Government	*329*	*361*	*312*
Public Corporations	*554*	*396*	*217*
Private Sector	*8*	*13*	*10*
4. Total External Debt Servicing (2+3)	**5,696**	**5,733**	**2,668**
5. Debt Service Ratio *(per cent)*	**4.1**	**4.3**	**3.7**

Note: Figures may not add up to totals due to rounding. n.a. Not Available.
Sources: Bank of Mauritius; Ministry of Finance and Economic Empowerment, Government of Mauritius.

Box II Coordinated Portfolio Investment Survey (CPIS)

The Coordinated Portfolio Investment Survey (CPIS), jointly conducted by the Bank of Mauritius and Financial Services Commission, is an initiative of the International Monetary Fund (IMF) and undertaken on an annual basis. Information is collected on investment by Mauritian residents, including for this purpose, banks, global business companies, insurance companies, mutual funds, pension funds and investment companies, in securities issued by unrelated nonresidents, both in terms of market value and geographical distribution.

Results of the 2008 CPIS in Mauritius:

The 2008 CPIS survey indicated that residents' portfolio investment assets amounted to US$131,077.6 million, down from US$154,645.0 million for the 2007 CPIS. Investment in equities amounted to US$121,088.7 million (representing a share of 92.4 per cent) while short term debt was US$1,709.4 million (representing a share of 1.3 per cent). Investment in long-term debt stood at US$8,279.4 million (representing a share of 6.3 per cent).

India remained the favoured destination for most of our foreign portfolio investments with a share of 77.2 per cent (or US$101,206.0 million), followed by China with a share of 4.4 per cent (or US$5,809.1 million) and Singapore with a share of 3.3 per cent (or US$4,267.9 million).

Banks' investment in foreign securities decreased from US$1,098.6 million at the end of December 2007 to US$917.1 million at the end of December 2008, out of which an amount of US$75.3 million was invested in equities (representing a share of 8.2 per cent), US$578.0 million was invested in short-term debt (representing a share of 63.0 per cent) and investment in long term debt amounted to US$263.8 million (representing a share of 28.8 per cent).

The table below outlines the stock of equity and debt securities held over the period 2005-2008, as at end December.

The IMF's 2007 CPIS Results

Year	Equity securities	Long-term Debt securities	Short-term Debt securities	Total
	(US$ million)			
2005	48,836.7	5,528.9	468.4	54,834.0
2006	70,463.2	10,474.7	611.7	81,549.6
2007	130,100.3	21,865.6	2,679.2	154,645.0
2008	121,088.7	8,279.4	1,709.4	131,077.5

Total global portfolio investment assets increased from US$33.0 trillion at the end of December 2006 to US$39.2 trillion at the end of December 2007, driven mainly by higher investment in equity and long-term debt securities. For the 2007 CPIS, securities held as reserve assets and holdings of international organizations amounted to US$3.1 trillion, up from US$2.6 trillion at the end of December 2006. The United States, United Kingdom and France were the three largest investing countries with a total share of 34.8 per cent of total portfolio investment assets.

Of total global cross-border holdings, US$17.2 trillion were held as equity securities, US$19.0 trillion as long-term debt and US$2.7 trillion as short-term debt in the 2007 CPIS. As at end-December 2007, the top five economies that were the largest issuers of securities that traded internationally were the United States, United Kingdom, Germany, France and Luxembourg while the top five economies that were the largest holders of such securities were the United States, United Kingdom, France, Luxembourg and Germany. The results of the 2001 through 2007 CPIS are available on the Fund's website (Portfolio Investment: CPIS Data Results; http://www.imf.org/external/np/sta/pi/datarsl.htm).

Box III International Investment Position of Mauritius as at Year-End 2008

The International Investment Position (IIP) is compiled annually by the Bank in line with international standards and conventions as laid down in the 5th edition of the Balance of Payment Manual (BPM5, 1993) of the International Monetary Fund. The IIP reports the stock of external financial assets and liabilities of the country at a point in time. However, owing to limited data sources, a partial coverage of the IIP is compiled for Mauritius.

Mauritius's International Investment Position (End-period stocks)

		US$ Million
	2007	**2008 [1]**
Assets	**12,715**	**11,804**
Portfolio investment	1,417	1,435
Financial derivatives	730	1,223
Other investment	8,747	7,360
Reserve assets	1,822	1,786
Liabilities	**10,305**	**9,545**
Portfolio investment	918	259
Financial derivatives	830	1,239
Other investment	8,556	8,047
Net International Investment Position	**2,410**	**2,259**
Net International Investment Position as a % of GDP	**32.1**	**24.2**

[1] Provisional
Figures may not up to totals due to rounding

The net International Investment Position of Mauritius, defined as the difference between external assets and liabilities, was US$2,259 million as at year-end 2008 compared to US$2,410 million as at year-end 2007. As at year end 2008, the value of Mauritian owned assets abroad continued to exceed foreign liabilities.

The US$151 million decrease in the net IIP from year-end 2007 to year-end 2008 resulted from a more pronounced decline in total external assets relative to the fall in external liabilities. As a percentage of GDP, the net IIP was equivalent to 24.2 per cent at year-end 2008, down from 32.1 per cent at year-end 2007.

In 2008, the stock of Mauritian owned assets abroad fell by US$911 million. This decline was due to a significant fall in other investment assets of 15.9 per cent which offset the 67.5 per cent increase in stock of financial derivatives assets combined with the 1.3 per cent rise in stock of portfolio investment assets. The stock of external liabilities as at end 2008 had gone down by US$760 million on account of a considerable drop in the stock of portfolio investment liabilities by 71.8 per cent due to non-residents' decreasing holdings of rupee denominated money market instruments. The stock of other investment liabilities registered a lower decrease of 6.0 per cent while stock of financial derivatives grew by 49.3 per cent. The stock of reserve assets decreased by US$36 million to US$1,786 million in 2008.

VI. REGIONAL COOPERATION

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

The SADC Summit for Heads of State and Government

The SADC Summit was held during 16-17 August 2008 in South Africa. The Summit noted the positive economic performance recorded by SADC Member States in 2007 and called for concerted efforts to sustain this progress, while observing with concern the new challenges emerging as a result of the energy and food price crises. With regard to the ongoing challenges in Zimbabwe, the Summit reaffirmed its commitment to work with the people of Zimbabwe in order to overcome the challenges they are facing. The Summit welcomed Seychelles back as a member of SADC.

According to the 2008 "Integrated Paper on Recent Economic Developments in SADC", GDP growth in the SADC region averaged 6 per cent in 2007, a slight improvement from the 5.9 per cent registered in 2006. Excluding Zimbabwe, average growth for SADC increased from 6.4 per cent in 2006 to 6.9 per cent in 2007. Overall, per capita income improved for the region in the light of higher economic growth and the depreciation of the US dollar in 2007. Out of 14 countries, 11 countries (including Mauritius) reflected an increase in per capita income in 2007 when compared to 2006.

Inflation declined within the SADC region (excluding Zimbabwe) from 9.5 per cent in 2006 to 8.4 per cent in 2007, mainly on account of declining food inflation within the region. Though inflation declined in the region, Lesotho, Mauritius, Namibia, South Africa and Swaziland recorded increases in prices in 2007 compared to the previous year. Projections for 2008 show that inflation would increase in 2008 but remain within the single digit for some SADC countries.

As a result of countries in the region pursuing prudent fiscal policies, there has been a turnaround in the fiscal position of the SADC region (excluding Zimbabwe) from a fiscal deficit of 0.6 per cent of GDP in 2006 to a fiscal surplus of 0.9 per cent in 2007. Central government debt to GDP has moderated in 2007 to 40.6 per cent of GDP from 44.0 per cent recorded in 2006. This development could be attributed to continued improvement in fiscal performance coupled with the impact of debt relief in some countries in the region.

The level of Foreign Direct Investment inflows into the SADC region in 2007 showed a substantial improvement of 73.2 per cent to stand at US$22.1 billion. The significant increase is attributable in part to revised sets of data and to a greater extent to major investments into the South African banking sector.

The SADC Free Trade Area (FTA) was officially launched in August 2008. The Summit emphasized the need for full implementation of the SADC Protocol on Trade in order to ensure that the FTA is sustainable and the envisaged Customs Union in SADC is attainable. Member States would address issues that impede regional trade, such as rules of origin and non-tariff barriers, and would undertake a programme of sensitizing Member States on FTA.

The SADC Extra-Ordinary Summit of Heads of State and Government was held on 9 November 2008 in South Africa. At the Summit the latest political and security situation in the SADC region with particular reference to the current developments in the Democratic Republic of Congo and the Republic of Zimbabwe were reviewed. The Summit agreed to continuously follow the ongoing political situation in the Democratic Republic of Congo and the Republic of Zimbabwe.

The Extra-Ordinary Summit of Heads of State and Government held on 30 March 2009 again considered the political, economic and security situation in the Region, with special focus on Madagascar and Zimbabwe. The Summit urged donors, the international financial institutions and the international community in general to support Zimbabwe and provide it with the necessary financial support for its timely economic recovery.

The Extraordinary Summit suspended Madagascar from the Community's institutions and organs until the return of the Country to constitutional normalcy with immediate effect.

At the Extraordinary Summit of Heads of State and Government held on 20 June 2009 in South Africa, the Summit expressed serious concern on the deteriorating political situation in Madagascar and urged the Malagasy parties to fully cooperate with the SADC coordinated political dialogue aimed at restoring the constitutional order, peace and stability in Madagascar.

The Committee of Central Bank Governors in SADC

At the SADC Committee of Central Bank Governors (CCBG) held in South Africa in September 2008, Governors discussed the performance of SADC economies and progress made towards the attainment of the SADC macroeconomic convergence targets. They took note of the paper "Integrated Paper on Recent Economic Developments in SADC in 2008". Governors noted that in line with their approval in September 2008, copies of the SADC Model Central Bank Law and the Explanatory Guide would be submitted to SADC Ministers responsible for national financial matters for adoption. The finalization of the Model Law would set the legal and operational framework for institutional arrangements for the Common SADC Central Bank. All SADC Member States, through their Heads of State or Government, have signed the Finance and Investment Protocol (FIP) and the process of ratification of the FIP was at various stages. Seven countries, namely Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique and South Africa had already deposited their instruments of ratification with the SADC Secretariat.

Support of the implementation of the SADC Protocol on Finance and Investment Project (FIP)

The purpose of the project was to support efforts by SADC Member States to achieve regional economic integration and harmonization of the finance and investment sectors, through the implementation of the SADC Protocol on Finance and Investment. A mobilization workshop for the implementation of the FIP project was held on 16-18 April 2009 in South Africa to focus on getting to know the key FIP structures and their present level of progress regarding the implementation of the FIP. Out of the total project budget of 13 million euros, 2 million euros have been earmarked for macroeconomic convergence.

SADC Macroeconomic Sub-committee

The SADC Macroeconomic Sub-committee met in Botswana in November 2008. With respect to the Macroeconomic Convergence (MEC) Reports, the Sub-committee directed the Secretariat to coordinate and align the template with the CCBG database. The Sub-committee agreed that the current account balance as a percentage of GDP would be changed from a primary indicator to a secondary indicator and that GDP growth would remain a secondary indicator.

At the Macroeconomic Sub-committee meeting held in Botswana, from 26-27 March 2009, it was decided that the Secretariat would follow up with the African Development Bank (AfBD) on the support for capacity building in statistics and how the programme would help Member States to generate a single set of statistics rather than multiple sets for different stakeholders. The Sub-Committee identified needs for capacity building and technical assistance in the following areas: macroeconomic modeling and projections, debt management, risk management and public finance statistics. The SADC Secretariat was directed to mobilize resources from International Cooperating Partners such as IMF and World Bank and AfBD for technical assistance. The Sub-committee also agreed to the proposal that the SADC Secretariat and the CCBG Secretariat work together to improve on the structure of the "Integrated Paper on Regional Economic Developments in SADC" prepared by CCBG. It was also noted that the implementation of the MEC programme from 2009 onwards would be largely influenced by the global economic crisis, especially factors around cross-border financial flows and growth and trade deficits.

Macroeconomic Convergence in 2008

It was generally observed that economic performance in most Member States with regard to the MEC targets for 2008 was not satisfactory mainly due to the global economic crisis. With respect to inflation, of all Member States, only Madagascar, Malawi and Mauritius achieved single digit inflation in 2008. Food and fuel prices were the primary drivers of inflation in the SADC region. Except for Malawi, all Member States recorded fiscal deficits that were within the MEC target of 5 per cent of GDP for 2008. Regarding public debt, Seychelles and Zimbabwe exceeded the MEC target of 60 per cent to GDP for 2008. Angola, DRC, Madagascar, Malawi and Tanzania recorded GDP growth rates in excess of the MEC target of 7 per cent. The primary factor driving economic performance in the SADC region was shocks largely dictated by external factors where Member States have no direct control (i.e., volatile food and fuel prices and slowdown in the global economy).

CCBG Financial Markets Sub-committee

The first meeting of the CCBG Financial Markets Sub-committee was held from 28-30 October 2008 in South Africa. At the meeting, individual central banks presented the current status of their financial markets, constraints experienced and priorities for financial markets development. The Action Plan, comprising 18 projects and their respective tasks and deliverables, was approved by the Governors at the CCBG meeting held in May 2009. The Sub-committee would work toward establishing a framework for cooperation and coordination amongst SADC central banks to achieve convergence and harmonization of domestic markets in line with international best practice.

SADC Sub-committee of Banking Supervisors (SSBS)

A meeting of the Sub-committee was held in Botswana, from 2-3 April 2009. It was noted that 14 of the 15 SADC central banks had submitted their Financial Soundness Indicators (FSIs) for 2008. With respect to cooperation and co-ordination in the area of Banking Regulatory and Supervisory matters, the Sub-committee is currently engaged with four projects, namely the development of Financial Soundness Indicators and the development of a regional database; training in Risk-Based Supervision; supporting banking supervisors with Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) compliance; and the implementation of international accounting standards in the banking sector.

SADC Payment Systems Project

The SADC Payment Systems Project's annual regional Conference and the Country Leaders' meeting were held in South Africa on 6 April 2009. The objective of the Conference was to brief members on major payment systems initiatives in the region. In the Country Leader's meeting, the initiative relating to mobile banking, whereby the SADC Payment Systems project would work towards a pilot project to enable mobile enabled remittances in the SADC region, was discussed. It was also agreed that an on-line system would be set up to allow central banks from member countries to submit information to the SADC Payment Systems project for automated consolidation. The system would be extended to create a model return for gathering information from commercial banks.

SADC Information Technology (IT) Forum

The SADC IT Forum Annual Conference was held in Lesotho from 2-6 March 2009. The purpose of the conference was to review progress of the Information and Communication Technology (ICT) projects and discuss different ICT disciplines, such as business continuity and security. The next annual meeting of the IT Forum would be held in Mauritius in February 2010.

Legal and Operational Framework Steering Committee

The SADC AML/CFT workshop was held from 28-29 October 2008 in South Africa. All SADC Member States were duly represented.

The Legal and Operational Framework Steering Committee Chairperson, Deputy Chairperson and the CCBG Secretariat met on

2-3 December 2008 in South Africa to review the comments received from the plain language specialist and finalised the draft law. In the CCBG Meeting in May 2009, Governors noted the finalized SADC Central Bank Model Law had been translated into French and Portuguese. Governors agreed that the SADC Central Bank Model Law and the Explanatory Guide would be submitted to SADC Ministers responsible for national financial matters for adoption at their next meeting to be held in July 2009.

COMESA-EAC-SADC Tripartite Summit

The Tripartite Summit of the Heads of State and Government of the Common Market for Eastern and Southern Africa (COMESA), Eastern African Community (EAC) and the Southern African Development Community (SADC) met in Uganda on 22 October 2008. It agreed on a programme of harmonization of trading arrangements among the three Regional Economic Communities (RECs), free movement of business persons, joint implementation of inter-regional infrastructure programmes as well as institutional arrangements on the basis of which the three RECs would foster cooperation.

Following the Tripartite Summit held in October 2008, the Chief Executives of the COMESA, EAC, and SADC met in Swaziland on 15 December 2008. A study to determine the feasibility, methodology and timeline relating to the creation of the Free Trade Area for the three RECs as well as facilitation of free movement of business persons, implementation of joint programmes for regional infrastructure development, finalization of the legal and institutional framework for the COMESA-EAC-SADC Tripartite Framework amongst others was approved. The Sub-committee noted the need for the Secretariat to proactively consult with other RECs to ensure coherence in strategies to consolidate regional integration and avoid duplication of efforts.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

COMESA is the largest regional economic grouping in Africa, with 19 member countries. These are Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. Economic growth in the COMESA region attained 8 per cent in 2007. Intra-COMESA trade has grown from less than US$1.7 billion in 2000 to US$15.2 billion in 2008. The region has also witnessed increased cross border investments by firms with benefits to the firms and employment generation.

The Thirteenth Meeting of the COMESA Committee of Governors of Central Banks was held on 23 October 2008 in Cairo, Egypt. The Meeting was preceded by the Meeting of the Committee of Experts during 20-22 October 2008. Comoros, Kenya, Libya, Madagascar, Burundi, the Democratic Republic of Congo, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Uganda and Zambia were the countries that participated in the Meeting.

Regional Payment and Settlement System (REPSS)

The Bank of Mauritius has agreed to act as REPSS Settlement Bank and all central banks have been requested to open accounts in USD and EURO with the Bank. The system was officially launched at the Thirteenth Summit of the COMESA Authority of Heads of State and Government held in Victoria Falls Town, Zimbabwe, on 7-8 June 2009. The Authority expressed appreciation to the Bank of Mauritius for acting as the Settlement Bank to REPSS and acquiring and installing the settlement software, which now makes it possible to transact and settle in a T+0 timeframe. REPSS would help tremendously in building and expanding trade and in all cross-border payments and receipts, at a fraction of the costs being currently charged to stakeholders, and with speed and efficiency. All Central Banks have been urged to aggressively promote this facility and commercial banks and stakeholders to make full use of the system for the benefit of the economies and the region at large.

Macroeconomic Convergence in 2007

In 2007, the fiscal criterion was missed by eleven countries. Twelve countries, including Mauritius, experienced single-digit inflation rates, essentially as a result of prudent monetary policies. All countries use indirect monetary policy instruments. Interest rates are liberalized in all countries. There is a wide margin between lending and deposit rates, which reflects relative inefficiency of their banking system. The average import cover for COMESA countries was 4.3 months. Countries have removed restrictions on the current account of the balance of payments. The average growth rate in the COMESA region was 8 per cent in 2007 compared with a growth rate of 7 per cent in 2006. The weighted average external debt to GDP ratio fell from 22.9 per cent in 2006 to 14.4 per cent in 2007.

Establishment of COMESA Monetary Institute

Governors approved the setting up of the COMESA Monetary Institute (CMI) with a Department for Monetary Policy and Research. The CMI would start operations on 1 January 2011. Only two central banks, namely, Bank of Zambia and Central Bank of Kenya, have expressed interest to host the CMI. The Charter for the Establishment of the Institute is being prepared and will be considered by the Fourteenth Meeting of the COMESA Committee of Governors of Central Banks which will be held in October 2009.

Financial System Development and Stability

A workshop on Current Issues on the Financial System Development and Stability was held in Lusaka, Zambia, from 15-17 September 2008. The Third Meeting of the Financial System Development and Stability Sub-committee was held on 16 September 2008 in Lusaka. The meeting reviewed the report of the COMESA-IMF Workshop on Current Issues on Financial System Development and Stability and noted the workshop's conclusions that Macro-prudential Supervision (MPS) is in its infancy in most of the COMESA member countries. It has also agreed that MPS is not an option but a must. The Financial System Development and Stability Sub-committee made a number of recommendations, among which the establishment of Financial Stability Units in countries where they do not exist, the production of a Financial Stability Report by central banks, and the creation of the Association of Bank Supervisors in the COMESA region to create a forum in which topical issues will be discussed. It was decided that a Workshop on Regulation of Capital Markets, Insurance and Pension Sector will be conducted in 2009.

Only three central banks, including the Bank of Mauritius, have reported on action taken to develop compatible and effective technology and systems for the establishment of workable Financial Intelligence Centres. The feasibility of establishing a Regional Financial Intelligence Centre has been included in the Work Programme of the Financial System Development and Stability Sub-committee.

The Thirteenth Meeting of the COMESA Committee of Governors of Central Banks held in Egypt in October 2008 decided that the Financial System Development and Stability Sub-committee prepare an assessment Framework on Financial System Development and Stability. Based on that decision, a study is undertaken and it will be considered by the Fourteenth Meeting of the COMESA Committee of Governors of Central Banks in October 2009.

African Trade Insurance Agency (ATI)

The ATI's range of products and services has been expanded with benefits to trade and investment. The designation of a risk weighting of 20 per cent for banks and other financial institutions' transactions that utilise ATI in their risk mitigation structures was proposed. Furthermore, ATI proposed to conduct bilateral negotiations with individual central banks to speed up implementation. Given the implications of the proposal, ATI should submit a comprehensive proposal on the matter to the Financial System Development and Stability Sub-committee for consideration.

Customs Union

On 7 June 2009, COMESA launched its Customs Union. A COMESA Customs Union (CCU) will enhance the flow of goods and services in the region as producers take advantage of larger markets to market and sell their goods. This will increase intra regional trade as CCU producers maintain a price advantage for their regionally produced goods over those from third countries. Secondly, the CCU will lead to harmonization of taxes on production inputs in order to level the regional playing field and enhance efficiency in production and competitiveness. Thirdly, the CCU will inevitably require and lead to common policy formulation in order to provide positive coordination mechanism and a positive signal to the investment community. An agreed transition period of three years should be effectively applied to building and consolidating the customs union.

COMESA Common Investment Area

At the Thirteenth Summit of the COMESA Authority of Heads of State and Government held on 7-8 June 2009 in Victoria Falls Town, Zimbabwe, it was reported that the agreement establishing the COMESA Common Investment Area had been adopted, which would assist in the increasing investment flows into the region.

Monetary and Fiscal Harmonisation Programme

At the Thirteenth Meeting of the COMESA Committee of Governors of Central Banks held in Egypt in October 2008, it was decided that the Monetary and Exchange Rates Policies Sub-committee undertake studies on the nature and extent of symmetry of shocks in the COMESA region, and the experiences on the choice of monetary policy regime in selected COMESA member countries. These studies are crucial for the preparation towards the achievement of the COMESA Monetary Union in 2018 and will be considered at the Fourteenth Meeting of the COMESA Committee of Governors of Central Banks in October 2009.

As Second Vice Chair, the Bank of Mauritius has proposed to host the Fourteenth Meeting of the COMESA Committee of Governors of Central Banks in 2009.

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

Meeting of Governors of the AACB, Eastern Africa Sub-Region

The Seventh meeting of Governors of the AACB, Eastern Africa Sub-region, was held from 16-17 July 2008 in Mauritius, and was preceded by the Technical Committee which was held from 14-15 July 2008. Discussions included country experiences in the implementation of the African Monetary Cooperation Programme (AMCP), Monetary Policy and Exchange Rate Management as well as Financial Sector Stability and Development issues. The major challenges identified were the current monetary targeting framework; sterilization of excess liquidity associated with large donor inflows; wide interest rate spreads; managing sustained exchange rate appreciation; and ineffective transmission mechanism of monetary policy. Other observations included the differences across member countries on the composition, powers and responsibilities of the Monetary Policy Committee (MPC) members and frequency of the MPC meetings. It was also observed that external shocks, especially the escalating world food and oil prices, had affected most of the economies in the region.

Progress towards Implementation of the AMCP by Member Central Banks

Governors considered the progress made towards achieving the quantitative macroeconomic convergence primary criteria in the second phase of the AMCP covering the period 2004–2008. Regarding the criterion of overall budget deficit target of less than 5 per cent of GDP, there was a clear divide between aid-dependent and non-dependent economies. However, the majority of member countries performed well in relation to this criterion when grants are included. With respect to the objective of single digit inflation rate, the sub-region's countries experienced inflationary pressures due to supply shocks emanating from worldwide rising energy and food prices. It was decided that member countries' central banks should maintain appropriate monetary policy stance to limit the second-round effects of the exogenous shocks and that central banks should increase their efforts towards producing and reporting core inflation data in order to better gauge the effectiveness of monetary policy. There was mixed performance among countries in the attainment of the target minimization of central bank financing of budget deficit to less than 10 per cent in 2007. Governors decided that member countries should maintain efforts to minimize and completely eliminate central bank overdraft in the long run as stipulated in the AMCP. All member countries recorded external reserves/import cover of at least 3 months of imports of goods and non-factor services as required during the second stage. It was noted that foreign exchange reserves in all countries in the sub-region had reached a sustained high level of import coverage during the last five years.

The Governors also assessed the progress made with respect to the secondary criteria. Except for one country, all other member countries did not satisfy the criterion of domestic fiscal receipts/GDP ratio equal to or more than 20 per cent during year 2007. Only three countries met the criterion wage bill to total tax revenue ratio of less than 35 per cent during 2007. Regarding the criterion public investments financed from internal resources to be kept to a minimum of 20 per cent, it was observed there was mixed results. With respect to real exchange rate stability to be maintained by each country, it was decided that while market forces should dictate the movements in the exchange rates, member countries should ensure the proper functioning of foreign exchange markets. It was observed that most countries recorded negative real interest rates in 2007.

Appointment of Chairman and Vice-Chairman

The Governor of Banque Centrale des Comores and Governor of Central Bank of Kenya were elected as the next Chairman and Vice-Chairman of the AACB Eastern Africa Sub-Region respectively.

Annual Meetings of the AACB – Kigali, Rwanda (18- 22 August 2008)

The Assembly noted that countries were trying their best to meet the different criteria though there were divergences at some points and that efforts should be pursued for harmonization of polices. Regarding the progress report on the activities of the Joint African Union Commission-AACB Committee, the Assembly took note that the consultant recruitment process is always hindered by financial constraints. It was decided that a letter be sent to the Commissioner of African Union to raise the issue of delay in the recruitment of consultant and that a delegation comprising of the AACB representatives would meet the Commissioner of the African Union. The three themes for the 2008 AACB symposium were “The objectives and conditions necessary for the establishment and proper functioning of the African Central Bank, African Investment Bank and the African Monetary Fund”.

The Assembly of Governors agreed on “Formulation and implementation of monetary policy in Africa: the appropriateness of inflation targeting” as the theme for the 2009 AACB symposium. It was also decided that the annual seminar on Payment Systems would be organized if need be. With respect to contribution to the AACB Budget for year 2008, the Assembly took note of the increase in the collection rate, from 30 central banks in 2007 to 35 in 2008 and that the contribution per country was maintained at US$5,830 for 2009.

The Bureau of the AACB held its ordinary meeting in Ethiopia on 9 April 2009. It adopted the report on the 2008 AACB Symposium and the report of the Thirty-Second Ordinary Meeting of the Assembly of Governors. It also took note of the report on the African Union Commission-AACB Joint Committee activities and the progress achieved in the implementation of the AMCP.

The continental seminar on “Liquidity Management” was held from 7-9 May 2009 in Nigeria. Delegates from central banks, International Monetary Fund, Bank for International Settlements, African Union Commission and SADC amongst others discussed about liquidity management in African countries, how to address the structural constraints and how to build the capacity of central banks.

THE GLOBAL FINANCIAL CRISIS

Meeting of the African Ministers and Governors of Central Banks

A meeting of African Ministers of Finance and Governors of Central Banks, which was convened jointly by the African Development Bank, the African Union, and the United Nations Economic Commission for Africa, was held in Tunisia in November 2008. The meeting's purpose was to assess and exchange notes on the evolving global economic and financial situation and to identify measures that could effectively be taken. At the end of the meeting, a handful of Ministers/Governors, including the Governor of the Bank of Mauritius, participated in a teleconference on the global crisis with the US Treasury on the eve of the first G-20 Summit in Washington.

Meeting of Francophone Governors

The Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) hosted a meeting of francophone Governors in Ivory Coast in December 2008. The impact of the crisis on the countries of the African Francophone Group at the IMF and the World Bank was examined at the meeting. Main areas addressed were the transmission mechanism of the global crisis in African countries, identification of the vulnerabilities to the financial sector, impact of the crisis on capital flows and the real sector, adequacy of regulation and supervisory guidelines as well as good governance. Policy measures to be taken to face both short term and medium term challenges were also discussed.

Conference: "Changes: Successful Partnerships for Africa's Growth Challenge"

A high-level conference co-hosted by the IMF and the Government of Tanzania was held from 10-11 March 2009 in Dar-es-Salaam. It brought together African business leaders, policymakers, civil society representatives, academics, and other well-known international figures. The conference covered a wide range of topics, from coping with the effects of the commodity price slump and the international financial crisis to building a stronger partnership between Africa and the IMF. In the conference's concluding roundtable, IMF Managing Director acknowledged that change was needed, including greater flexibility in the IMF's lending facilities and a stronger voice for Africa in the Fund.

African Ministers and Governors underlined six building blocks of a stronger partnership between the Africa and the IMF: enhancing IMF surveillance over the policies of all its members; expanding the IMF's financing facilities and their accessibility to low-income countries; consolidating the debt relief process by adjusting the IMF's debt sustainability framework to accommodate Africa's new financing needs and opportunities; accelerating reforms of IMF governance to enhance Africa's voice and representation at all levels of the institution; enhancing the policy dialogue between the IMF and its African members, including through technical assistance, to ensure that African countries' policies benefit from the IMF's experience and expertise; and reinforcing the IMF's catalytic role to leverage public and private financing for Africa's critical infrastructure needs. The implementation of the joint commitments between the IMF and its African members will be reviewed every six months in the context of the African Consultative Group.

VII. INTERNATIONAL ECONOMIC DEVELOPMENTS

Growth

The global economy, which had started to decelerate on account of the increasingly difficult financial market conditions and sharply slowing demand in advanced economies while emerging and developing economies were still growing steadily in a context of high oil prices, entered a "tumultuous new phase" in September 2008. The bankruptcy of Lehman Brothers in September 2008 triggered extreme risk aversion. In addition, uncertainty about the extent of US subprime and other structured finance-related losses led to a large-scale deleveraging as financial institutions scrambled for liquidity causing a general credit freeze across markets worldwide. The LIBOR-OIS spread - an indicator of banks' reluctance to lend to each other - within weeks shot up to high levels and the liquidity problem attained global proportions. The financial stress led to an intensification of the downturns already hitting a broader range of countries. Against this backdrop, expansionary economic policies were taken across economies in the form of massive fiscal stimulus and monetary policy easing to mitigate the impact of the economic and financial crisis.

Although the U.S. economy may have suffered most from intensified financial strains and the continued fall in the housing sector, other advanced economies have been hit hard by the financial crisis as well. As shown in Table VII.1 the United States, United Kingdom, euro area and Japan contracted significantly in the four quarters to June 2009. Emerging markets, which generally had little direct exposure to the distressed assets that plagued major industrial economies, appeared much less immune to the deepening recession in the advanced industrial world in late 2008. The financial crisis spilled over into the developing countries and economies in transition through international financial and trade channels. The negative effects of the crisis on emerging economies became clearly visible with the release of the macroeconomic data in early 2009, confirming a severe and broad-based global economic downturn. Among the larger emerging economies, China reported year-on-year GDP growth of 6.8 per cent in the fourth quarter of 2008, significantly down from 9 per cent in the previous quarter.

In the United States, real GDP contracted at a seasonally adjusted annual rate of 2.7 per cent and 5.4 per cent in the third and fourth quarters of 2008. The slump in the housing sector, the credit crunch, the asset price deflation and rising unemployment all underpinned sharp retrenchment in business investment and household consumption. A further deterioration was noted in the first quarter of 2009 with a decline in real economic activity of 6.4 per cent but in the second quarter of 2009, the rate of decline has come down to a seasonally adjusted annual rate of 0.7 per cent. According to the US Bureau of Economic Analysis, "the much smaller decrease in real GDP in the second quarter primarily reflected much smaller decreases in nonresidential fixed investment, in exports, and in private inventory investment, upturns in federal government spending and in state and local government spending, and a smaller decrease in residential fixed investment that were partly offset by a much smaller decrease in imports and a downturn in personal consumption expenditure." The fact that the downturn in business investment has become less steep, reflecting somewhat easier credit conditions, and business confidence less downbeat signaled that the US economy may be bottoming out and is poised for a recovery, albeit a moderate one. This is due to a large extent to policy measures having been scaled up significantly in the year, including a continuous expansion of the balance sheet of the United States Federal Reserve Bank, a new fiscal stimulus package of US$787 billion, and the Public-Private Investment Programme of more than $1 trillion to dispose of non-performing bank assets. In its July 2009 Update of the World Economic Outlook, the IMF expected the US economy to contract by 2.6 per cent in 2009 and grow by a 0.8 per cent in 2010.

[1] IMF World Economic Outlook October 2008

Table VII.1: Growth rate in Gross Domestic Product: 2008 Q3 - 2009 Q2

	USA	EURO ZONE		UK		JAPAN	
	Quarterly SA annual rates	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y
2008Q3	**-2.7**	-0.3	**0.5**	-0.7	**0.3**	-1.3	**-0.3**
2008Q4	**-5.4**	-1.8	**-1.7**	-1.8	**-1.9**	-3.4	**-4.3**
2009Q1	**-6.4**	-2.5	**-4.9**	-2.5	**-5.0**	-3.3	**-8.7**
2009Q2	**-0.7**	-0.1	**-4.7**	-0.6	**-5.5**	0.6	**-7.2**

Source: Websites of Statistical Offices.

Economic activity in much of the euro zone economies had already begun to contract before the September 2008 financial blowout, owing mainly to rising oil prices. The Euro zone economy shrank the most, since at least 1995, in the fourth quarter of 2008 with GDP contracting by 1.7 per cent on a year-on-year basis, and deteriorated further in the first quarter of 2009. Across the euro zone, economic woes differed markedly as countries faced differing degrees of exposure to downturns in housing markets, construction sectors, manufacturing exports and banking sectors. The unemployment rate across the region though surged to average 9.4 per cent in June 2009, the highest rate since 1999. A brighter picture appeared to be emerging beginning April 2009 in the light of some favourable euro zone economic indicators. Monthly surveys of Purchasing Managers Indexes in May and June hinted at stabilisation in the manufacturing and services sectors, and the preliminary estimates from Eurostat also confirmed that the pace of contraction in economic activity had eased in the second quarter of the year - GDP contracting by 4.7 per cent on a year-on-year basis compared to 4.9 per cent in the previous quarter. However, there have been few signs of moderation in the slide of consumption, weighed down by low consumer confidence and the deteriorating labour market. The construction sector continued to be badly hit as a number of countries - including Spain, Ireland, the Netherlands, Greece, Finland and Austria - experienced very severe declines in housing investment. The IMF's July 2009 WEO update projected the euro area real economy to contract by 4.8 per cent and 0.3 per cent in 2009 and 2010, respectively.

The United Kingdom entered a severe recession in the fourth quarter of 2008 with GDP contracting by 1.9 per cent compared to the same quarter of the previous year and the pace of activity deteriorated further in the first and second quarters of 2009, with GDP contracting by 5.0 per cent and 5.5 per cent in the first and second quarter of 2009, respectively. The acceleration in output contraction was due to weaker services and manufacturing industries output. The Purchasing Managers' Index also revealed that activity in the UK manufacturing and services sector slowed in late 2008 and early 2009. The index, however, recovered substantially in June 2009 from the record weakness of November 2008 to February 2009 but remained firmly in contraction territory. The IMF forecast the U.K. economy to contract by 4.2 per cent in 2009 but to grow by 0.2 per cent in 2010.

Japan fell into a deep recession in 2008. GDP contracted by 4.3 per cent in the fourth quarter of 2008 and experienced a further contraction of 8.7 per cent in the first quarter of 2009. The severe downturn in global demand, particularly for automobiles, information technology and machinery, has led to a collapse of Japanese exports, causing sharply falling corporate profits, tightening financial conditions, rising unemployment, declining household wealth, and weakening domestic demand. The Japanese Government adopted a series of fiscal stimulus packages, with additional government spending totaling about 5 per cent of GDP. The severe contraction in Japanese activity, however, moderated in the second quarter of 2009 with signs of a modest pick-up in industrial production and a slower rate of decline in export volumes. According to the IMF, the Japanese economy is expected to contract by 6 per cent in 2009 and to grow by 1.7 per cent in 2010.

Despite their relatively strong macroeconomic fundamentals, emerging and developing economies have suffered a severe economic downturn since September 2008. GDP growth in these economies slowed from an average of 8.3 per cent in 2007 to 6.0 per cent in 2008 and the IMF in July 2009 expected growth to fall substantially to 1.5 per cent in 2009 before recovering to 4.7 per cent in 2010. Collapsing final demand in developed economies, falling commodity prices for exporters, and major reversals of capital flows have led to sharp contractions of exports, industrial production and investment spending in most emerging and developing countries. Since March 2009, some emerging economies have shown signs of levelling off or picking up after industrial production and merchandise exports had stabilized or even rebound and on strong improvement in confidence indices. China's aggressive fiscal and monetary stimulus, for example, gave a boost to real activity in the first half of 2009 from a near stall at the end of 2008. In India, the slowdown in growth bottomed out in the fourth quarter of 2008 and a pick-up was evident in early 2009. According to the IMF, emerging and developing economies are projected to regain growth momentum during the second half of 2009.

Sub-Saharan Africa was hit hard by the global financial and economic crisis on account of reduced external demand, plunging export prices, weaker remittances and tourism revenues, and sharply lower capital inflows. GDP declined during two quarters in South Africa, the region's largest economy, for the first time in 17 years, and some large oil-exporting and mineral-dependent economies also saw a drop in output. As elsewhere, the expected economic recovery in 2010 is expected to be weak, with growth rising to a below-trend for the region as a whole. According to the IMF, Sub-Saharan Africa was expected to grow by 1.5 per cent in 2009 before rising to 4.1 per cent in 2010.

The latest IMF update available foresees the global economy to contract by 1.4 per cent in 2009 and to grow by 2.5 per cent in 2010.

Inflation

The economic downturn has led to a sharp decline in inflationary pressures across economies mainly due to the significant drop in commodity prices, particularly lower energy and food prices, and growing economic slack. Not only have year-on-year inflation rates fallen rapidly since mid-2008, but by the first half of 2009 they became negative in the United States, the euro zone and Japan. In June 2009, the inflation rate stood at -1.4 per cent in the US, -0.1 per cent in the euro zone and -1.8 per cent in Japan. Inflation also declined across emerging market economies, primarily because of lower food and energy prices and, in some cases, weaker economic activity. In China, the inflation rate fell from 6.3 per cent in July 2008 to -1.7 per cent in June 2009. Although an assessment of inflation prospects is deemed complex under current conditions, recent disinflation has raised concerns among many observers about the risks of deflation in the short run. The IMF expected inflation in advanced economies to average 0.1 per cent in 2009 but to rise to 0.9 per cent in 2010, while emerging and developing economies were expected to experience an inflation rate of 5.3 per cent and 4.6 per cent in 2009 and 2010, respectively.

Unemployment

The global economic crisis entailed heavy job losses worldwide. A rapid rise in unemployment rates was recorded since 2008 and the situation was expected to worsen in 2009 and 2010. In the US, the unemployment rate rose from 5.8 per cent in July 2008 to reach 9.5 per cent in June 2009, the highest level since August 1983. Job losses in June 2009 were widespread across the major industry sectors, with large declines occurring in manufacturing, professional and business services, and construction. Since the start of the US recession in December 2007 and up to June 2009, the number of unemployed persons had increased by 7.2 million. In the euro area, the unemployment rate rose to 9.4 per cent in June 2009, the highest rate since May 1999 compared to 7.5 per cent in July 2008. Among the European Union Member States, the lowest unemployment rates in June were recorded in the Netherlands at 3.3 per cent, Austria at 4.4 per cent and Cyprus at 5.4 per cent and the highest rates in Spain at 18.2 per cent, Latvia at 17.1 per cent and Lithuania at 15.6 per cent. U.K unemployment rate rose to 7.8 per cent in the three months to June 2009. The rise in the unemployment rate was less dramatic in Japan with the unemployment rate reaching 5.2 per cent in June 2009.

Monetary Policy

To stave off regional and global recessions and restore stability as well as confidence, the world's major central banks injected massive liquidity into financial markets through a range of facilities and by increasing swap lines or reciprocal currency arrangements. Many central banks have slashed policy rates, in some cases on a coordinated basis, to help unfreeze credit markets.

The U.S. Federal Reserve (Fed) established a target range for the federal funds rate of 0 to 0.25 per cent since December 2008 and has communicated its intention to keep policy rates exceptionally low for an extended period. The Fed has also been intervening directly in dysfunctional key segments of the credit market, such as the ones for commercial paper and securitised products, where the Fed was now effectively lending to the ultimate borrowers by providing investors in those markets with a means to refinance their investment. In addition, it had started to conduct outright open-market purchases of mortgage-backed securities, agency bonds and, more recently, long-term government bonds, with the aim of lowering long-term interest rates.

The European Central Bank (ECB), given its price stability mandate, has cut its main policy rate less aggressively, with the rate on the main refinancing operations reduced to 1 per cent in June 2009 from 4.25 per cent in July 2008. The ECB had also increased the scale of its liquidity operations to provide ample funding to financial institutions. In particular, the ECB had eased its collateral framework and lengthened the maturity of its operations up to one year. It had also switched from a regime where a limited amount of funds was allotted by competitive bidding to supplying liquidity without limit at fixed rates. In addition, it announced a new programme of direct purchase of covered bonds with the view to reviving the functioning of this impaired market segment.

The Bank of England lowered its policy rate to 0.5 per cent by June 2009 from 5.0 per cent in July 2008. The Bank of England has also initiated a large-scale programme to purchase government bonds and, to a lesser extent, corporate bonds, with the aim of rapidly expanding the monetary base. It has also prepared a scheme to purchase commercial paper to support the function of this market.

The Bank of Japan cut its key interest rate to 0.1 per cent by June 2009 and introduced measures aimed at providing ample liquidity to the financial system with the aim of supporting credit flows to the economy. These measures included a temporary facility that provided unlimited funds against the collateral of corporate debt at the target overnight rate. The Bank has also set out a scheme for outright purchases of commercial paper and corporate debt and increased the pace of buying long-term government bond. Moreover, the Bank has gone further in its direct support of the banking sector to adopt more unusual measures such as as resuming a programme of buying corporate shares from banks and providing banks with additional capital though subordinated loans.

Budget Deficit

High-income countries and a number of middle income economies have responded to the crisis by increasing countercyclical fiscal spending, and by letting automatic stabilisers, such as unemployment insurance and welfare systems, operate. According to the World Bank's Global Development Finance report, fiscal deficits in high-income countries were expected to increase by around 3 per cent of GDP on average during 2009. The increase reflected a number of factors namely reduced tax revenues, upfront contributions to support financial systems, (including capital injections, purchases of assets and lending by the treasury, and backing by the treasury for central bank support) and automatic stabilisers. Overall, the discretionary component of the easing was expected to reach 1.6 per cent of high-income countries' GDP, with automatic stabilisers accounting for the remainder. The largest discretionary stimulus packages in percentage of their respective GDP announced so far are in United States and Spain (2.3 per cent), Australia (2.1 per cent), and the United Kingdom (2 per cent). A less important package has been announced among major European countries: 0.7 per cent of GDP for France, 1.5 per cent of GDP for Germany, and 0.2 per cent of GDP for Italy. In addition, the UK and France would spend another 2 per cent of GDP through automatic stabilisers while such expenditure for the US would amount to 1.5 per cent of GDP.

The fiscal positions of developing countries were also expected to deteriorate as lower levels of industrial activity leads to a reduction in indirect taxes on domestic goods and services and on international trade. Resource-related revenues of many commodity exporters were also falling with the decline in commodity prices. A further potential public sector liability might arise if high interest rates force private (or public) companies to come to the government for assistance. The largest increases in fiscal deficits were expected to arise in developing Europe and Central Asia, where contraction in trade and production were particularly severe, social safety nets have broad coverage, and the private sector has a large foreign currency denominated debt burden. Fiscal stimulus packages would also add to the fiscal burden. The IMF has evaluated the impact of such measures as a percentage of GDP on the fiscal accounts of developing countries that are members of the G-20 based on information as of mid-February 2009 and which cover 2009 to 2010 to 2.9 per cent for China, Russia (2.0 per cent), and Mexico (1.5 per cent), with the smallest measures among the G-20 developing countries being taken by India (0.5 per cent), and Brazil (0.3 per cent). The factors that explain these differences include the magnitude of automatic stabilisers and the amount of "fiscal space" available in each country, both of which vary widely from one country to another.

Foreign Direct Investment

The global crisis has had a negative impact on international capital flows. In addition, tighter credit conditions and lower corporate profits have weakened companies' balance sheets and undermined their financial capability to fund overseas projects. Moreover, the global economic recession and a heightened risk aversion towards emerging economies have eroded business confidence. Foreign Direct Investment (FDI) flows to financial services, automotive industries, building materials, intermediate goods, and some consumption goods have been the most significantly affected, but the consequences of the crisis have been quickly expanding to FDI flows in other activities as well, ranging from the primary sector to non-financial services.

According to the United Nations Conference on Trade and Development (UNCTAD), global FDI inflows declined by 15 per cent in 2008, to about $1.6 trillion and a further decline was anticipated for 2009, especially as regards flows into developing countries. UNCTAD also estimated that FDI into developed countries in 2008 decreased by 25 per cent compared to 2007, mainly as a result of the prolonged downturn affecting financial institutions and the liquidity crisis in financial markets. As cross-border mergers and acquisitions account for the bulk of FDI in most developed countries, these countries were particularly vulnerable to the credit crunch. In developing and transition economies, preliminary estimates from UNCTAD suggest that FDI inflows were more resilient in 2008, despite being lower relative to 2007, barring the fact that the global crisis had only started to affect FDI inflows in some developing economies in the last quarter of 2008.

UNCTAD estimates also suggested that the 2008 decline of 15 per cent would worsen significantly in 2009 with global inflows potentially declining by 50 per cent. Inflows to developed countries could fall by 60 per cent while with respect to inflows to transition economies and developing countries, the decline could reach 40 per cent and 26 per cent respectively. This is also reflected in the estimate of over 66 per cent decrease in cross-border mergers and acquisitions expected in 2009. Given the important role of G-20 countries in global investment flows, which accounted for 86 per cent of the global inflows in 2007-2008, the estimated decline is most likely to affect these countries the most.

Oil

International crude oil prices, represented by NYMEX West Texas Intermediate (WTI) and IPE Brent, increased sharply and reached historical highs of US$147.27 a barrel and US$147.50 a barrel, respectively on July 11, 2008, reflecting tight supply-demand balance, geopolitical tensions, weakening of the US dollar against major currencies and increased interest from investors and financial market participants. Subsequently, the WTI crude oil prices declined precipitously to average US$39.4 per barrel in February 2009 while IPE Brent prices averaged US$43.9 per barrel, reflecting falling demand in the Organisation for Economic Co-operation and Development (OECD) countries as well as some developing countries, notably in Asia, following the economic slowdown. Prices later rebounded with WTI crude prices having risen by 77 per cent between February to June 2009. Likewise, the average price per barrel of IPE Brent futures rose by 58 per cent from February to June 2009.

However, with high oil price volatility and considerable uncertainty about demand and supply, actual oil price developments are subject to a large degree of uncertainty. In particular, there is a considerable risk that rising oil demand, notably from China, in combination with OPEC supply restraint, could put further upward pressure on oil prices.

Gold

Gold prices averaged US$934.8/oz in July 2008. At the same time, however, the fundamental and psychological effects of the slowing housing and credit markets were just beginning to devalue significantly the investment markets across the board. As a result, many long gold positions had to be sold in order to cover losses from investments in other markets. Over the next several months, this forced selling pressure pushed gold prices down and gold prices averaged US$755.9/oz in November 2008. Gold prices were also held down during the second half of 2008 as the U.S. dollar enjoyed a 20 per cent rally. Gold prices subsequently increased in the first half of 2009 to average US$947/oz in June 2009. The main factors supporting gold prices during 2009 were the US dollar weakness and its safe-haven appeal. The yellow metal is well-known for the strong inverse relationship it has historically shared with the US dollar, with investors viewing it as an alternative investment to the greenback.

World Trade

The global crisis has set off an unprecedented decline in international trade. Since October 2008, trade flows have rapidly contracted, affecting an increasing number of countries and sectors. According to the World Trade Organisation, the real growth rate of merchandise trade slowed significantly in 2008 to 2 per cent, compared with 6 per cent in 2007. In US dollar terms, world merchandise exports increased by 15 per cent in 2008, to $15.8 trillion, while exports of commercial services rose 11 per cent to US$3.7 trillion.

The share of developing economies in world merchandise trade set new records in 2008, with exports rising to 38 per cent of the world total and imports increasing to 34 per cent. Germany's merchandise exports in 2008, which totalled US$1.47 trillion, were slightly larger than China's US$1.43 trillion. This meant that Germany retained its position as the world's leading merchandise exporter. One of the sectors hardest hit by the global recession has been the car industry. Japan's exports of automotive products fell by 18 per cent in 2008, while exports to the United States dropped by 30 per cent in the fourth quarter of 2008. Automotive products represented 12 per cent of total merchandise exports of developed economies in 2007.

Exports of commercial services fell in the fourth quarter of 2008 compared with the same quarter of the previous year. For 2008 as a whole, exports of commercial services grew more slowly than exports of goods, rising by 11 per cent compared with 15 per cent for goods. Exports of transport services rose 15 per cent in 2008 while travel services and other commercial services both increased by 10 per cent. The United States remained the largest exporter and importer of commercial services, with exports of US$522 billion and imports of US$364 billion.

Conclusion

The global financial crisis has led to an unprecedented recession accentuated by rapid declines in trade volumes, massive job losses and a tremendous loss of confidence. Although there are signs that the rapid pace of decline in spending witnessed in major advanced economies had started to ease, uncertainty still remained over the strength of the recovery given that households and financial firms need to repair their balance sheets after a massive loss in wealth and asset value. Substantial fiscal stimulus and exceptional monetary easing in many countries should continue for a while and help end the economic contraction. The challenge is about the timing of the exit strategies.

2 Regulation and Supervision

1. Overview

The Bank of Mauritius (the Bank) is empowered under the Banking Act 2004 and the Bank of Mauritius Act 2004 to regulate and supervise banks, non-bank deposit-taking institutions, foreign exchange dealers and money-changers. With the aim of achieving a sound and efficient banking system in the interest of the depositors of banks, the general public and the economy as a whole, the Bank applies rigorous standards in the licensing process and continuously regulates and monitors activities of institutions under its purview through the issue of prudential regulations and on-site and off-site surveillance of authorized institutions.

With a view to strengthening the financial sector and promoting financial stability, the Bank reviewed the existing regulatory framework. The Basel II framework for capital adequacy assessment was introduced on a parallel basis last year and effective 31 March 2009, banks have moved over to full implementation of Basel II for credit risk under the Standardised Approach. While strengthening prudential standards, steps were taken to give greater operational autonomy in areas like issue of advertisements, determination of working hours, etc.

In order to enhance competition in the cash segment of the foreign exchange market and thus narrow the spread between the buying and selling rates of foreign currency, for the benefit of consumers, the Bank initiated last year a process for licensing new Money Changers. This was taken forward and 14 additional money-changers and 1 foreign exchange dealer were granted licence during the year under report. Out of the 14 money-changers, 9 money-changers and a foreign exchange dealer started operations in the year ended 30 June 2009.

First City Bank Ltd was taken over by CIEL Investment Ltd (50%) and I&M Bank Limited (50%) in 2008 and, the bank underwent a re-branding exercise and changed its name to Bank One Limited in August 2008. In October 2008, Indian Ocean International Bank Limited merged with SBI International (Mauritius) Ltd and the merged entity now operates under the name of SBI (Mauritius) Ltd.

In April 2008, the British American Investment Group, a Mauritian conglomerate with a well-established presence in many segments of the economy and having an international presence as well, took over South East Asian Bank Ltd which was hitherto owned by the CIMB Group, Malaysia. The name of the bank was subsequently changed to Bramer Banking Corporation Ltd in August 2008.

With effect from 1 October 2008, Cim Leasing Ltd, a non-bank deposit taking company licensed by the Bank, amalgamated with Cim Finance Ltd and the new entity operates under the name of Cim Finance Ltd.

As at end-June 2009, 18 banks, 13 non-bank deposit-taking institutions, 5 foreign exchange dealers and 11 money changers were operating in Mauritius. A list of authorised institutions as at 30 June 2009 is provided in the Appendix.

2. Bank fees, Charges and Commissions

The Bank has created a window on its website with dedicated links to banks' websites that allow easy access to information on banks' principal interest rates, fees and charges in a standard format. The objective behind this initiative of the Bank is to promote greater accessibility and transparency with regard to bank charges and enable easier comparison thereof across the industry.

3. Implementation of Basel II

The impact of the Pillar 1 requirements (standardised approaches) has been assessed over four quarters in 2008 under the parallel run exercise. The preliminary results indicate that the new computation of the Capital Adequacy Ratio (CAR) has not significantly impacted on the capital of banks. The Bank decided to do away with the parallel run exercise in the one-year time frame. Two of the three pillars of the Basel II framework (standardised approaches) had thus been implemented with effect from March 2009 as planned.

4. Islamic Banking Services and Related Regulations

Amendments have been brought to the Finance (Miscellaneous Provisions) Act 2008 that obviate the levy of multiple payment of duties which would otherwise have become payable under the Islamic mode of financing land and property. Concurrently, the Income Tax Act was amended such that the effective return of an Islamic financing arrangement is duly captioned for references made to interest payable, paid, derived, received or incurred in relation to any loan, deposit or mortgage. Moreover, non-bank deposit taking institutions licensed under the Banking Act 2004 have also been allowed to engage in the business of accepting Islamic deposits in consonance with the ethos and value system of Islam and subject to these institutions having obtained the appropriate licence from the Bank.

5. Performance of the banking sector

As on 30 June 2009, the banking sector comprised 18 banks licensed to carry on banking business in Mauritius, of which 5 were local banks, 8 were subsidiaries of foreign banks and 5 were branches of international banks. A list of these banks is provided in Appendix H.

During the financial year ended 31 March 2009, the performance of the banking sector continued to grow. During that period on-balance sheet assets of banks increased by Rs69,212 million, or 10.0 per cent, from Rs693,543 million at end-March 2008 to Rs762,755 million at end-March 2009, compared to a growth of 15.9 per cent in the preceding year. Off-balance sheet items also grew by 16.0 per cent, from Rs46,961 million at end-March 2008 to Rs54,461 million at end-March 2009. The growth in the balance sheet was mainly driven by the mobilisation of additional deposits of Rs54,216 million representing 10.8 per cent increase from Rs502,581 million to Rs556,797 million, compared to a growth rate of 17.3 per cent in the previous year.

The additional resources were mainly deployed towards granting of additional advances which expanded by Rs67,618 million, or 19.8 per cent, from Rs341,603 million as at end-March 2008 to Rs409,221 million a year later, compared to a growth of 21.9 per cent in the preceding year.

As at end-March 2009, banks maintained an average capital adequacy ratio of 17.1 per cent compared to 15.1 per cent a year earlier. This increase was the result of a higher growth of 37.6 per cent in the aggregate capital base as opposed to a growth of 21.6 per cent in the total risk weighted assets.

During the period under review, total non-performing advances (impaired credits) of banks went up by 33.4 per cent from Rs7,420 million to Rs9,901 million. This increase raised the ratio of non-performing advances to total advances from 2.2 per cent to 2.4 per cent.

Although during the period, there was a general decline in interest rates globally, the growth in profits was driven mainly by higher interest income. Operating profit before provision for bad and doubtful debts stood at Rs15,249 million at end-March 2009 compared to Rs12,276 million at end-March 2008, representing a growth of 24.2 per cent compared to a growth rate of 16.8 per cent for the preceding year.

The pre-tax return on average assets remained around 1.7 per cent during the financial year ended 31 March 2009. The ratio maintained by individual banks ranged from negative 2.7 per cent to positive 3.6 per cent. Two banks realized negative return on average assets as a result of higher operating expenses incurred by them compared to their operating income. Three banks achieved a pre-tax return on average assets of over 2.0 per cent.

The post-tax return on equity declined from 23.0 per cent to reach 21.2 per cent during the financial year ended 31 March 2009 partly as a result of an expansion in the capital base of banks. For individual banks, the post-tax return on equity ranged from negative 22.5 per cent to positive 41.1 per cent with three banks achieving a return on equity of over 30.0 per cent during the same year.

6. Performance of the non-bank deposit taking institutions

At 31 March 2009, thirteen non-bank deposit taking institutions (NBDTIs) were licensed under section 12 (2) of the Banking Act 2004. Their total assets amounted to Rs42,439 million at end-March 2009 and total deposits mobilized by these institutions stood at Rs25,907 million, representing 61.1 per cent of their resources.

Total credit facilities extended by NBDTIs amounted to Rs31,535 million and accounted for 74.3 per cent of total assets. Securities, placements and other investments stood at Rs6,287 million at end-March 2009.

The operating profit (before bad and doubtful debts and taxation) of the NBDTIs amounted to Rs748 million as at end-December 2008, representing an increase of 5.7 per cent over 2007. The profit before tax went up by 1.8 per cent to reach Rs648 million in 2008 from Rs637 million a year earlier. A net additional amount of Rs29 million was set aside as provision for bad and doubtful debts in 2008.

The pre-tax return on average assets as well as the post tax return on equity deteriorated from 2.0 per cent and 12.1 per cent in 2007 to 1.8 per cent and 10.6 per cent, respectively, in 2008.

A more detailed analysis on the performance of the banking sector and the non-bank deposit taking institutions will be given in the Supervision Report 2009.

7. The Finance (Miscellaneous Provisions) Act 2008

The Finance (Miscellaneous Provisions) Act 2008, which was enacted on 18 July 2008, brought amendments to, inter alia, the Bank of Mauritius Act 2004, the Banking Act 2004 and the Income Tax Act. The major changes brought to those acts are as follows:-

A. The Bank of Mauritius Act 2004

1. *Section 26 – Confidentiality*

   The Bank of Mauritius Act (Act) was amended in section 26(4) (a) to enable the Bank to exchange information with public sector or law enforcement agencies. Before imparting the information, however, the Bank must be satisfied that those agencies have the capacity to protect the confidentiality of the information.

2. *Section 51 – Information from banks and other financial institutions*

   Under section 51(1) of the Act, the Bank is empowered to request such information and data as it may require from financial institutions falling under its purview, for the proper discharge of its functions and responsibilities under the banking laws. A new subsection (1A) was added to section 51 imposing an obligation on those financial institutions to provide the information requested by the Bank in a timely manner.

3. *Section 52 – Credit Information Bureau*

   Section 52 of the Act has been amended to extend the scope of the Credit Information Bureau to all institutions offering credit, including leasing facilities and hire purchase and utility companies. A new subsection (2A) was added to that section empowering the Bank to impart on such terms and conditions as it deems fit, information stored in the MCIB to other bodies, for credit rating purposes.

   A new subsection (2B) was also added to waive any duty of confidentiality which may have been imposed on participating institutions under any enactment for the purposes of meeting the requirements of the Credit Information Bureau.

4. *Section 66 - Records*

   Section 66 of the Act which required the period for which records of the Bank should be kept was reduced from 10 to 7 years.

B. The Banking Act 2004

1. *Section 2 – Interpretation*

   (a) The definition of banking business was repealed and replaced by the following new definition:

   "banking business" means -

   (i) the business of accepting sums of money, in the form of deposits or other funds, whether or not such deposits or funds involve the issue of securities or other obligations howsoever described, withdrawable or repayable on demand or after a fixed period or after notice; and

(ii) the use of such deposits or funds, either in whole or in part, for –
loans, advances or investments, on the own account and at the risk of the person carrying on such business;
the business of acquiring, under an agreement with a person, an asset from a supplier with the purpose of letting out the asset to the person subject to payment of instalments together with an option to retain ownership of the asset at the end of the contractual period; and

(iii) includes such services as are incidental and necessary to banking;

(b) The definition of *"deposit taking business"* was amended to enable non-bank deposit taking institutions to accept Islamic deposits.

(c) The definition of *"foreign exchange dealer"* was amended to require institutions carrying out money and value transfer services to be licensed by the Bank. Those institutions would then be deemed to be foreign exchange dealers and captured under the regulatory framework for foreign exchange dealers.

A definition of *"money or value transfer services"* was also provided for in the interpretation section of the Banking Act 2004 as follows:

"money or value transfer service" means a financial service that accepts cash, cheques, other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location, by means of a communication, message, transfer or through a clearing network to which the money or value transfer service belongs, and where the transaction performed by such service can involve one or more intermediaries and a third party, final payment;

(d) A definition for *"collective investment scheme",* was introduced in the Act for the reason that, in section 30(3)(a) of the Act, a bank engaging in the management of collective investment schemes, has to do so through a subsidiary.

In section 30(3)(b), the Bank was empowered to engage in the distribution of collective investment schemes, subject to having obtained a licence from the Financial Services Commission.

New definitions for *"credit information bureau"* and *"external credit assessment institution"* were added in the light of sections 14A, 14B and 14C providing a licensing regime and a framework for those institutions.

2. *Section 3 – Application of the Act*

A new subsection (6) was added to section 3 to require non-bank deposit taking institutions to be holder of a licence from the central bank prior to engaging in the business of accepting Islamic deposits.

It has also put a non-bank deposit taking institution licensed to accept Islamic deposit under the purview of the Banking Act 2004.

3. *Section 5 – Application for banking licence*

In line with good regulatory practice, section 5 of the Act was amended to -

(i) require applicants for a licence to notify the Bank of any material change which may have occurred in the information provided in its application for a licence, whether before or after the issue of a licence.

(ii) provide that applications contain an authority from the applicant authorizing regulatory bodies or other related bodies to provide the Bank with information necessary to process an application.

4. *Section 7 - Grant or refusal to grant banking licence*

Section 7(3) of the Act referred to a branch without mentioning that it was the branch of a bank which was in fact being referred to. Accordingly, with a view to free the matter from any ambiguity, the words *"of a bank"* were added after the word *"branch"* in section 7(3).

5. *Section 14A. - Licensing of credit information bureau or recognition of external credit assessment institution*

Section 14B. - Granting of licence to credit information bureau

Section 14C. - Recognition of external credit assessment institution

Provisions have been made in the new sections 14A and 14B for the licensing of Credit Information Bureaus and recognition of external credit assessment institutions and the manner in which applications for the grant of a licence for the credit information bureau or recognition of external credit assessment institutions shall be made.

Provisions have also been made in Section 14C for banks to use the institutions whose ratings have been authorized by the central bank for capital adequacy purposes and for the Bank to issue guidelines governing external credit assessment institutions.

6. *Section 15 - Display of licence*

Section 15 of the Act regarding the display of licence was amended to require holders of licences to operate credit information bureaus to display in a conspicuous place at all times the licence granted to them.

7. *Section 16 - Variation, revocation and surrender of other licences*

Section 16 extended the provisions of the Act regarding variation, revocation and surrender of licences, to credit information bureaus.

8. *Section 18 - Limitations on management and remuneration*

The requirement formerly imposed under section 18(3) of the Act, for a financial institution to have a minimum of 7 natural persons in its board of directors was reduced to 5.

Section 18(4) further amended the Act to provide that the Bank of Mauritius may, in the case of a cash dealer, require that its board of directors be composed of such lower number of persons as the central bank may direct.

9. *Section 22 - Liquid assets of banks*

"Liquid assets" which formerly was defined as including *"Treasury Bills and other securities issued by the Government of Mauritius"*, was in the light of the enactment of the Public Debt Management Act 2008, replaced by the words *"Government securities".*

10. *Section 30 - Limitation on investments and non-banking operations*

(i) There is a general prohibition, subject to certain exceptions, under this section for financial institutions to acquire or hold any interest in the capital of undertakings. This is however a feature of Islamic finance. Section 30(1)(b) of the Act has accordingly been amended to create one more exception with a view to enable a bank licensed to carry out Islamic banking business to acquire a shareholding for the purposes of enabling the bank to carry on Islamic banking business.

(ii) Banks have, by virtue of the new section 30(3A) of the Act, been prohibited from engaging in the business of providing operating leases and have been given 12 months as from the date of commencement of the Finance (Miscellaneous Provisions) Act 2008 to cease such operations, in the case that they were engaged in the business of providing operating leases.

(iii) Section 30(5) previously laid down a prohibition, subject to certain exception, for financial institutions to purchase or acquire immovable property. This subsection has been replaced by two new sections 30(5) and 30(5A) to allow financial institutions to acquire property or engaging in financial leasing to carry on Islamic banking business.

(iv) A new subsection (5A) has been included to remove the prohibition contained in section 30(5) for the purpose of enabling banks to carry on Islamic banking business.

11. *Section 33 - Records*

(i) Section 33(2) of the Act has been amended to provide, amongst others, that business correspondences exchanged with customers be retained by financial institutions as part of their records.

(ii) The retention period for record keeping for financial institutions has also been brought down from 10 years to 7 years.

12. *Section 34 - Financial statements*

In view of the changes which have been brought to auditing standards whereby external auditors have been allowed to publish abridged version of audited financial statements in lieu of the full set, section 34(6)(b)(ii) of the Act has been amended to provide that financial institution may cause to be published in the *Gazette* or in at least 3 daily newspapers the full or abridged version of its latest audited balance sheet, income statement, statement of changes in equity, cash flow statement and the auditor's report.

13. *Section 37 - Disclosure of information*

Section 37(6) of the Act has been amended to provide that customers and guarantors should be provided with a statement of account in written or electronic form, showing payments effected on credit extended, interest charged and any applicable fee or other charge.

14. *Section 39 - Appointment, powers and duties of auditors*

With the enactment of the Financial Reporting Act 2004, external auditors are required to be licensed by the Financial Reporting Council in Mauritius. This requirement has been included in section 39(3) of the Banking Act 2004 to provide that firms of auditors should comply with the requirements of the Financial Reporting Act 2004.

15. *Section 57 - Bank's obligations towards customers*

(i) Section 57(4) has been amended to provide that cheques shall be kept for a period of seven years instead of 30 years as was previously the case.

(ii) Subsections (7) and (8) of section 57 of the Act imposed a duty on banks to display in a conspicuous place of the branch or office of the bank and on its website, the rates of fees or charges in respect of services provided by the bank. This requirement has been extended to all financial institutions and the rates of fees or charges must now be in such form as may be determined by the central bank.

16. *Section 62 - Hours of business and Section 63 - Bank holidays*

Sections 62 and 63 of the Act have been amended to enable financial institutions to transact business that are more flexible terms that those which were previously obtainable.

17. *Section 64 – Confidentiality*

Section 64 of the Banking Act has been amended to allow financial institutions to provide guarantors of credit facilities with credit information on the customers which they have guaranteed.

C. The Income Tax Act

A new section 151A was added to the Income Tax Act to accommodate Islamic financing arrangement.

3 Financial Markets Developments

MONEY MARKET ACTIVITY

On the money market, the Bank, based on its daily liquidity-forecasting framework, carried out open market operations with a view to regulating liquidity in the banking system. The monthly average liquidity position of banks during 2008-09 was to the tune of Rs2,088 million.

In August 2008, in order to halt any tightness emerging in the market as a result of the increase in the Cash Reserve Ratio from 4.0 per cent to 6.0 per cent, the Bank intervened on the domestic money market and proceeded with the early redemption of Bank of Mauritius Bills for an amount of Rs1.7 billion and the purchase of Goverment of Mauritius Treasury Bills from banks for an amount of Rs2.3 billion. As part of the measures aimed at improving liquidity in the system and in view of the ongoing financial crisis, the Bank has also decreased the Cash Reserve Ratio by 50 basis points i.e. from 5.00 per cent to 4.50 per cent, with effect from the fortnight beginning 19 December 2008 resulting in the release of Rs1.2 billion into the financial system. Moreover, the Bank reactivated its repo operations and extended the maximum period of repo operations from 14 to 21 days.

Primary Auctions of Government of Mauritius Treasury Bills

In 2008-09, the Bank continued with the smoothing exercise in determining the weekly amount of Government of Mauritius Treasury Bills to be put on tender so that they were spread out more evenly during the year. The Bank also continued to inform the market of the range for the weekly issues of Treasury Bills.

From July 2008 to June 2009, 52 primary auctions were carried out and Treasury Bills totalling Rs66,600 million were put on tender. Bids to the tune of Rs103,277 million were received and a total amount of Rs55,954 million was accepted. During 2008-09, given the excess liquidity conditions prevailing in the system, most of the auctions were oversubscribed with a bid-cover ratio ranging between 0.3 and 3.8. The total amount of bids accepted represented 84.0 per cent of the total tender amount compared to 98.2 per cent in 2007-08, and 54.2 per cent of the total amount of bids received compared to 45.4 per cent in the preceding year.

The shares of banks and of the non-bank sector in total bids received were 96.4 per cent and 3.6 per cent, respectively, in 2008-09 compared to 93.0 per cent and 7.0 per cent in 2007-08 as the number of primary dealers increased from nine to twelve. During the period under review, a total nominal amount of Rs1,864.1 million of Treasury Bills was acquired by the Secondary Market Cell of the Bank of Mauritius at the primary auctions on a non-competitive basis. Moreover, a total amount of Rs150.0 million of Treasury Notes was underwritten during the period under review.

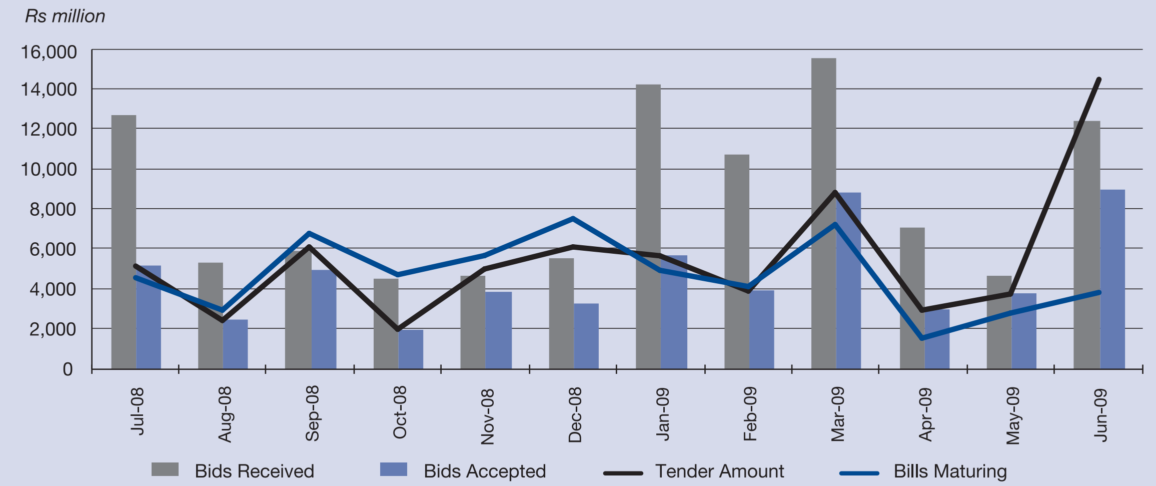
In 2008-09, investors' preference was mainly skewed towards the shorter end of the yield curve with 91-day Bills accounting for 40.0 per cent while 182-day Bills and 364-day Bills accounted for 24.5 per cent and 35.5 per cent, respectively, of total bids received. At the beginning and end of the financial year, preference of bidders was mainly skewed towards the shorter end. However, from mid-October 2008 to January 2009 bidders' preference shifted towards the 364-day Bills as market expected further reductions in the key Repo Rate. During May and June 2009, investors' preference again shifted towards the shorter end of the spectrum and during June 2009, more than 50 per cent of the bids received were in the 91-day Bills.

The weighted average yields on Treasury Bills of all the three maturities closely tracked the downward movement of the key Repo Rate. The weighted average yield on 91-day Treasury Bills moved down by 201 basis points, from 8.46 per cent in 2007-08 to 6.45 per cent in 2008-09.

The weighted average yield on 182-day Treasury Bills decreased by 228 basis points from 9.07 per cent in 2007-08 to 6.79 per cent in 2008-09 and the weighted average yield on 364-day Treasury Bills fell by 164 basis points, from 9.25 per cent in 2007-08 to 7.61 per cent in 2008-09. The monthly overall weighted average yield on Treasury Bills, which stood at 7.36 per cent in July 2008 rose to a peak of 9.40 per cent in October 2008 before it fell to 4.72 per cent in June 2009. The overall weighted average yield decreased from 8.96 per cent in 2007-08 to 6.94 per cent in 2008-09 i.e. by 202 basis points.

Tables 3.1 and Charts 3.1 and 3.2 give detailed information on the auctioning of Treasury Bills in 2008-09.

Chart 3.1: Auctioning of Government of Mauritius Treasury Bills



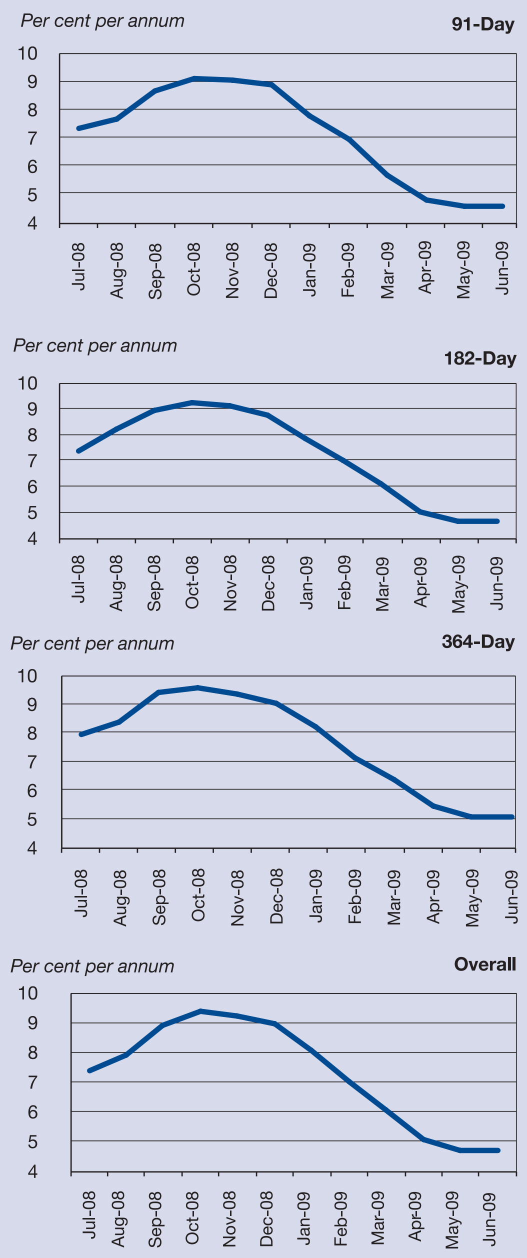
Source: Financial Markets Operations Division.

Table 3.1: Auctioning of Government of Mauritius Treasury Bills

	Number of Auctions Held	Tender Amount	Amount Received	Amount Accepted [1]	Weighted Average Yield			
					91-Day	182-Day	364-Day	Overall
		(Rs million)			(Per cent per annum)			
2008								
Jul	4	5,150.0	12,700.0	5,150.0	7.31	7.39	7.94	**7.36**
Aug	5	2,500.0	5,299.0	2,500.0	7.66	8.18	8.38	**7.93**
Sep	4	6,100.0	5,928.0	4,937.0	8.67	8.95	9.40	**8.91**
Oct	5	2,000.0	4,494.0	1,986.0	9.12	9.26	9.59	**9.40**
Nov	4	5,000.0	4,661.0	3,889.0	9.02	9.13	9.34	**9.24**
Dec	4	6,100.0	5,572.0	3,258.0	8.89	8.73	9.00	**8.96**
2009								
Jan	5	5,700.0	14,246.0	5,700.0	7.78	7.86	8.23	**8.04**
Feb	4	3,950.0	10,759.0	3,950.0	6.94	6.98	7.10	**7.02**
Mar	4	8,800.0	15,532.0	8,800.0	5.70	6.13	6.34	**6.07**
Apr	4	3,000.0	7,057.0	3,000.0	4.83	5.01	5.46	**5.09**
May	5	3,800.0	4,650.0	3,800.0	4.61	4.68	5.09	**4.79**
Jun	4	14,500.0	12,379.0	8,984.0	4.62	4.71	5.10	**4.72**
2008-09	52	**66,600.0**	**103,277.0**	**55,954.0**	**6.45**	**6.79**	**7.61**	**6.94**
2007-08	52	**60,710.0**	**131,395.0**	**59,607.0**	**8.46**	**9.07**	**9.25**	**8.96**

[1] Excludes non-competitive bids acquired by the Secondary Market Cell (SMC) of the Bank of Mauritius.
Source: Financial Markets Operations Division.

Chart 3.2: Weighted Average Yields on Treasury Bills at Primary Auctions



Source: Financial Markets Operations Division.

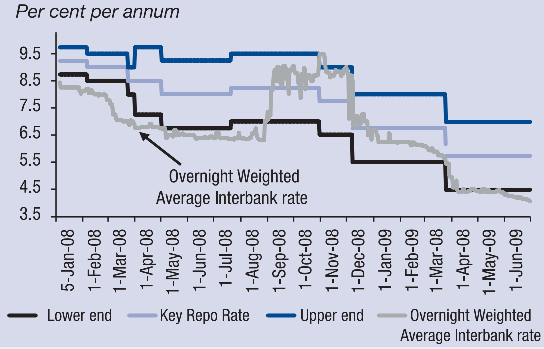
Liquidity Management

In April 2008, the Bank of Mauritius implemented a series of measures aimed at strengthening the Monetary Policy Framework introduced in December 2006. Among the measures taken, the Bank widened the corridor around the key Repo Rate from +/- 50 basis points to +/- 125 basis points, separated the issue of Government of Mauritius Treasury Bills, which are issued solely for government requirements, from that of Bank of Mauritius Bills, which are issued for liquidity management, and also extended the maximum period of Special Deposit Facility from 14 to 21 days.

As a result of the measures taken, the overnight interbank rate which was hovering for a long time below the lower bound of the corridor moved within the corridor. Further, the weighted yields on Government of Mauritius Treasury Bills with maturities of up to 364 days and Treasury Notes with maturities of up to 4 years also moved within the corridor of the key Repo Rate. Charts 3.3, 3.4 and 3.5 refer.

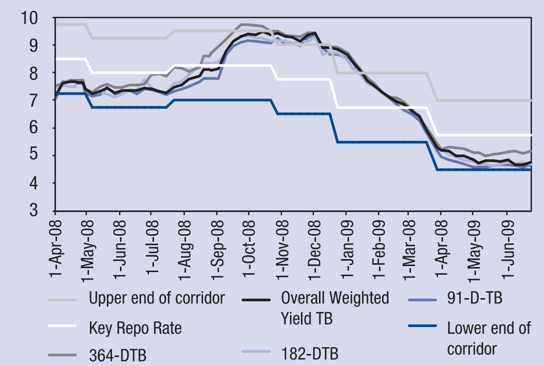
The Bank has been very active in managing liquidity conditions in the system such that any adjustment to the key Repo rate was subsequently reflected in the money market rates. The successive cuts in the key policy rate have resulted in a downward trend in yields on government securities thereby allowing government to raise finance at lower cost.

Chart 3.3: Overnight Money Market Rates for the period 5 January 2008 to 30 June 2009



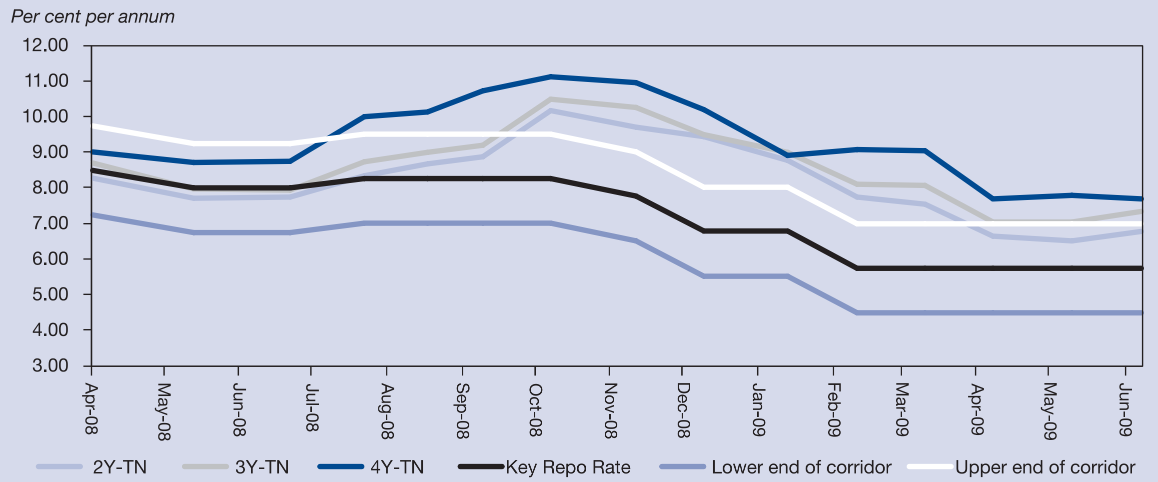
Source: Financial Markets Operations Division.

Chart 3.4: Yields on Government of Mauritius Treasury Bills (TB) at Primary Auctions for the period April 2008 to June 2009



Source: Financial Markets Operations Division.

Chart 3.5: Yields on Treasury Notes (TN) at Primary Auctions for the period April 2008 to June 2009



Source: Financial Markets Operations Division.

Table 3.2: Auctioning of Bank of Mauritius Bills: July 2008

	Maturing Bills	No of Auctions Held	Tender Amount			Amount Received			Amount Accepted			Weighted Average Yield		
			28-Day	56-Day	Total	28-Day	56-Day	Total	28-Day	56-Day	Total	28-Day	56-Day	Overall
	(Rs million)		*(Rs million)*									*(Per cent per annum)*		
2008														
Jul-08	1,200	4	*	*	*	1,540	9,840	11,380	100	1,800	1,900	7.30	7.18	**7.18**
Jul-08	**1,200**	**4**						**11,380**			**1,900**	**7.30**	**7.18**	**7.18**

** Amount put on Tender not specified.*
Source: Financial Markets Operations Division.

Bank of Mauritius Bills

At the beginning of the financial year 2008-09, given that the excess liquidity in the system, the Bank issued Bank of Mauritius Bills with maturities of 28 and 56 days and as such in July 2008, 4 auctions of Bank of Mauritius Bills were held at fixed yields. At the start of July 2008, the 28-day and 56-day Bank of Mauritius Bills were issued at the yields of 7.05 per cent per annum and 7.15 per cent per annum respectively and were subsequently adjusted to 7.30 per cent per annum and 7.40 per cent per annum respectively following the increase of 25 basis points in the key Repo Rate on the 21 July 2008. The overall weighted average yield of the two maturities was thus 7.18 per cent per annum and the total amount of bids accepted amounting to Rs1,900 million represented 16.7 per cent of the total amount of Rs11,380 million bids received.

During 2008-09, only a total amount of Rs1,900 million of Bank of Mauritius Bills was issued against a maturing amount of Rs7,589.5 million. Table 3.2 give detailed information on the auctioning of Bank of Mauritius Bills in 2008-09.

Repurchase Transactions

During the year 2008-09, the Bank reactivated its repo operations and extended the maximum period of repo operations from 14 to 21 days. From September 2008 to January 2009, with a view to ensuring an adequate level of liquidity in the banking system and to mitigate any adverse impact of the ongoing financial crisis on the domestic money market, the Bank conducted 16 repo operations. The repo transactions were conducted for periods ranging between 7 and 21 days and the weighted yields on bids accepted were between 8.00 per cent and 9.50 per cent. At the start of February 2009, liquidity conditions prevailing in the money market started to stabilize and at times the system was temporarily in excess.

Thus, the Bank intervened and conducted reverse repo transactions on 2 occasions, one being in February 2009 and the other in March 2009. Both reverse repo transactions were done for a period of 7 days and with weighted yields of 5.50 per cent. The total amount accepted was Rs1,300 million out of a total amount of Rs3,925 million received. However, during the year under review, no repurchase transactions among banks were reported to the Bank.

Table 3.3 gives detailed information on repurchase transactions carried out during 2008-09.

Table 3.3: Repurchase Transactions Between the Bank of Mauritius and Banks

	Repurchase Transactions Held							Reverse Repurchase Transactions Held						
	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)*		
2008														
Jul	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep	4	3,700	3,500	7 - 14	9.50	9.50	9.50	-	-	-	-	-	-	-
Oct	5	13,455	12,255	4 - 14	9.50	9.50	9.50	-	-	-	-	-	-	-
Nov	3	5,790	5,590	7	9.00	9.00	9.00	-	-	-	-	-	-	-
Dec	3	3,550	3,050	7 - 21	8.00-9.00	8.00	8.52	-	-	-	-	-	-	-
2009														
Jan	1	2,500	2,500	14	8.00	8.00	8.00							
Feb	-	-	-	-	-	-	-	1	1,600	800	7	5.50	5.50	5.50
Mar	-	-	-	-	-	-	-	1	2,325	500	7	5.50	5.50	5.50
Apr	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2008-09	16	28,995	26,895	4 - 21	8.00-9.50	8.00	9.15	2	3,925	1,300	7	5.50	5.50	5.50
2007-08	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: Effective 01 April 2008, the Bank implemented operational changes in Liquidity Management whereby repurchase transactions are conducted at the key Repo Rate ± 125 basis points.
Source: Financial Markets Operations Division.

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 2008-09, an increase of 46.8 per cent in total turnover was recorded in interbank transactions, which amounted to Rs199,935 million compared to Rs136,225 million in 2007-08. The daily average amount of interbank transactions increased from Rs379 million in 2007-08 to Rs548 million in 2008-09.

Transactions were mainly carried out in the call money market where they totalled Rs99,157 million, representing an increase of 13.1 per cent compared to the previous year. This represented a daily average transaction amount of Rs290 million compared to Rs318 million in 2007-08. Call money transactions peaked at Rs1,545 million in December 2008 and were at a low of Rs10 million in January and April 2009.

During 2008-09, transactions at short notice on the interbank money market totalled Rs88,286 million, representing a daily average amount of Rs405 million compared to Rs138 million during 2007-08. Transactions at short notice were at a peak of Rs1,570 million in July 2008 and at a trough of Rs10 million in May 2009.

Transactions at term on the interbank money market accounted for a total amount of Rs12,492 million. This represented a daily average amount of Rs35 million during 2008-09 compared to Rs130 million during 2007-08. Transactions at term were at a peak of Rs165 million in August 2008 and at a trough of Rs4 million in November and December 2008.

From July 2008 to end October 2008, when the key Repo Rate stood at 8.25 per cent, interest rates of interbank transactions moved in the range of 6.25 per cent to 9.75 per cent. When the key Repo Rate was reduced by 50 basis points on the 31 October 2008, no major change was noted in the interbank rates. However when there was a cut of 100 basis points in the key Repo Rate in December 2008 there was a decline in the interbank rates which moved between 6.00 per cent and 9.25 per cent. With a further reduction of 100 basis points on 26 March 2009, the interbank rates moved further downwards and traded between 4.00 per cent and 7.25 per cent. In 2008-09, interbank interest rates thus fluctuated within a range of 4.00-9.75 per cent compared to a range of 6.35-9.75 per cent in 2007-08. Rates on the call money market fluctuated between 4.00 per cent and 9.75 per cent in 2008-09 compared to a range of 6.35-9.50 per cent in 2007-08. The range of interest rates on money at short notice varied between 4.10 per cent and 9.50 per cent in 2008-09 compared to a range of 6.40 per cent and 9.00 per cent in 2007-08 while the interest rate on transactions at term was in the range of 4.85-9.30 per cent in 2008-09 compared to a range of 6.40-9.75 per cent in 2007-08.

The weighted average call money interest rate decreased by 116 basis points, from 8.07 per cent in 2007-08 to 6.91 per cent in 2008-09 while the weighted average interest rate on transactions at short notice decreased by 8 basis points, from 7.89 per cent in 2007-08 to 7.81 per cent in 2008-09. The weighted average interest rate on transactions at term decreased by 210 basis points from 8.52 per cent in 2007-08 to 6.42 per cent in 2008-09. Overall, the monthly weighted average interbank interest rate decreased by 88 basis points, from 8.15 per cent in 2007-08 to 7.27 per cent in 2008-09.

Tables 3.4 and 3.5 as well as Chart 3.6 give details on interbank transactions and interbank interest rates in 2008-09.

Table 3.4: 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
2008												
Jul	1,110	50	267	1,570	110	681	150	15	68	**2,085**	**120**	**758**
Aug	960	15	229	320	15	132	165	15	49	**975**	**15**	**327**
Sep	1,170	70	547	1,200	155	722	100	20	44	**2,070**	**650**	**1,314**
Oct	1,130	30	396	1,180	30	415	20	5	12	**2,310**	**125**	**821**
Nov	425	40	174	1,230	180	478	9	4	5	**1,324**	**59**	**497**
Dec	1,545	15	403	75	75	75	29	4	15	**1,549**	**19**	**388**
2009												
Jan	1,325	10	297	1,100	30	736	30	5	19	**1,504**	**15**	**625**
Feb	567	30	222	925	70	433	5	5	5	**1,230**	**5**	**411**
Mar	500	15	266	640	40	331	5	5	5	**1,020**	**5**	**405**
Apr	600	10	139	515	120	218	135	5	41	**620**	**45**	**304**
May	690	15	197	120	10	37	135	135	135	**840**	**145**	**332**
Jun	965	40	308	170	25	115	135	5	13	**1,120**	**105**	**390**
2008-09	**1,545**	**10**	**290**	**1,570**	**10**	**405**	**165**	**4**	**35**	**2,310**	**5**	**548**
2007-08	**1,210**	**9**	**318**	**620**	**15**	**138**	**425**	**15**	**130**	**1,355**	**15**	**379**

Source: Financial Markets Operations Division.

Table 3.5: 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
2008								
Jul	6.48	6.30-6.75	6.97	6.35-7.15	7.12	7.00-7.20	**6.82**	**6.30-7.20**
Aug	6.71	6.25-7.25	6.72	6.35-7.00	7.19	7.15-7.25	**6.78**	**6.25-7.25**
Sep	8.79	6.75-9.30	9.15	7.00-9.50	8.37	7.25-9.30	**8.97**	**6.75-9.50**
Oct	8.76	7.75-9.75	9.16	7.25-9.50	7.26	7.25-7.30	**8.94**	**7.25-9.75**
Nov	8.87	8.50-9.50	8.92	8.75-9.25	6.89	6.75-7.30	**8.89**	**6.75-9.50**
Dec	7.23	6.25-9.25	7.00	7.00	7.83	6.75-8.25	**7.24**	**6.25-9.25**
2009								
Jan	6.53	6.20-7.50	7.30	6.35-7.50	7.97	6.75-8.25	**6.96**	**6.20-8.25**
Feb	6.17	6.00-6.25	6.87	6.15-7.00	7.25	7.25	**6.53**	**6.00-7.25**
Mar	5.68	4.95-6.25	5.82	5.15-6.75	7.25	7.25	**5.77**	**4.95-7.25**
Apr	4.49	4.30-5.00	5.00	4.40-5.30	5.15	4.85-7.25	**4.81**	**4.30-7.25**
May	4.44	4.25-4.50	4.52	4.40-4.60	5.08	5.00-7.25	**4.70**	**4.25-7.25**
Jun	4.21	4.00-4.50	4.31	4.10-4.40	5.79	5.00-7.25	**4.28**	**4.00-7.25**
2008-09	**6.91**	**4.00-9.75**	**7.81**	**4.10-9.50**	**6.42**	**4.85-9.30**	**7.27**	**4.00-9.75**
2007-08	**8.07**	**6.35-9.50**	**7.89**	**6.40-9.00**	**8.52**	**6.40-9.75**	**8.15**	**6.35-9.75**

Source: Financial Markets Operations Division.

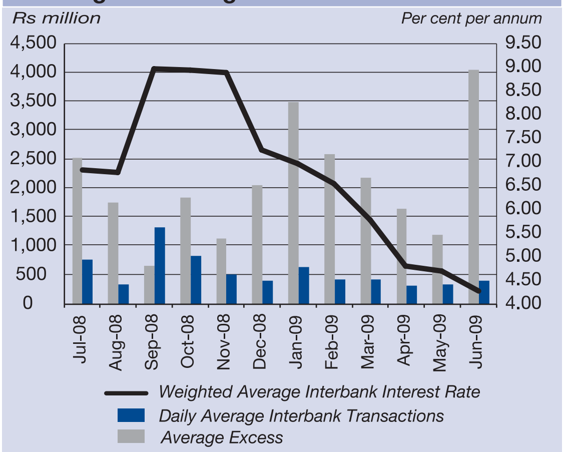
SECONDARY MARKET TRADING

Primary Dealer System

In its efforts to boost the development of the secondary market for securities and to enhance liquidity of the domestic market for these securities, the Bank of Mauritius had established effective 1 February 2002, a Primary Dealer System for Mauritius. During 2008-09 three additional banks notably Bank One Ltd, Bramer Banking Corporation Ltd and Afrasia Bank Ltd were granted primary dealer status thus bringing the total number of primary dealers to twelve.

During the period under review, transactions for a total nominal amount of Rs3,959.6 million were conducted by the primary dealers compared to a total value of Rs7,631.6 million during 2007-08. The transactions were mainly with corporates which represented 72.1 per cent of the total amount transacted. Deals conducted by primary dealer banks with non-primary dealer banks accounted for 0.6 per cent, among primary dealer banks accounted for 19.7 per cent and with individuals accounted for 7.6 per cent.

Chart 3.6: Excess Liquidity, Interbank Transactions and Weighted Average Interbank Interest Rate



Source: Financial Markets Operations Division.

Band 8, i.e. with 301 to 364 days to maturity, accounted for the majority of the transactions with 35.4 per cent for a total value of Rs1,401.5 million and the range of yields were between 5.00 per cent and 10.00 per cent. The number of transactions in other bands ranged between 14 and 61 for a total value of Rs2,558.1 million with band 3 accounting for Rs1,101.9 million. Yields varied between 4.45 per cent and 10.00 per cent during 2008-09 compared to a range of 6.55-11.69 per cent in 2007-08. The reduction in yields reflected successive cuts in the key Repo Rate from October 2008 to March 2009.

Table 3.6 gives details of transactions conducted by primary dealers from July 2008 to June 2009 while Table 3.7 shows purchases and sales effected over the same period.

Table 3.6: Primary Dealer Activities

Band	Days to Maturity	Number of Transactions	Value *(Rs million)*	Yield *(Per cent per annum)*
1	2 to 30	19	273.9	6.85-9.50
2	31 to 60	14	238.6	4.45-8.90
3	61 to 90	61	1,101.9	6.45-9.45
4	91 to 135	23	366.9	4.55-9.50
5	136 to 180	30	427.4	4.45-9.50
6	181 to 240	24	70.9	4.75-8.50
7	241 to 300	34	78.5	4.80-9.30
8	301 to 364	229	1,401.5	5.00-10.00
2008-09		**434**	**3,959.6**	**4.45-10.00**
2007-08		**436**	**7,631.6**	**6.55-11.69**

Note: During financial year 2008-09, the number of Primary Dealers has increased from nine to twelve.
Source: Financial Markets Operations Division.

Table 3.7: Purchases and Sales of Treasury/Bank of Mauritius Bills By Primary Dealers [1]

	Purchases		Sales		Total Transactions [1]		Range of Yields *(Per cent per annum)*
	Volume	Value *(Rs million)*	Volume	Value *(Rs million)*	Volume	Value *(Rs million)*	
2008							
Jul	1	0.1	16	168.9	**17**	**169.0**	**7.05-7.90**
Aug	5	190.6	13	319.6	**16**	**410.2**	**6.99-8.40**
Sep	7	129.4	69	606.0	**73**	**674.3**	**7.75-9.70**
Oct	16	330.8	62	683.0	**67**	**728.8**	**8.20-10.00**
Nov	10	81.6	57	487.4	**65**	**519.0**	**8.30-9.50**
Dec	4	100.0	56	242.3	**60**	**342.3**	**6.85-9.50**
2009							
Jan	1	100.0	76	562.9	**76**	**562.9**	**7.05-8.60**
Feb	4	92.0	26	334.0	**26**	**334.0**	**6.65-7.65**
Mar	1	0.4	11	86.7	**12**	**87.1**	**5.65-7.25**
Apr	5	70.7	10	78.5	**12**	**79.2**	**5.00-5.75**
May	-	-	7	10.3	**7**	**10.3**	**4.45-5.00**
Jun	1	20.0	3	42.5	**3**	**42.5**	**4.45-4.80**
2008-09	**55**	**1,115.6**	**406**	**3,622.1**	**434**	**3,959.6**	**4.45-10.00**
2007-08	**51**	**1,657.2**	**399**	**6,506.0**	**436**	**7,631.6**	**6.55-11.69**

[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: During financial year 2008-09, the number of Primary Dealers has increased from nine to twelve.
Source: Financial Markets Operations Division.

Special Line of Credit to the Sugar Industry

In 2001, with a view to enabling banks to support the restructuring of the Sugar Industry in the context of the Sugar Sector Strategic Plan 2001-2005, 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 Rs2.45 billion.

During 2008-09, no disbursement was made under this facility. The principal amount outstanding as at close of business on 30 June 2009 under the Line of Credit stood at Rs401.07 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 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.

Since the drawdown period has expired, no disbursement was made under this facility in 2008-09. The total amount outstanding as at close of business on 30 June 2009 under the Special Line of Credit stood at Rs57.5 million.

FOREIGN EXCHANGE MARKET

International Developments

The evolution of the US dollar during the twelve months to June 2009 was, with the intensification of the credit crisis and the ensuing global economic downturn, largely influenced by growing risk aversion. Starting July 2008, the US dollar, on average, appreciated against major currencies except the Japanese yen, on the deteriorating global growth prospects. The US dollar started the year on a weak note but strengthened from mid-July to November 2008 on the back of a sharp drop in oil prices and significant write-downs from credit-related and financial concerns. The US Federal Reserve held its benchmark interest rate steady at 2.00 per cent at its meeting in August 2008 and acknowledged that although downside risks to growth remained, upside risks to inflation were also significant. The US dollar remained supported as inflation in the US rose at a fast pace and the second quarter GDP growth in the euro zone was negative for the first time. The US government bailed out Fannie Mae and Freddie Mac to support the US housing market but the dollar appreciated as conditions were worsening more rapidly elsewhere.

The collapse of Lehman Brothers, bail-out of insurer AIG and takeover of Merrill Lynch by Bank of America sparked a rise in risk aversion and investors grew increasingly nervous. Financial share prices tumbled worldwide and shortly afterwards the US dollar lost some ground as those events severely undermined investors' confidence in the US financial system and upon uncertainty over the US$700 billion bail-out plan. However, the US dollar started to appreciate again with the broadening of the crisis to financial institutions outside the US, which led to a drying up of liquidity and heightened risk aversion which increased the demand for the US dollar and the Japanese yen. The Fed slashed its funds rates by 100 basis points in October 2008 in a concerted move with other major central banks in a bid to quell the financial turmoil. Moreover, amid the intensification of the crisis with Japan sliding into recession following the euro zone, UK, Singapore and Hong Kong, investors shunned risky assets and flocked to the greenback.

In December 2008, the US dollar depreciated sharply following, the rejection, at first, of a US$14 billion car industry bail-out plan by the US government as the failure of the car industry implied massive job losses and a prolonged recession. Although the Fed slashed rates to a historical low of 0.25 per cent in December, the US dollar reversed the depreciating trend as the US government finally threw a US$17.4 billion lifeline to save carmakers crippled by the recession. At the start of 2009, banks continued to report losses and economic data releases confirmed a continuing recession and a grim economic outlook, which gave support to the US dollar, while focus remained on the stimulus package of the new US administration and rescue plans for the financial system. However, from March 2009 the US dollar started to lose momentum in the light of some positive economic developments and the Fed announced it would use unconventional measures of 'quantitative easing' to inject liquidity in the system. The battered US banking sector recovered after the stress tests results instructed banks to raise US$74.6 billion, which was less than expected, and increasing evidence of 'green shoots' of recovery brought a revival in risk appetite and demand for equities and riskier currencies at the expense of the US dollar.

The euro depreciated during the twelve-month period to June 2009 on the back of increased risk aversion and a broad-based rally of the US dollar. The euro started July 2008 strongly, trading around US$1.5770 against the US dollar on the ECB's decision to raise its benchmark rate to 4.25 per cent in order to bring inflation under control but which turned out to be less hawkish than expected. However, with signs of slowing economic activity and data showing GDP growth contracting for the first time in the second quarter in the euro zone, the euro depreciated. The euro gained modestly on financial nervousness in the US with, mainly, Lehman Brothers filing for bankruptcy and ambiguity about the US bail out plan in September 2008. Thereafter, the euro came under intense pressure as the crisis spread to financial institutions in Europe and the ECB President turned dovish. In October 2008, the European Central Bank (ECB), following other central banks, lowered its refinancing rate by 50 basis points to 3.75 per cent in a quest to contain credit constraints. This was followed by another reduction of 0.5 per cent in November 2008 as the euro zone faced its first recession, with inflationary pressures easing.

The gloomy economic data releases around the world pointing to a longer and deeper recession and a pessimistic economic outlook prompted the ECB to slash rates further by 75 basis points to 2.50 per cent in December 2008. The euro started depreciating again, after a brief period of appreciation, against the dollar following aggressive rescue packages in the US and the Purchasing Managers' Index (PMI) in Europe showing shrinking activity. At the beginning of 2009, the euro continued to fall on a ratings downgrade of Spain, Portugal and Greece by S&P and as expected, the ECB slashed its refinancing rate by 50 basis points to 2.0 per cent in January. Data releases showed that GDP in the euro zone contracted at the sharpest pace in the fourth quarter of 2008, or by 1.5 per cent on a quarter-on-quarter basis and 1.2 per cent on a year-on-year basis, and amidst increased risk aversion the euro lost further ground in February 2009. The trend reversed in March 2009 and the euro strengthened against the greenback on improved risk appetite and hopes of recovery, though the ECB truncated its refinancing rates by a half-percentage point to 1.50 per cent. The monetary easing process continued in April and May 2009 and rates finally reached a record low of 1.00 per cent. Moreover, in May 2009, the ECB announced plans to spend about 60 billion euros buying covered bank bonds.

Starting July 2008, the Pound sterling traded at an average of US$1.9885, benefiting from the US dollar's weakness. At its Monetary Policy Committee (MPC) meeting in July 2008, the Bank of England (BoE) kept its key repo rate unchanged at 5.00 per cent despite a downward revision in first quarter GDP to 2.3 per cent year-on-year and with inflation expectations at a record high. Thereafter, the high-yielding British currency started to weaken on worsening economic fundamentals especially in the housing and financial sectors and reports continued to spell trouble for the economy. In September 2008, a stimulus package of £1 billion to ease the burden faced by households was announced. At the same time, the Pound sterling managed to recoup some of its losses against the weak US dollar supported by qualms about the financial markets and rescue packages in the US. However, as the credit crisis spilled to the UK, and the authorities prepared to nationalise troubled mortgage lender Bradford and Bingley, the Pound sterling depreciated. Subsequently, the BoE slashed interest rates by 50 basis points to 4.50 per cent in October 2008 following other central banks and said it would also offer at least £200 billion in short-term lending, and the UK government would guarantee up to £250 billion to help refinance debt.

The Pound sterling continued to lose ground against the US dollar during October and November 2008 on further downbeat figures showing that the UK economy was heading for a recession. The BoE slashed interest rates by a surprising 1.5 percentage points to 3.0 per cent in November 2008 in a move to prevent Britain from sliding into a deep recession. As the recession intensified across the globe, Citigroup and Deutsche Bank announced major job cuts in London. As US data releases pointed to a longer and deeper recession and domestic figures also weakened, the BoE cut rates by 100 basis points in December 2008. The Pound tumbled further when data showed the UK economy contracted by 0.6 per cent in the third quarter of 2008 which added to the bleak picture. As expected, the BoE truncated interest rates by 50 basis points to 1.5 per cent in January 2009 as the MPC acknowledged output would fall sharply in the first half of 2009 and there remained significant risks for inflation to undershoot the 2 per cent target. The Pound depreciated rapidly on UK banking sector worries and took a severe blow as UK went officially in recession. This led to another percentage point cut in rates to 0.5 per cent in the following two months and the BoE embarked on unconventional measures to rekindle growth. However, the Pound gained momentum from March 2009 onwards supported by better-than-expected data releases and a revival in risk appetite.

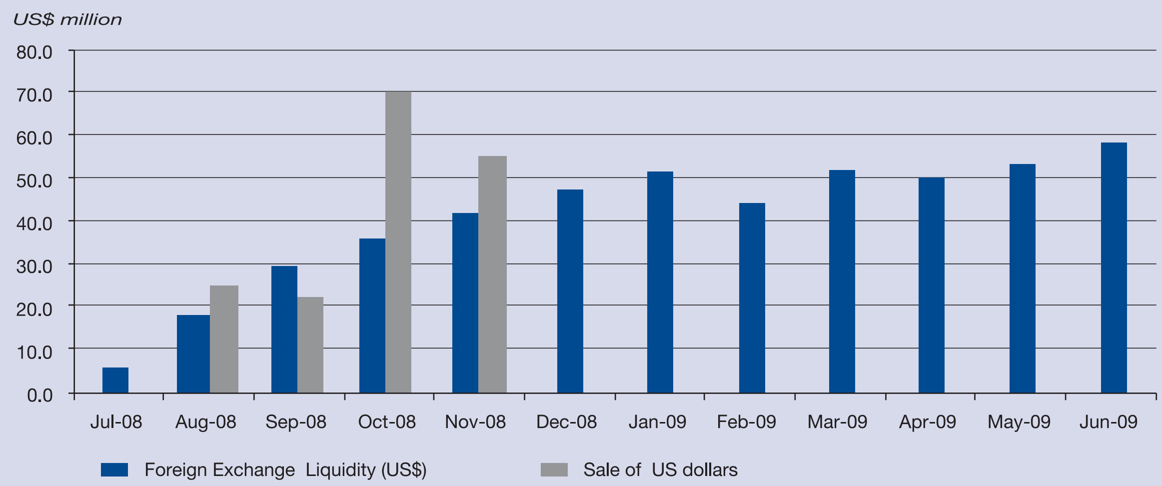
The Japanese yen started at an average of ¥106.72 per US dollar in July 2008 and continued to appreciate in the first half of the fiscal year mainly on increased nervousness in the global economy while investors shunned high-yielding currencies. In November 2008, Japan slid into its first recession in seven years as third quarter GDP contracted by 0.1 per cent, following a contraction of 0.8 per cent in the second quarter of 2008. The Bank of Japan (BoJ) reduced its policy rate from 0.5 per cent in July 2008 to 0.1 per cent in December 2008 as the economy weakened rapidly. With practically no further room for rate cut, the BoJ without delay engaged in quantitative easing. The Japanese yen came under pressure in February 2009 as GDP in Japan fell by 12.7 per cent in the fourth quarter of 2008 and subsequently the yen hovered in the range of ¥94.12 - ¥100.83 per US dollar.

Domestic Developments

Regarding the exchange rate, as a matter of policy, the Bank has allowed the free play of market forces to determine the exchange value of the rupee. Intervention by the Bank of Mauritius in the domestic inter-bank foreign exchange market has not aimed at offsetting market forces but at smoothing out volatility in the rupee exchange rate and improving the functioning of the market. The Bank did not intervene in the foreign exchange market during the period December 2008 to June 2009. Reflecting this de facto state of our exchange rate arrangement, the IMF has, as part of its annual review exercise, proposed to re-classify our exchange rate arrangement from managed float to free floating in its 2009 Annual Report on Exchange Arrangements and Exchange Restrictions.

During 2008-09, the Bank intervened only in August and November to sell US$172.0 million. The range of intervention rates for the sale of US dollars to the market moved between Rs27.95 and Rs31.90. The volume of transactions in the domestic foreign exchange market has been rather buoyant with an average monthly amount of US$25.0 million during the period under review.

Chart 3.7: Monthly Average Liquidity and Intervention on the Foreign Exchange Market



Source: Financial Markets Operations Division.

Chart 3.7 shows the monthly average foreign exchange liquidity position of banks and intervention by the Bank during 2008-09.

Interbank Foreign Exchange Market

During 2008-09, turnover on the interbank foreign exchange market decreased slightly to an equivalent amount of US$160.42 million compared to an equivalent amount of US$162.22 million in 2007-08. Out of this turnover, purchases of US dollars against the rupee amounted to US$51.19 million compared to a higher amount of US$70.51 million in 2007-08.

Furthermore, in order to enable banks maintain their financing of international trade, the Bank also made available to them a Special Foreign Currency Line of Credit, aggregating US$125 million, equivalent to approximately Rs4 billion. This decision was taken to facilitate access to foreign currency credit lines in view of the difficulties faced by some local banks due to either non-availability, or inadequacy, of foreign exchange credit facilities from their usual sources. An important feature of this facility was that while each bank was allocated a quota, a higher amount was made available to the domestically-owned banks as compared to branches and subsidiaries of foreign banks. This has been done to reflect the greater role of the domestically-owned banks in financing the country's international trade as well as the fact that branches and subsidiaries of foreign banks have access to funds from their parent-banks.

Table 3.8 gives details of monthly transactions on the interbank foreign exchange market and Table 3.9 provides the amount and range of intervention by Bank of Mauritius during period 2008-09.

Domestic Exchange Rate Developments

On the domestic market, the rupee depreciated against the US dollar and the euro during the period under review. Compared with the average for the twelve-month period ended June 2008 to that of June 2009, the rupee appreciated against Pound sterling by 15.3 per cent while it depreciated by 7.4 per cent, 1.2 per cent, and 17.9 per cent against the US dollar, euro and the Japanese yen, respectively.

Table 3.8: Interbank Foreign Exchange Market

	Purchase of US dollar against Rupee *(US$ million)*	Purchase of US dollar against Other Currencies *(US$ million)*	Purchase of Other Foreign Currencies *(US$ million)*	Total Purchases		Opening Interbank Min - Max Ask Rate[1] *(Rs/US$)*
				US dollar Equivalent *(US$ million)*	Rupee Equivalent *(Rs million)*	
2008						
Jul	5.43	13.57	0.97	19.97	537.29	26.7125-27.4375
Aug	1.95	1.71	2.27	5.93	165.77	26.8375-28.3125
Sep	10.93	9.76	2.25	22.94	669.09	28.3500-29.5375
Oct	1.30	12.87	1.33	15.50	464.44	28.4000-32.0625
Nov	2.66	6.73	0.79	10.18	326.20	31.9000-32.0875
Dec	4.08	11.70	1.60	17.38	558.11	31.9125-32.1625
2009						
Jan	3.52	3.45	1.09	8.06	261.17	31.9250-32.8000
Feb	6.68	3.28	2.98	12.94	437.05	32.8125-34.2375
Mar	4.81	7.30	2.15	14.26	488.80	33.5250-34.3625
Apr	4.34	7.63	0.71	12.68	429.09	33.5250-34.0125
May	2.41	5.57	1.14	9.12	304.04	32.6950-34.0000
Jun	3.08	6.08	2.30	11.46	374.10	32.3880-32.8000
2008-09	**51.19**	**89.65**	**19.58**	**160.42**	**5,015.15**	**26.7125-34.3625**
2007-08	**70.51**	**77.49**	**14.22**	**162.22**	**4,597.40**	**25.9125-31.2600**

[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.
Source: Financial Markets Operations Division.

Table 3.9: 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)	Purchase of EURO (EUR million)	Range of Intervention (Rs/EUR Bid Rate)	Purchase of GBP (GBP million)	Range of Intervention (Rs/GBP Bid Rate)
2008								
Jul	0.0	-	0.0	-	0.0	-	0.0	-
Aug	25.0	27.95	0.0	-	0.0	-	0.0	-
Sep	22.0	29.00	0.0	-	0.0	-	0.0	-
Oct	70.0	29.00-31.90	0.0	-	0.0	-	0.0	-
Nov	55.0	31.75-31.90	0.0	-	0.0	-	0.0	-
Dec	0.0	-	0.0	-	0.0	-	0.0	-
2009								
Jan	0.0	-	0.0	-	0.0	-	0.0	-
Feb	0.0	-	0.0	-	0.0	-	0.0	-
Mar	0.0	-	0.0	-	0.0	-	0.0	-
Apr	0.0	-	0.0	-	0.0	-	0.0	-
May	0.0	-	0.0	-	0.0	-	0.0	-
Jun	0.0	-	0.0	-	0.0	-	0.0	
2008-09	**172.0**	**27.95-31.90**	**0.0**	**-**	**0.0**	**-**	**0.0**	**-**
2007-08	**45.0**	**27.25-27.75**	**230.0**	**25.90-28.50**	**46.0**	**40.65-41.62**	**1.0**	**56.62**

Source: Financial Markets Operations Division.

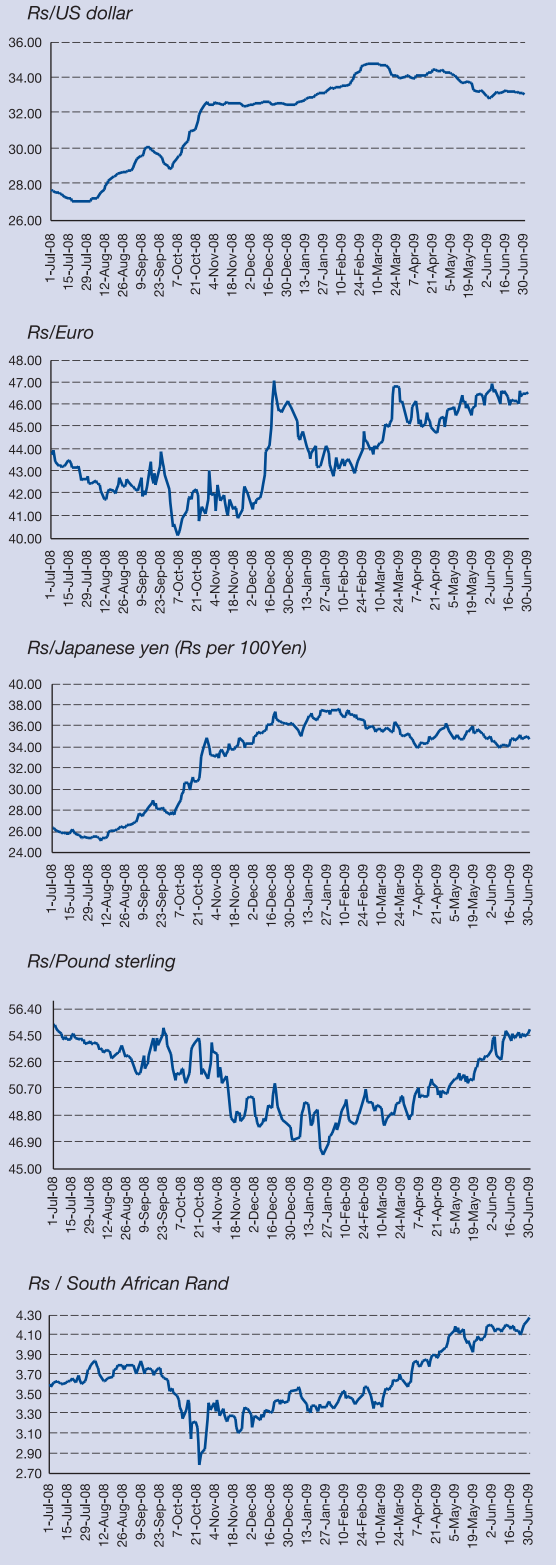
The rupee started the twelve-month period to June 2009 trading at Rs27.70 against the US dollar. Over the period under review, the Bank of Mauritius reduced the key Repo Rate by 250 basis points to 5.75 per cent to stimulate the economy following the global financial crisis. In general, the rupee lost ground vis-à-vis the US dollar reaching its lowest of Rs34.80 on 4 March 2009. Subsequently, it gained momentum reaching Rs32.80 on 3 June 2009. Thereafter, it remained rather stable to finally close the period under review at Rs33.03 against the US dollar.

Against the Pound sterling, the rupee took after a U-shaped curve. Starting the period under review at Rs55.21 against the Pound sterling in July 2008, the rupee consistently gained ground up to 23 January 2009 after which it consistently edged down before attaining Rs54.92 on 30 June 2009. UK interest rates underwent successive cuts, 350 basis points in total, from July 2008 to January 2009 as a result of the deterioration in financial markets, tightening of credit conditions, and strong risk aversion thereby explaining the appreciation of the rupee against the British pound. From February 2009 to June 2009, UK interest rates were cut by 100 basis points, with the rupee losing almost all its gains.

The rupee started the year trading at Rs43.70 against the euro with an upward trend till 2 December 2008 after which it weakened to Rs47.09 on 18 December 2008. However, from 18 December 2008 to 18 February 2009, the rupee regained ground to reach Rs42.89 amid weak sentiments in Europe and European banks' exposure to US subprime mortgage. It steadily fell thereafter due to currency movements on international markets to close the period under review at Rs46.55.

Against the Japanese yen, the rupee traded at Rs26.23 per 100 yen at the start of 2008-09 before gradually losing ground to reach a low of Rs37.67 per 100 yen on 5 February 2009. However, the rupee was able to recoup its losses as the Japanese yen weakened against the US dollar on international markets and attained a high of Rs33.88 per 100 yen on 8 June 2009. Thereafter, it started to pare its gains to close at Rs34.73 per 100 yen on 30 June 2009.

Chart 3.8: Movements of the Daily Exchange Rate of the Rupee vis-à-vis Major Currencies: 2008-09



Source: Financial Markets Analysis Division.

Table 3.10: Exchange Rate of the Rupee vis-à-vis Major Trading Partner Currencies

Indicative Selling Rates	Average for 12 Months ended June 2008 [1]	Average for 12 Months ended June 2009 [2]	Appreciation/ (Depreciation) of Rupee between [1] & [2] Per Cent
Australian dollar	26.480	23.861	11.0
Hong Kong dollar	3.814	4.136	(7.8)
Indian rupee (100)	73.901	67.693	9.2
Japanese yen (100)	26.859	32.722	(17.9)
Kenya shilling (100)	45.778	42.905	6.7
New Zealand dollar	22.697	19.285	17.7
Singapore dollar	20.723	21.879	(5.3)
South African rand	4.148	3.623	14.5
Swiss franc	26.579	28.510	(6.8)
US dollar	29.525	31.871	(7.4)
Pound sterling	59.168	51.319	15.3
Euro	43.232	43.773	(1.2)

Note: The daily average exchange rate of the Rupee is based on the average selling rates for T.T. & D.D. of banks.
Source: Financial Markets Analysis Division.

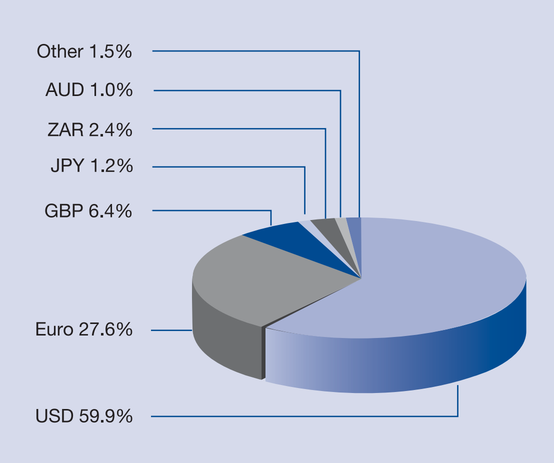
On a nominal effective basis, the rupee depreciated against the currencies of its important trading partners over fiscal year 2008-09. MERI1, which uses the currency distribution of trade as weights, showed a rupee depreciation of 13.3 per cent while MERI2, which uses the currency distribution of trade combined with the currency distribution of tourism receipts as weights, showed a depreciation of 12.9 per cent during the year. The real effective exchange rate of the rupee depreciated by 9.0 per cent over the period under review.

Table 3.10 shows the exchange rate of the Mauritian rupee vis-à-vis major trading partner currencies while Chart 3.8 shows the trends in the daily exchange rates of the rupee against the US dollar, euro, Japanese yen, Pound sterling and South African rand.

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 2008-09, there was a decrease in the total transactions reported by banks compared to 2007-08. Total turnover in 2008-09 amounted to US$4,822.8 million compared to US$4,914.4 million in 2007-08 i.e. a decrease of US$91.6 million or 1.86 per cent. On a currency-wise basis, 59.9 per cent of total transactions were carried out in US dollar, 27.6 per cent in euro, 6.4 per cent in Pound sterling, 2.4 per cent in South African rand, 1.2 per cent in Japanese yen, 1.0 per cent in Australian dollar and 1.5 per cent in other foreign currencies. Total monthly transactions peaked at an equivalent of US$526.6 million in September 2008 and reached a trough equivalent to US$323.5 million in March 2009.

Chart 3.9: Banks' Transactions above US$30,000: Turnover by Currency

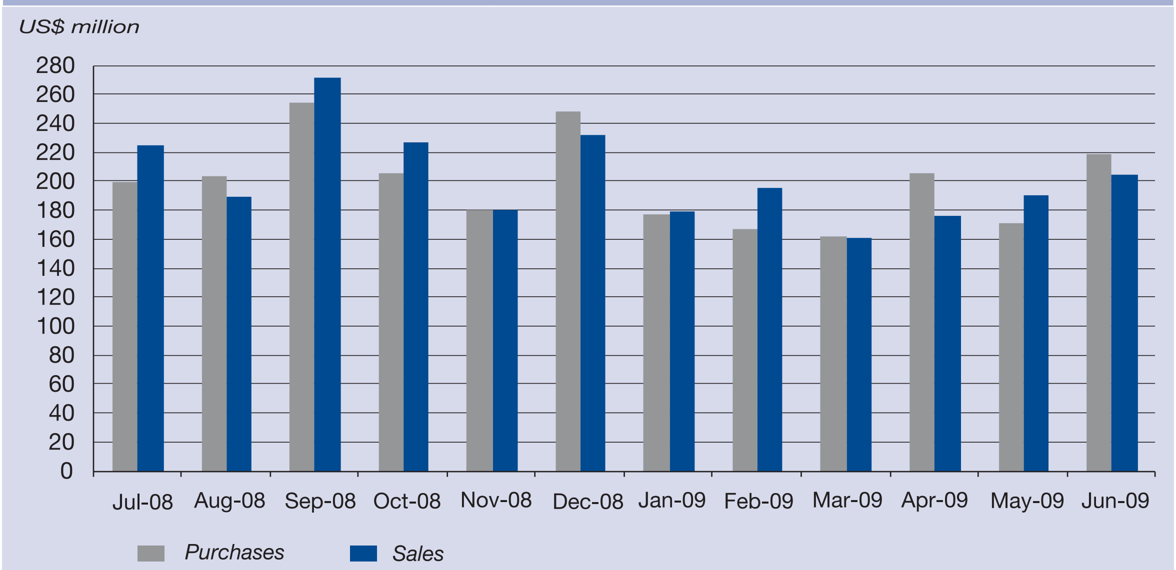


Source: Financial Markets Operations Division.

The Rs/US$ weighted average dealt ask rates at which transactions of US$30,000 and above were effected moved in line with developments on the international markets and the evolution of foreign exchange liquidity conditions in the domestic market. Between July 2008 and June 2009, the Rs/US$ weighted average dealt ask rates fluctuated between a high of Rs34.6852 in March 2009 and a low of Rs26.6270 in July 2008. Against the euro, the weighted average dealt ask rates varied between a peak of Rs46.6452 in December 2008 and a trough of Rs40.0176 in October 2008 while against the Pound sterling, the weighted average dealt ask rates moved between a high of Rs54.8623 in July 2008 and a low of Rs45.4500 in January 2009.

Charts 3.9 and 3.10 give details on transactions above US$30,000 effected by banks while Chart 3.11 and Table 3.11 show the weighted average dealt rates of the rupee against major currencies during 2008-09.

Chart 3.10: Banks' Transactions above US$30,000: Total Purchases and Sales



Source: Financial Markets Operations Division.

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)		
2008						
Jul	26.943	42.365	53.919	26.914	42.489	53.734
Aug	28.726	42.433	52.850	28.042	42.066	53.124
Sep	28.105	40.824	51.487	29.194	42.067	52.822
Oct	32.483	41.879	53.290	30.788	41.179	52.219
Nov	32.229	41.563	49.069	32.427	41.287	49.691
Dec	32.000	45.546	46.554	32.328	43.695	48.478
2009						
Jan	33.230	42.921	47.325	32.677	43.438	47.397
Feb	34.459	43.954	49.300	33.751	43.218	48.817
Mar	33.716	44.637	48.021	34.117	44.568	48.627
Apr	33.928	45.412	50.875	33.933	44.810	49.923
May	32.484	45.761	52.850	33.189	45.347	51.368
Jun	32.631	45.549	54.200	32.570	45.563	53.465

[1] Calculated on spot transactions of USD30,000 and above, or equivalent, of banks.
Source: Financial Markets Operations Division.

PUBLIC DEBT MANAGEMENT

As from 1 July 2008, in terms of an agreement reached with the Ministry of Finance and Economic Empowerment, the Bank has taken over the management functions of both domestic and external debt portfolios of the Government.

The Bank of Mauritius raised a total amount of Rs8,583.4 million through the issues of Five-Year and Long Term Government of Mauritius Bonds in 2008-09 in addition to the issue of Treasury Bills with maturities of 91, 182 and 364 days and Treasury Notes with maturities of 2, 3 and 4 years, compared to Rs7,252 million in 2007-08. Of that amount, a total of Rs6,000 million was raised through Five-Year Government of Mauritius Bonds and Rs2,583.4 million through Long Term Bonds with maturities ranging between 7 and 20 years.

Five-Year Government of Mauritius Bonds

Given the growing interest for Five-Year Government of Mauritius Bonds noted in the previous years, and Government's sustained objective to lengthen the maturity profile of its debt, the amount put on tender at the bi-monthly auctions was increased from Rs750 million in 2007-08 to Rs1,000 million in 2008-09. As such, six auctions of Five-Year Government of Mauritius Bonds were held in 2008-09 for a total amount of Rs6,000 million.

The first issue of Five-Year Government of Mauritius Bonds for 2008-09 was held on 27 August 2008 and the remaining five issues took place on 15 October 2008, 17 December 2008, 18 February 2009, 22 April 2009 and 24 June 2009.

As in the preceding year, the coupon rates for the issues of Five-Year Government of Mauritius Bonds were allowed to be market determined, and were generally set equal to or higher than the lowest accepted yield of the auctions.

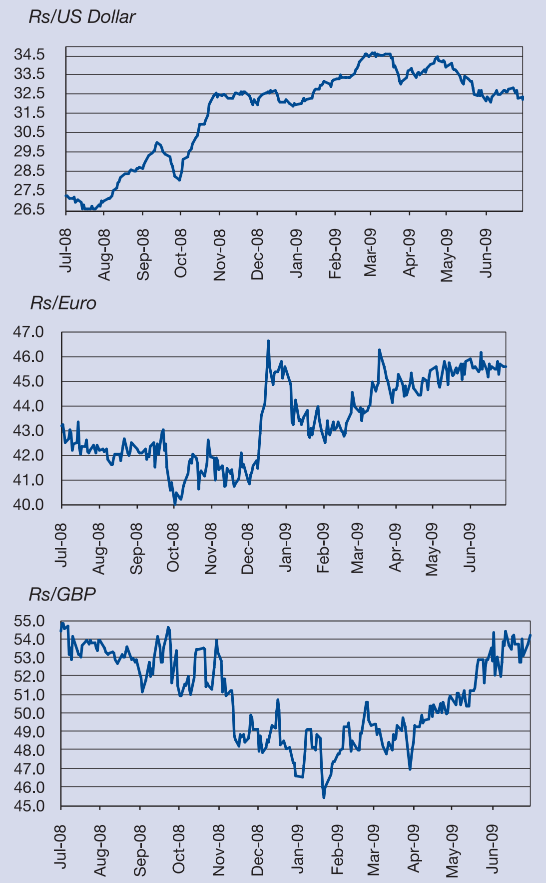
The market-determined coupon rates for the first three issues held on 27 August, 15 October and 17 December 2008 stood at 9.45 per cent, 10.50 per cent and 10.33 per cent per annum, respectively. The coupon rate at the auction held in February 2009 came down to 9.25 per cent per annum while the coupon rates for the fifth and sixth issues held in April and June 2009 stood at 7.00 per cent and 8.40 per cent per annum, respectively.

The bid-cover ratio of the six auctions of Five-Year Government of Mauritius Bonds held in 2008-09 was in the range of 0.18 to 1.53. The total value of bids received amounted to Rs8,854.1 million compared to a total tender amount of Rs6,000 million and the total nominal value of bids accepted stood at Rs6,000 million.

At the first auction in August 2008, the weighted yield stood at 10.54 per cent per annum. It went up by 94 basis points at the second auction to 11.48 per cent per annum. Thereafter, from December 2008 to April 2009 the weighted yields started to decline steadily in line with the reductions in the key Repo Rate. As such, the weighted yields stood at 10.40 per cent, 9.65 per cent and 8.51 per cent per annum for the auctions held between December 2008 and April 2009. However, in June 2009, the weighted yield went up slightly to 8.72 per cent per annum, in view of the significant amount of issue, i.e. Rs2,527.6 million.

Table 3.12 provides details of the six auctions of Five-Year Government of Mauritius Bonds held in 2008-09.

Chart 3.11: Weighted Average Dealt Rates of the Rupee Against Major Currencies[1]



[1]Daily Basis

Source: Financial Markets Operations Division.

Long Term Government of Mauritius Bonds

As was the case in 2007-08, Bonds with maturities of 7, 13 and 20 years were issued in 2008-09 for a total nominal amount of Rs2,583.4 million, split in four auctions held on 24 September 2008, 26 November 2008, 18 March and 20 May 2009. For the auction held on 18 March 2009, no bid was however accepted.

Table 3.12: Auctions of Five-Year Government of Mauritius Bonds

	Auction held on					
	27-Aug-08[1]	15-Oct-08[2]	17-Dec-08[3]	18-Feb-09[4]	22-Apr-09[5]	24-Jun-09[6]
1. Amount of Bonds put on Tender (Rs mn)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	2,527.6
2. Value of Bids Received (Rs mn)	178.3	704.1	1,243.5	1,534.6	1,463.6	3,730.0
3. Value of Bids Accepted (Rs mn)	168.3	304.1	1,000.0	1,000.0	1,000.0	2,527.6
4. Interest Rate (% p.a.)	9.45	10.50	10.33	9.25	7.00	8.40
5. Highest Yield Accepted (% p.a.)	11.10	12.00	10.50	10.00	9.10	8.95
6. Weighted Yield on Bids Accepted (% p.a.)	10.54	11.48	10.40	9.65	8.51	8.72
7. Weighted Price of Bids Accepted (%)	95.846	96.349	99.732	98.442	93.953	98.728

[1] For Issue on 29 August 2008. [2] For Issue on 17 October 2008. [3] For Issue on 19 December 2008.
[4] For Issue on 20 February 2009. [5] For Issue on 24 April 2009. [6] For Issue on 26 June 2009.
Source: Financial Markets Operations Division.

The four auctions were oversubscribed highlighting the demand for the longer term Government instruments by some investors especially pension funds and insurance companies. Total value of bids received at the first auction held on 24 September 2008 was Rs1,334.6 million compared to a total tender amount of Rs1,000 million and bids accepted for Rs1,000 million. At the second auction held on 26 November 2008, the total value of bids received was Rs1,331 million compared to a tender amount of Rs1,000 million. The total amount of bids accepted was Rs1,000 million. Total value of bids received at the third auction amounted to Rs2,300.8 million. However, no bid, was accepted by the Bank. Accordingly, another auction of Long-Term Bonds for a nominal amount of Rs1,000 million was held on 20 May 2009 for settlement on 22 May 2009. At this auction, bids received amounted to Rs2,033.4 million and bids accepted totalled Rs583.4 million only.

The interest rates on the 7, 13 and 20-year Bonds were fixed at 10.00 per cent, 10.15 per cent and 10.30 per cent per annum, respectively for the first auction. At the second auction held in November 2008, the coupon rates were adjusted downwards and were fixed at 8.50, 8.65 and 8.80 per cent per annum, respectively. Following further decrease in the key Repo Rate in December 2008 and March 2009, rates on the three types of Bonds issued in May 2009 were reduced to 7.50 per cent, 7.65 per cent and 7.80 per cent per annum, respectively.

The weighted yields on bids accepted at the first auction stood at 11.52 per cent, 12.08 per cent and 12.42 per cent per annum for the 7, 13 and 20-year Bonds, respectively. These yields went down to 11.39 per cent, 11.96 per cent and 12.26 per cent per annum, respectively at the second auction. The weighted yields on bids accepted at the fourth auction went further down to 9.08 per cent, 9.93 per cent and 10.18 per cent per annum, respectively reflecting the reductions in the key Repo Rate in December 2008 and March 2009.

Total value of bids received at the four auctions of Bonds thus amounted to Rs6,999.8 million, out of which a total amount of Rs2,583.4 million was accepted. The highest value of bids accepted was in the 20-Year Bonds, with a total accepted amount of Rs987.6 million compared to Rs744.8 million and Rs851 million in the 7-Year and 13-Year Bonds, respectively.

All the bids in the three maturities for the auctions of Long-Term Bonds were allotted to insurance companies, pension funds and customers of banks. As such, no bids by banks for their own account were accepted as they showed very little interest in the auctions of Long-Term bonds.

Details of the auctions of Long-Term Bonds are given in Table 3.13.

Table 3.13: Auctions of Government of Mauritius Bonds

	Auction held on											
	24 September 2008[1]			26 November 2008[2]			18 March 2009[3]			20 May 2009[4]		
Amount of Bonds put on Tender	Rs1,000.0 million			Rs1,000.0 million			Rs1,000.0 million			Rs1,000.0 million		
Bonds	**7-Yr**	**13-Yr**	**20-Yr**	**7-Yr**	**13-Yr**	**20-Yr**	**7-Yr**	**13-Yr**	**20-Yr**	**7-Yr**	**13-Yr**	**20-Yr**
1. Value of Bids Received (Rs mn)	318.8	429.5	586.3	265.3	521.4	544.3	919.1	507.9	873.8	756.3	639.8	637.3
2. Value of Bids Accepted (Rs mn)	289.2	299.5	411.3	199.3	391.7	409.0	-	-	-	256.3	159.8	167.3
3. Interest Rate (% p.a.)	10.00	10.15	10.30	9.50	9.65	9.80	8.50	8.65	8.80	7.50	7.65	7.80
4. Highest Yield Accepted (% p.a.)	11.80	12.35	12.75	11.60	12.05	12.35	-	-	-	9.15	10.00	10.25
5. Weighted Yield on Bids Accepted (% p.a.)	11.52	12.08	12.42	11.39	11.96	12.26	-	-	-	9.08	9.93	10.18
6. Weighted Price of Bids Accepted (%)	92.830	87.501	84.464	91.048	84.952	81.792	-	-	-	91.945	83.553	79.830

[1] Issue of 26 September 2008:
7- Yr Bonds : 10.00% 7-Year Government of Mauritius Bonds due 26 Sep 2015.
13- Yr Bonds : 10.15% 13 -Year Government of Mauritius Bonds due 26 Sep 2021.
20- Yr Bonds : 10.30% 20 -Year Government of Mauritius Bonds due 26 Sep 2028.

[2] Issue of 28 November 2008:
7- Yr Bonds : 9.50% 7-Year Government of Mauritius Bonds due 28 Nov 2015.
13- Yr Bonds : 9.65% 13 -Year Government of Mauritius Bonds due 28 Nov 2021.
20- Yr Bonds : 9.80% 20 -Year Government of Mauritius Bonds due 28 Nov 2028.

[3] Issue of 20 March 2009:
7- Yr Bonds : 8.50% 7-Year Government of Mauritius Bonds due 20 Mar 2016.
13 -Yr Bonds : 8.65% 13 -Year Government of Mauritius Bonds due 20 Mar 2022.
20- Yr Bonds : 8.30% 20 -Year Government of Mauritius Bonds due 20 Mar 2029.

[4] Issue of 22 May 2009:
7- Yr Bonds : 7.50% 7-Year Government of Mauritius Bonds due 22 May 2016.
13- Yr Bonds : 7.65% 13 -Year Government of Mauritius Bonds due 22 May 2022.
20- Yr Bonds : 7.80% 20 -Year Government of Mauritius Bonds due 22 May 2029.

Source: Financial Markets Operations Division.

Treasury Notes

During fiscal year 2008-09, the Bank continued the monthly issues of 2, 3 and 4-year Treasury Notes.

The total tender amount during 2008-09 for the three maturities was Rs15,900 million compared to Rs13,600 million in 2007-08 reflecting the Government's objective to lengthen the maturity profile of its debts. The total value of bids received amounted to Rs20,073 million and that of bids accepted to Rs9,904 million compared to Rs37,790 million and Rs12,580 million respectively in 2007-08.

The interest rates on the three types of Treasury Notes were fixed at 8.15 per cent, 8.40 per cent and 8.90 per cent per annum, respectively, for the first issue held in July 2008. Thereafter the interest rates were increased reflecting the increase in the key Repo Rate on 21 July 2008. The interest rates were fixed at 8.25 per cent, 8.50 per cent and 8.90 per cent per annum in August and September 2008. For the issue in October 2008 the interest rates were increased to 8.75 per cent, 9.00 per cent and 9.25 per cent per annum. After the reduction in the key Repo Rate on 31 October 2008 and subsequent reductions in December 2008 and March 2009, the coupon rates of the Treasury Notes issued between November 2008 and June 2009 were reduced. As such, the interest rates for the November and December 2008 issues for 2, 3 and 4-Year Notes were 8.25 per cent, 8.50 per cent and 8.75 per cent per annum, respectively while for the January to March 2009 issues the interest rates for 2, 3 and 4-Year Notes were fixed at 7.25 per cent, 7.50 per cent and 7.75 per cent per annum, respectively. In April 2009, the interest rates for the three maturities were reduced by 100 basis points and were 6.25 per cent, 6.50 per cent and 6.75 per cent per annum, respectively. In May and June 2009, the interest rates stood at 6.00 per cent, 6.25 per cent and 6.50 per cent per annum, respectively.

Details of the auctions of Treasury Notes during 2008-09 are given in Table 3.14.

Table 3.14: Auctions of Treasury Notes

	Amount put on Tender	Value of Bids Received			Value of Bids Accepted			Interest Rate			Weighted Yield on Bids Accepted		
		2-Y TN	3-Y TN	4-YTN	2-Y TN	3-Y TN	4-Y TN	2-Y TN	3-Y TN	4-Y TN	2-YTN	3-Y TN	4-Y TN
	(Rs million)							*(Per cent per annum)*					
2008													
25-Jul	1,200.0	310.0	120.0	353.5	260.0	100.0	353.5	8.15	8.40	8.90	8.34	8.74	9.99
22-Aug	1,200.0	3.5	39.1	415.2	2.5	13.1	412.2	8.25	8.50	8.90	8.68	8.99	10.13
12-Sep	1,200.0	163.4	94.1	684.0	100.0	40.0	473.0	8.25	8.50	8.90	8.86	9.20	10.72
10-Oct	1,200.0	184.9	85.0	542.4	183.5	83.6	442.8	8.75	9.00	9.25	10.18	10.50	11.13
14-Nov	1,500.0	1,453.4	592.0	996.6	716.7	291.9	191.4	8.25	8.50	8.75	9.69	10.24	10.95
14-Dec	1,500.0	553.8	1,247.3	1,169.5	188.8	667.3	643.9	8.25	8.50	8.75	9.45	9.48	10.20
2009													
16-Jan	1,500.0	2,434.3	50.0	1,789.2	1,358.5	50.0	91.5	7.25	7.50	7.75	8.77	8.99	8.88
13-Feb	1,200.0	2,175.4	733.2	43.4	939.3	250.0	10.7	7.25	7.50	7.75	7.74	8.09	9.05
13-Mar	1,500.0	907.1	56.9	148.8	370.0	56.9	147.3	7.25	7.50	7.75	7.55	8.08	9.02
10-Apr	1,200.0	764.4	67.8	108.9	170.0	45.1	88.9	6.25	6.50	6.75	6.67	7.05	7.70
15-May	1,200.0	1,064.3	20.3	40.9	580.0	-	20.0	6.00	6.25	6.50	6.52	-	7.77
12-Jun	1,500.0	294.1	151.9	214.3	254.1	151.9	155.6	6.00	6.25	6.50	6.80	7.35	7.72
2008-09	**15,900.0**	**10,308.6**	**3,257.6**	**6,506.7**	**5,123.4**	**1,749.8**	**3,030.8**	**6.00-8.75**	**6.25-9.00**	**6.50-9.25**	**6.52-10.18**	**7.05-10.50**	**7.70-11.13**
2007-08	**13,600.0**	**13,406.3**	**11,537.5**	**12,846.4**	**4,329.4**	**3,654.7**	**4,596.0**	**7.80-10.50**	**8.20-10.90**	**8.50-11.10**	**7.70-11.58**	**7.92-11.85**	**8.69-11.95**

Source: Financial Markets Operations Division.

Index-Linked Bonds

On the 19 June 2009, the Bank invited applications from the general public including banks and non-financial institutions for the purchase of Seven-Year Inflation-Indexed Government of Mauritius Bonds on 22 June 2009 for settlement on 23 June 2009. The Seven-Year Inflation-Indexed Government of Mauritius Bonds bear interest annually at the average inflation rate published by the Central Statistics Office for the 12-month period ending 31 May of each year plus 150 basis points. 26 applications from banks and non-financial institutions were received for a total amount of Rs150.6 million and all the applications were accepted.

Commonwealth Secretariat Debt Recording and Management System

Following the take-over of the debt management functions by the Bank, the duties of debt management have been diffused across various divisions of the Bank with operational issues falling under the aegis of the Financial Markets Operations Division, back office work being handled by the Accounting and Budgeting Division, debt management strategy and analysis under the Financial Markets Analysis Division and the dissemination of data is under the responsibility of the Statistics Division. Further, with a view to building capacity among staff involved in the area of debt management, a workshop on Debt Recording and Management using Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) was organized at the Bank from 24 November to 5 December 2008 at the Bank with the collaboration of the Commonwealth Secretariat. A consultant from the Commonwealth Secretariat was also at the Bank for two weeks to assist in the maintenance of the CS DRMS database.

External Debt

Total external debt of Government as on 30 June 2009 stood at Rs17,596.4 million compared to Rs11,236.1 million as on 30 June 2008, that is an increase of Rs6,360.3 million or 56.6 per cent. External debt was mostly denominated in US dollar, euro, Pound sterling and Japanese Yen.

The main multilateral creditor to Mauritius was the World Bank Group comprising the International Bank for Reconstruction and Development (IBRD) and the International Development Agency (IDA), the African Development Bank and Agence Française de Développement.

Currency composition of total external debt as at 30 June 2009 is shown in Table 3.15.

Table 3.15: Currency Composition of total external debt as at 30 June 2009

Currency	Foreign Currency Amount (million)	Rupee Equivalent (million)
USD	207.50	6,737.78
JPY	4,301.85	1,464.64
CHF	0.39	11.88
EUR	132.19	6,048.95
GBP	28.00	1,513.23
CNY	221.44	1,053.76
KWD	5.40	610.87
SDR	3.10	154.42
Other*		0.84

** Mauritius Rupee.*

Loans matured and fully repaid during 2008-09 are shown in Table 3.16.

Table 3.16: Loans matured and fully repaid

	Donor Entity	Amount of Loan
1.	IBRD	USD11,548,831
2.	Agence Francaise de Developpement	EUR12,486,511*

** Originally denominated in French Francs.*

Debt Service Payments

During the financial year 2008-09, debt service payments amounted to Rs1,372.18 million as detailed below:

Principal Repayments Rs 976.74 million
Interest and other charges Rs 395.44 million

New Loan Agreements

During 2008-09, loan agreements as detailed in Table 3.17 were entered into by the Government of Mauritius.

Table 3.17: New Loan Agreements

	Creditor	Amount (million)
1.	Arab Bank for Economic Development in Africa	USD10.00
2.	Government of China	CNY40.00
3.	International Fund for Agricultural Development (IFAD)	SDR3.45
4.	IBRD	USD48.00
		EUR22.70
		GBP28.00

Disbursements

The major disbursements that were effected during 2008-09 are given in Table 3.18.

Table 3.18: Major Disbursements

	Donor Entity	Amount of Loan
1.	Government of China	CNY85,277,800
2.	Export Import Bank of China	EUR8,257,939
3.	Japan Bank for International Cooperation	JPY106,676,646
4.	African Development Bank	USD10,000,000
5.	Agence Francaise de Developpement	EUR24,000,000
6.	IBRD	USD31,045,000 EUR22,757,977 GBP28,000,000
7.	BADEA	USD230,429
8.	IFAD	USD115,695

CAPITAL MARKET DEVELOPMENTS

International Equity Markets

From the beginning of July 2008 to the third week of November 2008, major stock markets were downbeat on the back of concerns about gloomy data releases and a prolonged world recession. However, from 20 November 2008 to 6 January 2009, there was a pick-up in momentum on hopes of recovery. Things worsened during most of the first quarter of 2009 when fresh economic data releases showed rising US unemployment and a grim economic outlook, all dragging the markets downward till new signs of recovery emerged in the second week of March 2009.

Since then, major stock markets were consistently upbeat following better-than-expected economic data releases and increasing risk appetite. Nonetheless, from the end of the first week of June to the end of period under review, some new apprehensions, caused mainly by rising jobless data in US and Europe, drove the markets slightly downwards. For the period under review, only BSE and SSEC posted a positive performance of 11.8 per cent and 11.6 per cent, respectively, while NIKKEI, S&P 500, JSE and Euro Stock 50 were all in negative territory.

The Local Stock Market

During the twelve-month period ended June 2009, the stock market posted a negative performance, with the SEMDEX, SEM-7, SEMTRI (Rs) and SEMTRI (USD) all reaching lows of 919.8, 196.2, 2,521.6 and 1,140.8, respectively, in the first week of March 2009. Over the period, SEMDEX and SEM-7 fell by 22 per cent and 29 per cent, respectively. With the focus on the economic downturn in our major export markets and the potential impact on the domestic export sector, share prices of blue chip companies fell partly on panic selling and revised corporate earnings. The decline was mainly driven by sales of banking and hotels stocks.

The number of domestic listed companies on the Official Market of the stock exchange totaled 40 at the end of June 2009 compared to 41 at the end of June 2008. Market capitalisation as at 30 June 2009 stood at Rs130.8 billion compared to Rs170.6 billion as at end-June 2008. There were 249 trading sessions on the Official Market in 2008-09 compared with 248 trading sessions in 2007-08. The aggregate value of transactions amounted to Rs9.9 billion for a volume of 193.1 million shares compared to an aggregate value of Rs11.8 billion for a volume of 244.7 million shares and debentures transacted in the preceding year.

The SEMDEX fell from 1,842.14 at the end of June 2008 to 1,417.47 at the end of June 2009 while the SEM-7 went down from 458.06 to 321.20. The SEMTRI, which includes price earning ratios and dividend earnings and measures daily price changes on listed stocks, fell by 19.8 per cent in rupee terms, from 4,889.79 as at end-June 2008 to 3,921.82 as at end-June 2009. In US dollar terms, it decreased by 32.8 per cent, from 2,771.40 to 1,862.85.

Market capitalization on the Development and Enterprise Market (DEM), which was launched on 4 August 2006 to replace the Over-the-Counter (OTC) market and which was expected to enable Small and Medium sized enterprises (SMEs) and newly set enterprises to avail themselves of the advantages and facilities provided by an organized and regulated market, reached Rs45.4 billion at the end of June 2009 while the number of domestic listed companies stood at 49. During 2008-09, a total volume of 156.3 million shares was traded for a total value of Rs1.2 billion. The DEMEX decreased from 146.06 at the end of June 2008 to 126.72 at the end of June 2009.

During the period under review, there was a net disinvestment by foreign investors on the local stock market. On the Official Market, foreigners made purchases amounting to Rs3,208.5 million and sales amounting to Rs4,540.6 million, that is a net disinvestment of Rs1,332.1 million compared to a net investment of Rs1,920.1 million in the preceding twelve months. On the DEM, net foreign disinvestment stood at Rs194.8 million as at end-June 2009.

During 2008-09, Treasury Bills amounting to Rs10 million were listed on the Stock Exchange while sales of Treasury Bills stood at Rs0.1 million.

Chart 3.12 shows the movements in the SEMDEX and SEM-7 during 2008-09.

Chart 3.12: Movements in the SEMDEX and SEM-7 during 2008-09

Source: Stock Exchange of Mauritius Ltd.

4 Financial Stability

The domestic financial system is characterized by a large banking sector, which holds more than 70 per cent of total assets followed by the insurance sector while the remaining institutions* constitute a smaller share in the sector. The financial sector landscape witnessed some developments in the financial year 2008/2009 with the merger of two banks, the amendment of banking laws to include Islamic banking, the introduction of Islamic financial products by banks and non-banks and the launching of a Currency Derivatives market. New entrants in the banking industry are expected to commence Islamic banking business shortly.

Banks remained profitable institutions although a slowdown in growth of profits was observed in the year 2008 compared to the preceding year. Preliminary information for the first quarter of 2009 also support the slight deceleration in the banking sector's performance which could be associated with the global economic slowdown as some banks are exposed to borrowers operating in some key sectors of the economy which have been hit by the global economic downturn.

The soundness indicators in the banking sector remained at comfortable levels. Banks were well capitalised, operating with capital adequacy ratios well above the minimum prescribed requirement of 10 per cent. However, some banks are more prone to take risks than others and as a result, the capital adequacy ratios of banks ranged between 10.0 to 98.1 per cent as at end March 2009.

Asset quality, measured by non-performing loans to total loans, which is an important soundness indicator, improved significantly over the years and stood at 2.4 per cent for the banking sector as at 31 March 2009. Exposures to operators in some key sectors such as Tourism, Manufacturing, Personal and Construction are being closely monitored in the context of the global economic slowdown as they are deemed to be more exposed than others to the worsening external demand conditions. However, banks' capital are adequately robust to absorb potential losses that might arise as a result of higher non-performing loans.

Liquidity in the banking sector was at comfortable levels as banks held more than 40 per cent of their assets in liquid instruments. The frequency of interbank transactions and, repos and reverse repo transactions, did not reveal any signs of liquidity strains in the system.

The financial system in Mauritius has, so far, been resilient to the global financial crisis as banks did not hold complex structured financial products and toxic assets in their books. Banks remained focused on conventional banking and traditional activities where risks are properly identified, measured and mitigated according to international best practices. The sound regulatory and supervisory framework in place also played a major role in that respect. The structure of the financial system acted as a cushion against the effects of the global crisis and most financial institutions continued to operate in a sound manner. However, in early 2009, banks' international activities have declined to some extent as a result of the effects of the global financial crisis. Even though most soundness indicators continued to be within comfortable levels in the first semester of 2009, the Bank, in collaboration with banks, is keeping a close watch on developments in the domestic and global environment and their possible impacts on the exposures. For the time being, there are no threats to financial system stability.

** Non-bank deposit-taking institutions, cash dealers, Global Business companies, Factoring companies, Investment Dealers, Asset Management Companies, Registrar and Transfer Agents among others.*

5 Accounting and Budgeting

The Accounting and Budgeting Division is responsible for the maintenance and safekeeping of accounting records and for the preparation of financial statements of the Bank. It also provides back office services to the Bank's (a) Financial Markets Operations Division, (b) Corporate Services Division, and (c) Banking and Currency Division, thereby exercising a distinct and separate level of control.

In addition, the Bank's payroll system, all payments in respect of goods and services provided to the Bank, the accounting in respect of all staff loans including payments thereof, and maintenance of fixed asset register are vested with the Division.

Another fundamental function carried out by the Division is that it is responsible for preparing the budget of the Bank and monitoring it.

ACCOUNTING

The responsibility for maintaining accounting records pertaining to, *inter alia*, foreign exchange transactions, open market operations for Government of Mauritius Securities and Bank of Mauritius Bills is vested with the Division.

The Bank is by statute the banker to the Government. It is the Division which carries out, on behalf of the Government, all foreign exchange transactions in respect of debt servicing, payments for consultancy services and contributions to international organisations. It also records foreign currency transactions of Government in their accounts maintained at the Bank.

All transactions with international financial organisations such as the International Monetary Fund, International Bank for Reconstruction and Development and International Development Association are processed by the Division. The transactions with these organisations involve, inter alia, currency valuation adjustments, use of rupees under the operational budget and maintenance of value.

The Bank conducts auctions of Government of Mauritius Treasury Bills on the primary market on a weekly basis. The Division is responsible for recording in book-entry form transactions pertaining to successful bids and providing holders of those Bills with monthly statements.

Transactions pertaining to Treasury Notes, and long term Bonds and which are issued in accordance with the Issuance Plan of Government are recorded by the Division. Whereas Treasury Notes are recorded in book entry form, certificates of holdings used to be issued for Five Year Bonds and Mauritius Development Loan Stocks. With effect from 1 July 2008, such certificates are no longer issued following the enactment of the Public Debt Management Act 2008.

Section 31 (1) of the Bank of Mauritius Act 2004 requires the Bank to carry out its accounting in conformity with accounting principles applicable to central banks and best international practices. The Bank prepares its accounts in accordance with International Financial Reporting Standards (IFRS) in so far as they are practically applicable to Central Banks. In line with international standards which require enhanced transparency, the Bank publishes financial statements in a more elaborate format.

Any net realised gains and losses in any financial year 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 are taken to the Special Reserve Fund, in accordance with the terms of section 47 (1) of the Bank of Mauritius Act 2004. Accordingly, such net gains or losses are not included in the computation of the annual income of the Bank. The Special Reserve Fund as at 30 June 2009 stood at Rs19,540.3 million after taking into consideration the net foreign exchange gains of Rs3,982.3 million.

The Bank's balance sheet and income and cash flow statements for the financial year ended 30 June 2009 together with comprehensive notes are presented in this report.

A statement of assets and liabilities is prepared on a monthly basis and is published in the Government Gazette and the Bank's monthly bulletin. The statement of assets and liabilities is also posted on the Bank's website. Furthermore, 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.

Profitability of the Bank

Section 11(1) of the Bank of Mauritius Act 2004 requires the Board of Directors of the Bank of Mauritius (the Bank) to 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 2009 were approved by the Board on 28 September 2009.

The profit realised by the Bank for the financial year ended June 2009 amounted to Rs1, 411.7 million compared to Rs1,559 million in financial year 2007/08. The lower amount of profit realised in the current financial year arose mainly from a lesser amount of interest earned on foreign investments which was in turn due to significant cuts in interest rates in the international market in the wake of the global financial crisis. The shortfall in interest received was partly offset by a lesser amount of interest paid on Bank of Mauritius Bills as compared to the previous year.

Open Market Operations
Bank of Mauritius Bills

Bank of Mauritius (BOM) Bills and Government of Mauritius Treasury Bills are issued by the Bank on the same terms and conditions. The cost of servicing of the BOM Bills is accounted for as an expense in the accounts of the Bank.

In the previous financial year, the Bank issued an increased amount of Bank of Mauritius Bills given the liquidity position. During the year 2008/09 the amount of BOM Bills issued declined significantly. Since 23 July 2008, the Bank has not issued BOM Bills and as at 20 March 2009, there were no BOM Bills outstanding. Accordingly, interest paid on BOM Bills amounted to Rs168.5 million as at end June 2009 compared to Rs645.3 million for the previous corresponding period.

In accordance with the requirements of International Financial Reporting Standards, Bank of Mauritius Bills issued and outstanding are revalued at the end of each month and are marked to market. There was no Bank of Mauritius Bill outstanding in the books of the Bank as at 30 June 2009 (2008: Rs6,509.5 million).

Repurchase Transactions

The Bank manages the liquidity in the banking system through a repurchase (repo) transaction whereby the Bank lends liquid funds to another bank against collateral in the form of securities. The Bank conducts a repo transaction when a bank is short of cash. Conversely, a reverse repurchase (reverse repo) transaction is one under which the Bank mops up the temporary excess liquidity of a bank against securities to the latter. 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.

It can be seen, therefore, that a repurchase transaction assumes the form of a short term loan at a guaranteed rate of interest. In the Bank's books, repurchase transactions are treated as collateralised financing transactions and are recorded 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 accounted for in the Bank's books unless control of the contractual rights that comprise these securities is foregone.

Interest earned on repurchase agreements and interests incurred on reverse repurchase agreements are recognised as interest income and interest expense, respectively, over the life of each agreement.

With effect from 1 April 2008, the repurchase transactions are conducted at the Key Repo Rate ± 125 basis points. During the financial year 2008/2009, the Bank carried out 16 repurchase transactions amounting to

Rs26,895 million for periods ranging between 4 to 21 days, whereas the two reverse repurchase transactions amounted to Rs1,300 million and were for 7 days.

Special Funds

Interest paid to Government over the period ended June 2009 amounted to Rs218.3 million as compared to Rs23.4 million for the previous corresponding period. The increase is due to interest paid on special funds held by the Government with the Bank as well as on its foreign currency balances.

BUDGETING

The Division is responsible for preparing the budget of the Bank as well as budgetary control. The budget is prepared in line with the policy of the Management of the Bank for the budget year and is mainly directed towards the cost-effectiveness of the various areas of operations of the Bank.

The budgeting process encompasses the needs of all the Divisions of the Bank and inputs from all of them form the basis on which the master budget of the Bank is prepared. The submission of each Division is discussed and agreed with the respective Head. The items of expenditure are categorised under three groups namely, “Recurrent Expenditure-Personal Emoluments”, “Recurrent Expenditure-Other Charges” and “Capital Expenditure”. The budget is prepared on the zero-based principle.

After thorough discussion with Management, the budget is then presented to the Audit Committee of the Bank. The Audit Committee reviews the master budget and then recommends it to the Board of Directors for consideration and approval. The budget of the Bank for the year 2009-10 was presented to the Audit Committee on 13 May 2009 and approved by the Board on 11 June 2009.

The actual expenditure of the Bank is continuously monitored against the budget. Budget reports, which are prepared and submitted to Management, provide the necessary indications for appropriate actions. Material variances are highlighted so that corrective actions are taken 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 2007-2008 was discussed with the Audit Committee on 2 April 2009 and then submitted to the Board on 18 May 2009.

The budget is also monitored at the Division level. Reports on the budget performance of each Division are prepared by the Accounting and Budgeting Division and submitted to the management of the Bank regularly. The reports compare actual against budgeted performance and also provide a basis for feed forward control. Heads of Divisions are also provided with actual figures pertaining to their respective divisions and these figures help them to compare their expenditure so that appropriate control actions are taken at the level of each respective Division.

Abandoned Funds

According to 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. Once these funds are transferred to the Bank of Mauritius they 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.

Moreover, under section 57 (6) of the Act, where a customer’s deposit or money lodged with a financial institution for any purpose, falls to 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 under section 59, as mentioned above.

Accordingly, transfers to the Bank in respect of abandoned funds amounted to Rs228 million, GBP18,431, USD250,120, EUR68 and CHF179 as at 30 June 2009.

6 Payment Systems & Mauritius Credit Information Bureau

INTRODUCTION

Payment Systems are considered critical for the safe and effective functioning of the financial system. Safe systems are, therefore, a key element for maintaining and promoting financial stability. Poorly designed systems or technical and operational failures combined with the increasing interdependence of financial intermediaries, could generate contagion and severe systemic disruptions in the financial markets. Moreover, rapid technological changes, accompanied by evolving user needs, have, transformed the role of payment systems in the delivery and efficient provision of financial services.

Although, traditionally, payments systems have focused on fund transfers, value is also exchanged by means of securities trading. Consequently, recent trends in payment system development have focused on new initiatives leading to increasing convergence and interoperability of banking, payment, and securities infrastructures.

MAURITIUS AUTOMATED CLEARING AND SETTLEMENT SYSTEM

MACSS, the Mauritius Automated Clearing and Settlement System, is the RTGS (real-time gross settlement) system for Mauritius and, since it started live operations back in 2000, has been instrumental in promoting electronic funds transfer in the country. Commercial banks and the Ministry of Finance who are participants in the system use MACSS to make large-value and time-critical payments, such as inter-bank fund transfers, money market settlements, and settlement of securities transactions. It is also used for smaller-value customer payments. In 2008-2009 MACSS traffic increased by over 45% in comparison with the previous year. MACSS processed more than 225,000 transactions with a total value of more than Rs1,281 trillion. This corresponds to a daily average of 827 payments with a total daily value of Rs 5.1 billion.

Owing to MACSS's pivotal role in maintaining financial stability in the country, the Bank pays very close attention to the reliability and safety of MACSS. In 2007-2008 the availability rate was below the targeted 99% due to several application failures in the previous system. In recognition of the impact of such operational risks in the payment systems, the Bank took steps to ensure that in the long term its statutory obligations to provide stable payment system infrastructure are maintained. Pressing demands of the growing financial sector and increasing cross-border transactions posed new and complex challenges to the current payment system infrastructure. The need for a more dynamic, flexible and business-friendly payment system capable of better resisting systemic shocks and providing for international exposure was increasingly felt. The Bank decided to replace the existing MACCS application with a new one in accordance with best international practice, which is built on a more resilient architecture, supports multi-currency transactions, has extended settlement windows and provides for low cost messages. The new core application is operational since 14 January 2009. The application has had no downtime besides providing for extended settlement windows and flexible time management.

To further manage events that could potentially reduce the MACSS service level, the Bank ensures that its business continuity and contingency measures are fully operable. Participants are required to file their MACSS business continuity plans with the Bank on a yearly basis. The MACSS risk management framework ensures the secure processing of payments. Finally, the compliance of MACSS with the "Core Principles for Systemically Important Payment Systems" is verified as part of the MACSS oversight.

On-line Auctions of Treasury Bills

Money market transactions are a critical component of the infrastructure of financial markets and have in recent years become an increasingly important channel for intermediating flows of funds. Currently, Treasury Bills are auctioned manually and bear a settlement risk. If a party defaults at the time of settlement, the assumptions made at the time of auction would no longer hold and the auction results would not be valid.

Pursuing its objective of payment systems modernisation, the Bank revisited the whole process of sale and re-purchase of Treasury Bills and other money market instruments with a view to coming as close and possible to Delivery Versus Payment (DvP).

In this context, one feature of the new MACSS application was tested to carry out on-line auctioning of Treasury Bills. The new system is deployed to participant banks through the MACSS network and allows banks to participate in the auction process through an on-line screen available at their premises. The auction is carried out instantly and is only finalised if funds are available in the accounts of the participant. The system ensures settlement of transactions through MACSS and also generates all necessary documents.

The on-line sale of Treasury Bills is currently being run on a pilot basis by the Bank and participants.

REGIONAL PAYMENT AND SETTLEMENT SYSTEM

As Africa strides to more advanced stages of economic integration, the COMESA Regional Payment and Settlement System (REPSS), in which the Bank acts both as a participant and as the settlement Bank, is a notable achievement towards regional economic integration.

REPSS is a cross border regional payment and settlement system where central banks of the COMESA member states are direct participants. The system builds on the existing national payment infrastructures and commercial banks participate in the system through their respective central banks. In order to participate in the REPSS, neither central banks nor commercial banks have to make investments in client applications. The application is SWIFT-Ready and payment instructions are sent through the existing SWIFT terminals with a special REPSS code.

The Bank has taken a strategic decision to become the settlement bank in the REPSS initiative. The status of a settlement bank for such a large area is a coveted position in the payment's setup. The initial plan of the COMESA Clearing House (CCH) was to have the settlement dollar accounts at the Federal Reserve Bank and Euro accounts at the European Central Bank. This configuration would, at best allow settlements to be made on a T+2 basis. A settlement Bank within the COMESA will enable settlements on the same day (T+0).

REPSS was officially launched at the thirteenth summit of the COMESA Authority of Heads of State and Government in Victoria Falls Town, Republic of Zimbabwe, on 7-8 June 2009. The authority commended governors of central banks and the COMESA Secretariat for coming up with the facility and thanked the Bank of Mauritius for agreeing to become the Settlement Bank of the COMESA REPSS, which now makes it possible for exporters to get paid in 24 hours. All central banks were urged to aggressively promote the facility and request commercial banks and stakeholders to make full use of the system for the benefit of the member states' economies and the region.

The REPSS will enable banks in the COMESA region to transact directly with one another without having to transit outside the region. The system will assist in increasing the COMESA intra-regional trade which stood at US$15.2 billion in 2008 and it is expected that the REPSS will reduce the current costs of cross-border payments in the region from US$600 million per annum to US$75 million. Currently, it takes up to 5 days to transfer funds between the member COMESA region and charges go up to 10 per cent of the total amount transferred. REPSS will allow same day settlement with central banks and the clearing house charges will be 0.25 per cent of the total amount transferred. The system will also eliminate the need for confirmed letters of credit as central bank involvement guarantees the payment through pre-funding of commercial banks' accounts held at their central banks.

CHEQUE TRUNCATION

The Bank of Mauritius is entrusted with the duty to promote, regulate and organize the efficient and secure operation of the payment and clearing system.

Section 48(1) of the Bank of Mauritius Act 2004 provides for the Bank, in conjunction with banks, to organize a clearing house to facilitate the clearing of cheques and other payment and credit instruments and issue instructions concerning such instruments, their processing, collection, payment and retention and the functioning of other clearing houses that it may authorize.

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 payment system.

Following the automation of the Port Louis Clearing House through the standardization of cheques using Magnetic Ink Character Recognition (MICR) technology, cheques are cleared electronically by the exchange of files containing MICR code line data.

The objective of the Bank was to move towards Truncation of Cheques once all non-MICR cheques were eliminated from the market and the mechanism for electronic clearing was established. Cheque Truncation is an important component of Financial Stability as it helps reduce the floating time available to banks and reduce frauds. From commercial banks' perspective, it brings efficiency to the system and reduces the work time and manpower required at a service branch or a branch manning these activities through human interface. Automation brings down the operating costs.

The initial plan of the Bank was to develop an application to enable truncation through exchange of cheque images on the existing infrastructure. However, due to difficulties in meeting the deadlines and the desire of the banking community to adopt best practice in the industry, it was decided in May 2008 to shelve the initial approach and purchase a Cheque Truncation solution. The Bank organised an international competitive bidding process in June 2008 where suitably qualified vendors were invited to bid for the Cheque Truncation System project.

MAURITIUS CREDIT INFORMATION BUREAU

In the aftermath of the devastating global consequences of the subprime mortgage crisis triggered by mortgage delinquencies in the United States, credit information systems are being internationally recognized as vital tools in preventing risks and in promoting the development of sound modern credit markets and financial systems.

The Bank initiated procedures for the setting up of a credit information bureau in 2002 and the Bank of Mauritius Act 1988 was amended in 2004 to make provision for the setting up of a credit information bureau. The Mauritius Credit Information Bureau (MCIB) became operational on 1 December 2005. During the first two years of its operation, the MCIB focused on facilitating information sharing among financial institutions regulated by the Bank and only 13 banks participating in the Mauritius Automated Clearing and Settlement System (MACSS), were participants of the MCIB in accordance with the existing legal framework. Credit information collected solely from these banks did not provide adequate information for an effective creditworthiness assessment. In recognition of the inherent credit risk posed by inadequate information on borrowers' creditworthiness, the Bank has initiated several actions to upgrade the existing credit information system to fully reflect the credit status of borrowers with reference to international best practice.

Amendment of Legal Framework

Section 52 of the Bank of Mauritius Act 2004 was amended in July 2008 through the Finance Act 2008 to allow the extension of MCIB's coverage to all institutions offering credit including leasing facilities and hire purchase companies and utility companies. The existing legal framework is conducive for a full reflection of borrowers' credit status which will help lenders to prevent as well as manage risks. Debt information on borrowers when fulfilling their legal obligation towards utility companies provides further insight on borrowers' debt culture and will enable lenders to form a better opinion of borrowers.

Since it became operational, the MCIB has been sharing information on a reciprocity basis by allowing access to its database only to those institutions which provide it with credit information. With a view to fully using the MCIB in promoting commercial bank risk management and financial stability, amendments to the Bank of Mauritius Act 2004 included a provision for imparting information from the database to recognized external credit assessment institutions for credit rating purposes to support the implementation of Basel II Capital Adequacy Framework. Concurrently, the Banking Act 2004 was amended to allow for the recognition of external credit assessment institutions by the Bank.

MCIB Participation and Coverage

The MCIB started operating with 11 banks as participants and by end-2007 its participation comprised 13 banks. Following the July 2008 amendment to the Bank of Mauritius Act 2004, the Bank initiated procedures to extend MCIB's participation to a wider coverage of institutions. Ten leasing companies and the Mauritius Housing Company Ltd joined the MCIB on 4 May 2009. The Bank is continuing its expansion program and other credit providers such as insurance companies, the Development Bank Ltd, the Employees Welfare Fund, the Mauritius Civil Service Mutual Aid Association Ltd and SME Partnership Fund are among the institutions which will soon be joining the MCIB. Concurrently, efforts are being made to explore how to include utility companies.

The inclusion of new participants also increases the coverage of the MCIB in terms of entities in respect of which credit information is registered in the MCIB database. A year-on-year comparison shows an increase from 814,372 credit records registered in the name of 292,515 borrowers and guarantors to 1,088,735 records in respect of 362,572 borrowers and guarantors.

The Bank considers confidentiality and privacy of information as paramount and its expansion program does not compromise on the rigorous security and system access rules.

System Upgrading and Value-Added Products

The current MCIB application was developed in-house and was primarily designed for banks only as participants. The application may constrain the expansion to institutions such as utility companies. To address such constraints, the Bank has embarked on the enhancement and upgrading of its existing system with the assistance of the World Bank under the Mauritius Economic Transition Technical Assistance Project. System enhancement will also incorporate improvement of operational efficiencies with regard to information collection and dissemination.

Although timely and accurate information on borrowers' debt profiles are essential elements in creditworthiness assessment, repayment history enables lenders to make more efficient lending decisions. The present system only provides credit reports based on current data. The system enhancement will also include diversification of products and the provision of a two-year online credit history. Provision has also been made for the Bank to impart information from the MCIB database to external credit assessment institutions for credit rating of borrowers.

MCIB's Contribution in Financial Stability

The MCIB continued to be a vital tool for the pursuit of the financial stability goal in view of its contribution, in particular during the year under review, to safeguard financial institutions from credit defaults and fostering credit discipline among borrowers. Furthermore, relentless efforts have been made to improve the quality of credit information in the database and to educate participants on the need for timely submission of accurate, complete and reliable information.

The MCIB Terms and Conditions requires participants to consult the MCIB prior to approving, renewing or increasing credit facilities and their compliance to this requirement is closely monitored by the MCIB.

7 Banking and Currency

BANKING AND CURRENCY DIVISION

The Banking and Currency Division is made up of the Banking Office and the Currency Office. It is entrusted with the responsibilities relating to the issue and management of the domestic currency and the maintenance of accounts.

THE BANKING OFFICE

The Banking Office is responsible for providing banking services and for managing accounts on behalf of the Government, commercial banks, international financial institutions and staff members. It is also responsible for the sale of industrial gold to manufacturers of jewellery as well as the sale of Dodo Gold coins and commemorative coins to the public.

Sale of Gold

The Bank of Mauritius imports and sells gold of high quality, that is, 24 carats 999.9 assay in bar forms of 1,000 grams, 500 grams and 100 grams and in grain forms to industrialists and licensed jewellers.

The selling prices of industrial gold, based on prevailing international gold market prices are posted daily in the Banking Hall and on the website of the Bank.

Sale of Dodo Gold Coins

Dodo Gold coins of 22 carats are issued by the Bank of Mauritius in four denominations, namely, one ounce with a face value of Rs1,000, half an ounce with a face value of Rs500, quarter of an ounce with a face value of Rs250 and one-tenth of an ounce with a face value of Rs100. The coins are legal tender in Mauritius for the value stated thereon.

The Dodo Gold coins are on sale at the counters of the Bank of Mauritius, banks licensed by the Bank of Mauritius and Mauritius Duty Free Paradise, SSR International Airport. 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 and on the website of the Bank.

Sale of Commemorative Coins

The under mentioned commemorative coins are also on sale at the counters of the Bank of Mauritius to members of the public.

1. *Tenth Anniversary of the Independence of Mauritius*

   A silver commemorative coin of Rs25 denomination was issued to mark the 10th anniversary of the independence of Mauritius. The sale price of the coin is Rs250.

2. *1997 Golden Wedding Collector Coin Programme*

   A silver commemorative coin of Rs20 denomination was issued in May 1998 in proof condition to mark the 50th wedding anniversary of Queen Elizabeth II and Prince Philip. The sale price of the coin in presentation case is the rupee equivalent of GBP20.

3. *150th Anniversary of the Mauritius Chamber of Commerce & Industry Silver and Gold Coins*

   A gold commemorative coin of Rs1,000 denomination and a silver commemorative coin of Rs10 denomination both in proof condition were issued in January 2000 to mark the 150th anniversary of the Mauritius Chamber of Commerce & Industry. The sale price of the gold coin is based on the daily price of gold on the international market whereas the price of the silver coin is Rs650. Both coins are available in presentation cases.

4. *Centenary of the Arrival of Mahatma Gandhi in Mauritius*

   A silver commemorative coin of Rs100 denomination in proof condition was issued in November 2001 to mark the centenary of the arrival of Mahatma Gandhi in Mauritius. The sale price of the coin in presentation case is Rs725.

5. *40th Anniversary of Bank of Mauritius*

   A silver proof commemorative coin of Rs200 denomination was issued in December 2007 to mark the 40th Anniversary of the Bank of Mauritius. The sale price of the coin in presentation case is Rs1,000.

6. *40th Anniversary of the Independence of Mauritius*

   A gold proof commemorative coin of Rs1,000 denomination was issued in September 2008 to mark the 40th Anniversary of the independence of Mauritius. A limited quantity of the gold coins in proof condition and in presentation case was available for sale at the price of Rs6,000 per coin.

THE CURRENCY OFFICE

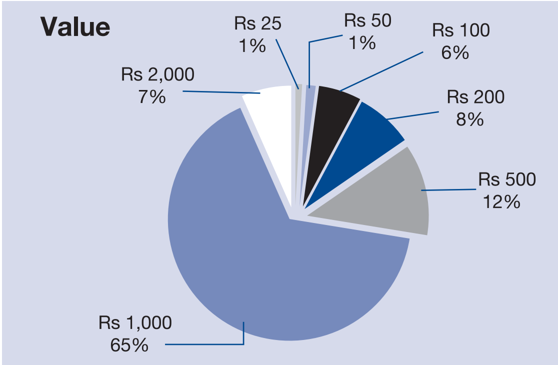
The Currency Office discharges the Bank's statutory obligation to ensure an adequate supply of banknotes and coins to meet the demand of the public in Mauritius. Its key areas of work include:

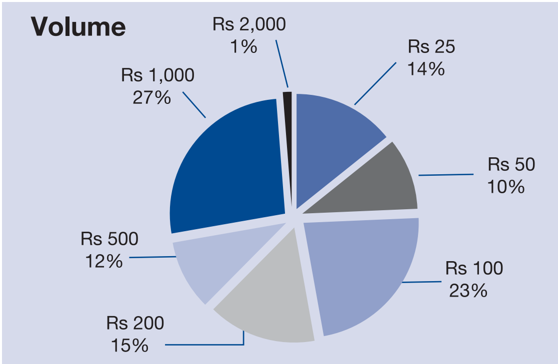
- Ensuring the availability and supply of good quality banknotes and coins to commercial banks.
- Accepting the deposits of banknotes and coins from commercial banks.
- Attending to the destruction of soiled banknotes.
- Exchange of soiled and mutilated banknotes for the public.

During the financial year 2008/2009, banknotes & coins deposited at, and issued by, the Bank amounted to Rs21,733 million and Rs23,817 million respectively. From the deposits, banknotes amounting to Rs12,464 million were examined, out of which an amount of Rs2,043 million representing 16.4 per cent by value was found to be unfit for circulation and was withdrawn for destruction. The Bank examined about 35 million banknotes from which 37 per cent by volume were found to be unfit for circulation and were withdrawn for destruction.

During 2008/2009, the value of banknotes in circulation rose by 13.8 per cent compared to 10.9 per cent in 2007/2008 whereas the volume of banknotes rose by 5.8 per cent compared to 7.3 per cent in 2007/2008.

In terms of value, Rs1,000 denomination banknotes had the largest share representing 65 per cent of the total value of banknotes in circulation followed by Rs500 denomination banknotes with a share of 12 per cent. In volume terms, Rs1,000 denomination banknotes represented 27 per cent of all banknotes in circulation followed by Rs100 denomination





banknotes with a share of 23 per cent (Chart above).

During 2008/2009, the total value of coins in circulation increased by 16.1 per cent compared to 12.9 per cent in 2007/2008. In volume terms, the increase was 10.8 per cent in 2008/2009 compared to 2.6 per cent in 2007/2008.

RODRIGUES OFFICE

The Bank's Office in Rodrigues offers central banking services and maintains accounts on behalf of Government, commercial banks, and staff members. The Office also conducts over-the-counter sales of Government of Mauritius Treasury Bills and Treasury Notes to individuals and non-financial corporations.

It has the task of ensuring the availability and supply of coins and banknotes to meet the demands of banks in Rodrigues. Consignment of banknotes and coins are therefore made regularly to and from the Office in order to meet the needs of Rodrigues in cash and to maintain the good quality of banknotes and coins in circulation.

8 Corporate Services

INTRODUCTION

The Corporate Services Division (CSD) was set up in October 2007. Its core function is to provide services to other divisions/sections of the Bank, including logistical support for events/ functions hosted by the Bank.

The CSD comprises several units, namely Knowledge Management Centre, Human Resource Unit, Facilities Management Unit, Information and Communications Technology Unit and Security Services Unit.

KNOWLEDGE MANAGEMENT CENTRE

The Knowledge Management Centre (KMC) was set up in early February 2008. The main objective of the KMC is to help the Bank capture, transfer and create critical knowledge for long-term success.

A newspaper covering local and international news is prepared daily and posted on the KMC menu on the Bank's intranet. Articles relating to central banking and the economy in general are downloaded and posted on the intranet.

Course materials from staff attending training courses overseas and locally are shared via the intranet. As a result, the number of articles posted on the intranet has registered a significant rise during the year 2008-09. Moreover, the KMC is responsible for making arrangements for staff to share the knowledge acquired through training with their colleagues by way of Powerpoint presentations.

The medium and long term plan include the refurbishment of the old building to host the KMC, which will include a Library, Conference rooms and a Financial museum. The library will be promoted and equipped to become a focal point in the promotion of knowledge among staff and a repository and custodian of the Bank's corporate knowledge.

HUMAN RESOURCE UNIT

The Human Resource Unit provides a range of services to attract, hire and retain the staff required to meet the Bank's objectives. These include policies covering employment conditions, remuneration and staff training and development.

Salaries and Conditions of Service

On 22 February 2008, following a tender exercise, the Board approved the appointment of a Salaries Commissioner (HayGroup of South Africa) to review the salaries and conditions of service at the Bank. The Board also approved the undertaking of a job evaluation exercise by the HayGroup to examine the core activities of each job position and establish a fair differential of pay between the various levels of responsibilities.

The HayGroup produced a report in terms of its mandate. It was taken to the Board on 29 and 31 October 2008, but was not considered. On 3 November 2008, the report was considered, but was not approved. As an interim measure, it was decided to grant a 20% increase on basic salary to all staff members holding a substantive post on the establishment, effective 1 July 2008.

On 17 November 2008, the Board met but did not approve the budgetary implications of the report and decided, by a majority on a motion, that the report be rejected in toto.

On 8 April 2009, the Bank, in consultation with its shareholder, appointed Mr B.C. Appanna, Director, Pay Research Bureau, Consultant to review the HayGroup report.

FACILITIES MANAGEMENT UNIT

The Facilities Management (FM) Unit is responsible for the Bank's properties and a range of facility services. It provides a functional, safe and flexible work environment at the Bank, ensuring effective management, use and maintenance of assets. It is also responsible for procurement and housekeeping services at the Bank.

The FM Unit supports and maintains the efficient operation of the Bank's premises through the Building section and the Maintenance section. A Help Desk Operator was appointed during the year under review. Her duties comprise, inter alia, receiving all requests arriving at the Technical Desk, made verbally or in writing by letter, fax, email, whether from staff of the Bank or maintenance contractors, suppliers, service providers, and channelling them to the appropriate technical staff.

The FM Unit was heavily involved in the organisation of several functions at the Bank during the period under review, namely

(i) a talk by Dr Guy Quaden, Governor of the National Bank of Belgium, on "The First Ten Years of the Euro: Achievements, Challenges and Lessons for Other Parts of the World" on 8 July 2008;

(ii) the Joint Bank of Mauritius/Bank of England (Centre for Central Bank Studies) Seminar on Inflation Targeting, Modelling and Forecasting on 21-25 July 2008;

(iii) a presentation by Robert Prior, Senior Economist at HSBC, on "Global Economic Slowdown and its Impact on Emerging Economies" on 31 July 2008;

(iv) the Launching of a Commemorative Gold Coin at the Bank on 16 September 2008 in the presence of the Honourable Prime Minister, Dr Navinchandra Ramgoolam, to mark the 40th Anniversary of the Independence of Mauritius;

(v) the Launching of "Banking the Poor", a publication of the World Bank, on 3 November 2008;

(vi) a talk by Professor Jeffrey Frankel of Harvard University on "The Future Direction of Monetary Policy Making in Small Open Economies" on 15 January 2009;

(vii) a presentation by Mr Goolam Ballim, Group Chief Economist at the Standard Bank Group, on " The Great Recession" on 10 March 2009;

(viii) the prize-giving ceremony, held on 17 April 2009, for athletes who set national records at the 2nd Edition of the BOM National Interclub Youth Championship on 22 November 2008 at Maryse Justin Stadium, Réduit;

(ix) a Seminar on Islamic Capital Markets, jointly with the Islamic Financial Services Board and the Financial Services Commission, at the Le Meridien Hotel on 19-20 May 2009 and a post-seminar event at the Bank on 21 May 2009;

(x) a talk by Mr Jean Stockreisser, Senior Relationship Manager at the BIS, on "Lessons from the Financial Crisis" on 10 June 2009;

(xi) a presentation of the Afreximbank to the Mauritian Business Community on 16 June 2009.

The FM Unit was also particularly involved in the opening of the Canteen on 20 October 2008.

LIST OF APPENDICES

Appendix I	gives the composition of the Board of Directors as of 30 June 2009.
Appendix II	gives the composition of the Monetary Policy Committee as of 30 June 2009.
Appendix III	gives the Senior Management Officials as of 30 June 2009.
Appendix IV	gives the meetings attended by Governor, First Deputy Governor and Second Deputy Governor during the year 2008-09.
Appendix V	gives the names of officers who have followed training courses and attended seminars and workshops abroad during the year 2008-09.
Appendix VI	gives the names of officers who have followed training courses and attended seminars and workshops locally during the year 2008-09.
Appendix VII	gives the list of staff recruited and promoted during the year 2008-09.
Appendix VIII	gives the names of officers who have retired/resigned during the year 2008-09.
Appendix IX	gives the names of officers who have completed their studies during the year 2008-09.
Appendix X	gives the Organisation Chart of the Bank as of 30 June 2009.
Appendix XI	gives the list of banks and non-bank deposit-taking institutions, money-changers and foreign exchange dealers licensed by Bank of Mauritius as of 30 June 2009.

9 Corporate Governance

BOARD OF DIRECTORS

The Board consists of the Governor as Chairperson, two Deputy Governors, and not less than 5 and not more than 7 other Directors. During the year under review, there were six "other Directors".

Twenty-one meetings of the Board of Directors were held during the period 1 July 2008 to 30 June 2009. Two meetings convened by the Governor could not be held as they were not quorate. The Bank of Mauritius Act 2004 provides for at least one meeting every month.

Table 9.1 provides details on meetings.

MONETARY POLICY COMMITTEE

The Monetary Policy Committee of the Bank, established on 23 April 2007 pursuant to sections 54 and 55 of the Bank of Mauritius Act 2004 to formulate and determine the monetary policy to be conducted by the Bank, met on six occasions during the year ended 30 June 2009. In addition to the four quarterly meetings, the MPC convened on two special occasions to address exceptional circumstances.

Legislative amendment

At the outset, the law provided for eight members to constitute the MPC. Following the presentation of the government budget in May 2009 and the subsequent enactment of The Finance (Miscellaneous Provisions) Act 2009 in July 2009, the membership of the MPC has been enlarged to nine with four external members compared to three previously.

Table 9.2 gives details on meetings.

Table 9.1: Board of Directors Meetings

Board Directors	Date of first appointment	29.07.08	29.08.08	30.09.08	03.10.08	06.10.08[1]	29.10.08	31.10.08[1]	03.11.08[1]	17.11.08[2]	26.11.08	16.12.08[2]	17.12.08
Governor-Mr R.Bheenick - Chairman	14.02.07	√	√	√	X	X	√	√	√	√	X	√	√
First Deputy Governor-Mr Y.Googoolye	13.07.06	√	√	√	√	√	√	√	√	√	√	√	√
Second Deputy Governor-Dr A.J.Khadaroo	14.02.07	√	√	√	√	√	√	√	√	√	√	√	√
Me K. Bhayat	05.09.07	√	Sick	Sick	Sick	Sick	Sick	Sick	Sick	Sick	Sick	√	√
Mr. J.G.A. Lascie	23.11.05	√	√	X	√	X	√	√	√	√	√	√	√
Mr. J. Li Wan Po	24.11.05	√	√	√	√	√	√	√	√	√	√	√	√
Mr. M. Ramphul	01.09.04	√	√	√	√	√	√	√	√	√	√	X	X
Mr. S.R. Seebun	21.11.05	√	√	√	√	√	√	√	√	√	√	√	√
Mr. G. Vydelingum	05.09.07	X	√	√	X	√	√	√	√	√	√	√	√
Meeting Metrics: duration(hrs) minutes(pages)		7½/33	3½/12	2½/12	1¾/5	2/5	6/20	1/5	3/13	8¼/18	5½/8	3/13	1/5
Longest outstanding Board paper awaiting consideration		-	29.07.08	29.07.08	29.07.08	29.07.08	29.07.08	29.07.08	29.07.08	29.07.08	-	-	-

Board Directors	Date of first appointment	21.01.09	02.02.09[1]	27.02.09[1]	03.03.09[1]	18.03.09[3]	08.04.09	18.05.09	25.05.09	12.06.09	13.06.09[3]	20.06.09	Annual fees (Rs)
Governor-Mr R.Bheenick - Chairman	14.02.07	√	√	√	√	√	√	√	√	√	√	√	*
First Deputy Governor-Mr Y.Googoolye	13.07.06	√	√	√	√	√	√	√	√	√	√	√	*
Second Deputy Governor-Dr A.J.Khadaroo	14.02.07	√	√	√	√	√	√	√	√	√		√	*
Me K. Bhayat	05.09.07	√	√	√	√		√	√	X	√	√	√	360,000
Mr. J.G.A. Lascie	23.11.05	√	X	√	√		√	√	√	√		√	360,000
Mr. J. Li Wan Po	24.11.05	√	√	√	√		√	√	√	√		√	360,000
Mr. M. Ramphul	01.09.04	X	√	√	√		√	√	√	√		√	360,000
Mr. S.R. Seebun	21.11.05	√	√	√	√		√	√	√	√		√	360,000
Mr. G. Vydelingum	05.09.07	√	√	√	√		√	√	√	√		√	360,000
Meeting Metrics: duration(hrs) minutes(pages)		2/9	5½/17	5¾/17	1¾/9	-	1¾/13	1¾/14	7¾/27	7½/24	-	2¾/13	
Longest outstanding Board paper awaiting consideration		17.12.08	17.12.08	17.12.08	17.12.08	-	21.01.09	21.01.09	21.01.09	21.01.09	-	21.01.09	

[1] Meeting adjourned from the previous one.
[2] Meeting convened at the request of Directors under section 21 (3)(d) of the Bank of Mauritius Act 2004.
[3] Meeting not held due to a lack of quorum.
** No fees payable to Governor/Deputy Governors for Board attendance.*
√ Attended .
X Not Attended.

Table 9.2: Monetary Policy Committee Meetings

		Meetings attended	21.07.08 *Special meeting*	29.09.08 *Quarterly meeting*	31.10.08 *Special meeting*	8.12.08 *Quarterly meeting*	26.03.09 *Quarterly meeting*	22.06.09 *Quarterly meeting*	Annual fees *Rs*	Other associated costs[1] *Rs*
Mr Rundheersing Bheenick	Governor, Chairman	6	√	√	√	√	√	√	0	0
Mr Yandraduth Googoolye	First Deputy Governor	6	√	√	√	√	√	√	0	0
Dr Ahmad Jameel Khadaroo	Second Deputy Governor	6	√	√	√	√	√	√	0	0
Mr Jacques Tin Miow Li Wan Po	Board Director	6	√	√	√	√	√	√	240,000	0
Mr Shyam Razkumar Seebun	Board Director	6	√	√	√	√	√	√	240,000	0
Mr Jagnaden Padiaty Coopamah	External Member	6	√	√	√	√	√	√	240,000	0
Mr Pierre Dinan	External Member	4	√	X	X	√	√	√	240,000	0
Professor Stefan Gerlach	External Member	3	X	√	X	√	X	√	637,215	430,029
Dr Mario I. Blejer	Honorary Adviser	2	X	X	X	√	√	X	0	543,560
Mr Hemraz Oopuddhye Jankee	Observer	6	√	√	√	√	√	√	0	0
Dr Streevarsen Narrainen	Observer	6	√	√	√	√	√	√	0	0
Decision on the key Repo Rate[2]			+25 bps	Unchanged	-50 bps	-100 bps	-100 bps	Unchanged		
Key Repo Rate (*per cent per annum)*			8.25	8.25	7.75	6.75	5.75	5.75		

[1]: Other associated costs comprise travel and accommodation expenses.
[2]: bps stands for basis points.

10 Audit Committee Report

Report of the Audit Committee to the Bank of Mauritius

The Audit Committee for the year ended 30 June 2009 comprised the following members:

Mr J. G. Lascie	(Chairman)
Mr S.R. Seebun	(Member)
Mr K. Bhayat	(Member)
Mr G. Vydelingum	(Member)

Activities of the Committee

The Committee met on eleven occasions during the year under review and undertook the following:

(1) Review of the Audit Reports submitted by the Internal Audit Section of the Bank in accordance with item (ii) of the Terms of Reference of the Committee. Recommendations are made by the Committee at the Board. The Internal Audit Section then makes a follow-up.

(2) The Committee met with the External Auditors on three occasions on 27 August 2008, 9 October 2008 and 5 May 2009 respectively.

(3) Review of the Financial Statements for the year ended 30 June 2008 in accordance with item (v) of the Terms of Reference of the Committee. Recommendations were made to the Board for approval of the Financial Statements of the Bank.

(4) Review of the Management Letter for the year ended 30 June 2008 in accordance with item (iv) of the Terms of Reference of the Committee. Members met with the External Auditors of the Bank on that occasion.

(5) Review of the Draft estimates of the Bank for the financial year 2009/2010 and of the Budget Report for the year ended 2007/2008 in accordance with item (v) of the Terms of Reference of the Committee.

(sd) (J. G. Lascie)	(sd) (S. R. Seebun)	(sd) (K. Bhayat)	(sd) (G. Vydelingum)
Chairman	Member	Member	Member

11 Financial Statements

BANK OF MAURITIUS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

CONTENTS PAGE

INTRODUCTION

Section 11(1) of the Bank of Mauritius Act 2004 states that the Board of Directors shall determine the net profits of the Bank of Mauritius ('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 Rs1,411.7 million for the year ended 30 June 2009 before any transfer to the General Reserve Fund in accordance with section 11(2) of the Bank of Mauritius Act 2004 compared to Rs1,559.4 million in 2008.

In an effort to counteract the adverse impact of the unfolding global financial crisis, central banks around the world have been slashing interest rates. Interest income derived from our foreign assets has declined and is expected to go down further in the coming year.

The Audit Committee met on 8 and 24 September 2009 to review the financial statements as specified in its terms of reference prior to their submission to the Board for consideration and approval.

Assets

The Bank's foreign assets rose mainly due to foreign currency receipts for account of the Government.

Local assets decreased mainly as a result of repayment of principal amounts in respect of advances made under the Special Line of Credit to the Sugar Industry.

Liabilities

Liabilities went up mainly as a result of increase in Government and banks Demand Deposits and a higher amount of Currency in Circulation.

Capital and Reserves

The net increase in Reserves was mainly due to Gain/Loss on Revaluation of Foreign Currencies, Gold and SDR, the whole amount of which was transferred to the Special Reserve Fund in accordance with Section 47(1) of the Bank of Mauritius Act 2004. In accordance with section 11(2) of the Bank of Mauritius Act 2004, part of the profits was transferred to the General Reserve Fund.

Statement of Responsibilities of the Board of Directors of the Bank of Mauritius

Section 31(2) of the Bank of Mauritius Act 2004 states that the accounts of the Bank shall be audited at least once a year by such auditors as may be appointed by the Board of Directors.

The Board of Directors of the Bank is responsible to ensure that the financial statements 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 Board is 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 Bank's policy is to prepare financial statements in accordance with International Financial Reporting Standards. The general policy of the affairs and business of the Bank are entrusted to a Board of Directors. As at 30 June 2009, the Board consisted of the Governor as Chairperson, two Deputy Governors and six other Directors. The Bank of Mauritius Act 2004 provides for 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 and may hold office for a term not exceeding five years and are eligible for reappointment.

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. Further, he is, in the discharge of his functions, answerable to the Board. The other Directors are appointed by the Minister of Finance and may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office. The Board meets at the seat of the Bank at least once every month and six members constitute the quorum. The Board met on twenty-one occasions during the financial year.

Deloitte.

Kemp Chatteris
3rd Floor Cerné House
La Chausée
Port Louis, P.O. Box 322
Mauritius

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF BANK OF MAURITIUS

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.

Report on the Financial Statements

We have audited the financial statements of **Bank of Mauritius** on pages 132 to 163 which comprise the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibilities for the financial statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of these financial statements 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 and in accordance with the Financial Reporting Act 2004. The Bank's policy is to prepare the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 132 to 163 give a true and fair view of the financial position of the Bank as at 30 June 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Bank of Mauritius Act 2004 and the Financial Reporting Act 2004.

Kemp Chatteris Deloitte
28 September 2009

BANK OF MAURITIUS BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	2009	2008
		Rs	Rs
ASSETS			
Foreign Assets:			
Cash and Cash Equivalents	6	**30,783,234,720**	23,915,156,764
Other Balances and Placements	7	**32,354,319,155**	32,479,737,355
Interest Receivable		**156,075,378**	712,925,544
Other Investments	7	**20,286,659**	17,215,417
		63,313,915,912	57,125,035,080
Loans and Advances	8	**517,417,540**	890,810,529
Financial Assets	9	**481,344,090**	605,471,161
Computer Software	10	**67,475**	173,675
Property, Plant and Equipment	11	**1,959,636,042**	1,932,842,703
Other Assets	12	**198,240,811**	275,790,202
TOTAL ASSETS		**66,470,621,870**	60,830,123,350
LIABILITIES			
Currency in Circulation	13	**17,185,099,624**	15,087,678,040
Demand Deposits:			
Government		**10,761,080,592**	5,062,218,879
Banks		**12,747,028,204**	11,932,756,231
Other Financial Institutions		**84,050,655**	98,724,287
Others		**229,319,300**	421,656,722
		23,821,478,751	17,515,356,119
Other Financial Liabilities	14	**943,400**	6,356,036,409
Provisions	15	**100,000,000**	100,000,000
Employee Benefits	16	**114,948,905**	101,026,671
Other Liabilities	17	**1,579,927,839**	2,195,887,900
TOTAL LIABILITIES		**42,802,398,519**	41,355,985,139
CAPITAL AND RESERVES	5		
Stated and Paid up Capital		**1,000,000,000**	1,000,000,000
Reserves		**22,668,223,351**	18,474,138,211
TOTAL CAPITAL AND RESERVES		**23,668,223,351**	19,474,138,211
TOTAL LIABILITIES, CAPITAL AND RESERVES		**66,470,621,870**	60,830,123,350

Approved by the Board of Directors and authorised for issue on 28 September 2009

Y. Googoolye
First Deputy Governor

R. Bheenick
Governor

BANK OF MAURITIUS INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 Rs	2008 Rs
INCOME			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	18	**2,100,804,309**	2,671,395,892
Interest and Similar Income on Local Assets	18	**97,409,451**	65,047,200
Others	18	**80,447,765**	121,853,599
	18	**2,278,661,525**	2,858,296,691
Gain/(Loss) on Foreign Exchange Transactions		**26,745,971**	(7,048,748)
Other Income	19	**42,311,503**	25,565,032
		2,347,718,999	2,876,812,975
LESS:			
EXPENDITURE			
Expenditure on Financial Liabilities:			
- Interest Expense and Similar Charges	20	**218,304,738**	26,927,952
Staff Salaries and Other Benefits	21	**236,167,739**	199,767,612
General Expenditure		**106,178,676**	90,402,516
Fees Payable		**12,693,079**	11,716,963
Coin Issue Expenses	22	**45,039,486**	97,587,616
Note Issue Expenses	22	**2,424,179**	53,687,188
Depreciation and Amortisation		**108,889,263**	106,122,713
Directors' Remuneration	23	**10,508,785**	10,578,239
IMF Charges	32	**8,150,341**	22,098,291
Others	24	**17,901,431**	17,664,436
		766,257,717	636,553,526
OPEN MARKET OPERATIONS	26		
Charges on Bank of Mauritius Bills		**168,511,691**	645,310,414
Interest on Special Deposits Facility		**-**	35,577,740
Interest on Reverse Repurchase Transactions		**1,234,109**	-
		169,745,800	680,888,154
NET PROFIT FOR THE YEAR BEFORE GAIN/(LOSS) ON REVALUATION OF FOREIGN CURRENCIES, GOLD AND SDR		**1,411,715,482**	1,559,371,295
Gain/(Loss) on Revaluation of Foreign Currencies, Gold and SDR		**3,982,327,818**	(4,766,192,756)
NET PROFIT/(LOSS) FOR THE YEAR		**5,394,043,300**	(3,206,821,461)
Transfer (to)/from Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004		**(3,982,327,818)**	4,766,192,756
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004		**1,411,715,482**	1,559,371,295
Transfer to General Reserve Fund in terms of Section 11 (2) of the Bank of Mauritius Act 2004		**(211,757,322)**	(233,905,694)
PROFIT AVAILABLE TO THE GOVERNMENT OF MAURITIUS FOR TRANSFER TO CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		**1,199,958,160**	1,325,465,601

BANK OF MAURITIUS STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Accumulated Profit	Other Reserves	Total
	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2007	1,000,000,000	1,000,000,000	20,324,139,027	-	2,242,110,125	24,566,249,152
Net Loss for the Year	-	-	-	(3,206,821,461)	-	(3,206,821,461)
Transfer from Special Reserve Fund	-	-	(4,766,192,756)	4,766,192,756	-	-
Transfer to General Reserve Fund	-	233,905,694	-	(233,905,694)	-	-
Balance available to the Government of Mauritius for transfer to Consolidated Fund	-	-	-	-	(559,823,879)	(559,823,879)
Profit available to the Government of Mauritius for transfer to Consolidated Fund	-	-	-	(1,325,465,601)	-	(1,325,465,601)
At 30 June 2008	1,000,00 0,000	1,233,905,694	15,557,946,271	-	1,682,286,246	19,474,138,211
At 1 July 2008	1,000,000,000	1,233,905,694	15,557,946,271	-	1,682,286,246	19,474,138,211
Net Profit for the Year	-	-	-	5,394,043,300	-	5,394,043,300
Transfer to Special Reserve Fund	-	-	3,982,327,818	(3,982,327,818)	-	-
Transfer to General Reserve Fund	-	211,757,322	-	(211,757,322)	-	-
Profit available to the Government of Mauritius for transfer to Consolidated Fund	-	-	-	(1,199,958,160)	-	(1,199,958,160)
At 30 June 2009	**1,000,000,000**	**1,445,663,016**	**19,540,274,089**	**-**	**1,682,286,246**	**23,668,223,351**

BANK OF MAURITIUS CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009	2008
		Rs	Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Inflow from Operating Activities	25	**8,637,664,319**	5,021,928,600
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(Increase) in Other Balances and Placements		**125,418,200**	(7,733,060,922)
Decrease in Financial Assets		**124,127,071**	14,381,065
Additions to Intangible Assets		**-**	(179,290)
Acquisition of Property, Plant and Equipment		**(135,578,402)**	(85,339,967)
Proceeds from Sale of Property, Plant and Equipment		**718,003**	668,054
Dividend Received		**1,018,245**	701,507
Net Cash Generated from/(Used in) Investing Activities		**115,703,117**	(7,802,829,553)
Cash Flows from Financing Activities			
Balance made available to the Government of Mauritius		**(559,823,879)**	-
Profit paid to the Government of Mauritius		**(1,325,465,601)**	(900,000,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		**6,868,077,956**	(3,680,900,953)
Cash and Cash Equivalents at 1 July	6	**23,915,156,764**	27,596,057,717
Cash and Cash Equivalents at 30 June	6	**30,783,234,720**	23,915,156,764

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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 submits a copy of its audited financial statements to the Minister of Finance who lays a copy thereof before the National Assembly.

The primary object of the Bank is to maintain price stability and to promote orderly and balanced economic development.

To attain these objectives, the Bank's principal functions 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 of Mauritius. 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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In terms of Section 31(1) of the Bank of Mauritius Act 2004, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to Central Banks and best international practice. In line with best practices, the Bank has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Bank has adopted the new and revised Standards and Interpretations issued by the

International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2008. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income (effective 1 January 2009)
IAS 1	Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective 1 January 2009)
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 1	Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 16	Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 17	Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 23	Borrowing Costs - Comprehensive revision to prohibit immediate expensing (effective 1 January 2009)
IAS 23	Borrowings Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 32	Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation (effective 1 January 2009)
IAS 36	Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 36	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 38	Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 38	Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective 1 July 2009)
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (effective 1 July 2009)
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 July 2009)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IFRS 7	Financial Instruments - Disclosures - Amendments enhancing disclosures about fair value and liquidity risk (effective 1 January 2009)

The Directors anticipate that the adoption of these Standards and Interpretations on the above effective dates in future periods will have no 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 preparation

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 has prepared its financial statements under the historical cost convention as modified by the fair valuation of certain financial assets and in accordance with International Financial Reporting Standards ("IFRS").

(a) Financial instruments

(i) *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.

(ii) Classification

Assets 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. The Bank's investment in Bank for International Settlement ("BIS") portfolio and Government Securities fall in this classification.

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 or other financial institutions under Special Lines of Credit.

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.

The Bank has the possibility to designate any financial asset or financial liability as 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.

(iii) *Measurement*

Financial instruments are initially measured at fair value, which is the 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 there is 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.

All non-trading financial liabilities are measured at amortised cost using the effective interest rate method.

Gold deposits have prudently been valued at 80% of the price of Gold on international market on the last working day of the month.

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. 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 de-recognised or impaired and through the amortisation process.

(vi) *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.

(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 to their estimated residual values 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%
Furniture, equipment, fixtures and fittings	-	10%
Computer hardware/ software and cellular phones	-	33 $^{1}/_{3}$%
Motor vehicles	-	40% for 1st year then 20% for each of the three subsequent years

No depreciation is provided on freehold land, capital work in progress and other properties.

(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 every year by a firm of actuaries.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous accounting period exceeded the greater of:

(i) 10% of the present value of the defined benefit obligation at that date; and

(ii) 10% of the fair value of plan assets at that date.

State Pension Plan

Contribution to the National Pension Scheme is expensed to the income statement in the period in which it falls due.

(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 Rupee using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupee 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.

(k) Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by the Directors through their best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(l) Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank, or exercise significant influence over the Bank in making financial and operating decisions, or vice versa or where the Bank is subject to common control or common significant influence. Related parties may be individual or other entities.

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 (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.

Other Government Securities

Other Government Securities comprise Mauritius Development Loan Variable Interest Rate stocks which have been revalued using the straight line revaluation method and Treasury Notes and Bonds with maturities ranging between five to twenty years which have been revalued using the discounted cash flow techniques, based on the latest market data available for these instruments and other 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.

(iii) Unquoted Investments (Note 7)

The Bank may, from time to time, hold financial instruments that are not quoted on active markets. Fair values of such instruments are determined by using valuation techniques including third party transaction values, earnings, net asset value, or discounted cash flows, whichever is considered to be appropriate. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

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 of Mauritius (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.

Other Reserves

Other Reserves are reserves that have been carried forward from previous years.

6. CASH AND CASH EQUIVALENTS

	2009	2008
	Rs	Rs
Deposit Accounts	**17,258,413,616**	16,267,558,734
IMF Special Drawing Rights (SDR)	**939,976,670**	832,967,762
Repurchase Agreement	**4,970,266,320**	4,955,556,270
Current Accounts	**5,977,021,347**	493,643,741
Foreign Currency Notes and Coins	**2,498,625**	445,813
Gold Deposits	**1,490,298,062**	1,254,064,876
Foreign Liquid Securities	**144,760,080**	110,919,568
	30,783,234,720	23,915,156,764

7. OTHER BALANCES AND PLACEMENTS AND OTHER INVESTMENTS

(a) Other Balances and Placements

	2009	2008
	Rs	Rs
Foreign Investments	**12,330,471,445**	10,950,436,261
Deposit Accounts	**20,023,847,710**	21,529,301,094
	32,354,319,155	32,479,737,355

Foreign Investments represents funds outsourced to Fund Managers and comprise investments in the following asset classes:

	2009	2008
	Rs	Rs
Cash	**38,030,094**	82,691,431
Bonds	**12,292,441,351**	10,857,511,741
Other investments	**-**	10,233,089
	12,330,471,445	10,950,436,261

(b) Other Investments at FVTPL

	2009	2008
	Rs	Rs
Unquoted		
Other Investments	**20,286,659**	17,215,417

(i) Basis of valuation

Unquoted other investments have been valued on the basis of the latest available prices provided by the investee entities.

(ii) Impairment

The Directors consider that the net worth of the unquoted other investments approximate their fair value.

8. LOANS AND ADVANCES

	2009	2008
	Rs	Rs
Special Line of Credit - Sugar Industry	**401,073,617**	806,850,001
Special Line of Credit - National Equity Fund	**70,679,874**	73,055,491
Others	**45,664,049**	10,905,037
	517,417,540	890,810,529

Advances under Special Line of Credits are granted to banks and other financial institution mainly to support the economic development of the country. Advances under the Special Line of Credits are guaranteed by the Government and are at variable interest rates linked to the policy rate of the Bank.

9. FINANCIAL ASSETS

	2009	2008
	Rs	Rs
Government of Mauritius Treasury Bills	**246,966,800**	468,006,737
Other Government Securities	**234,377,290**	137,464,424
	481,344,090	605,471,161

10.COMPUTER SOFTWARE

	Rs
Cost	
At 1 July 2007	83,639,705
Additions	179,290
At 30 June 2008	83,818,995
Additions	-
At 30 June 2009	83,818,995
Amortisation	
At 1 July 2007	83,474,936
Charge for the year	170,384
At 30 June 2008	83,645,320
Charge for the year	106,200
At 30 June 2009	83,751,520
Net book value	
At 30 June 2009	67,475
At 30 June 2008	173,675

11. PROPERTY, PLANT AND EQUIPMENT

	Premises Rs	Capital Work in Progress Rs	Other Properties Rs	Furniture, Equipment, Fixtures and Fittings Rs	Computer Equipment Rs	Motor Vehicles Rs	Total Rs
COST							
At 1 July 2007	42,054,989	1,748,231,140	65,215,078	161,107,484	22,954,388	21,278,017	2,060,841,096
Additions	4,108,136	44,196,670	-	9,875,152	16,006,169	11,153,840	85,339,967
Reclassification	-	-	-	(310,837)	310,837	-	-
Transfers	1,323,446,399	(1,792,427,810)	-	453,047,146	15,934,265	-	-
Scrapped	-	-	-	-	(252,668)	-	(252,668)
Disposals	-	-	-	(603,081)	(354,680)	(7,474,999)	(8,432,760)
At 30 June 2008	**1,369,609,524**	**-**	**65,215,078**	**623,115,864**	**54,598,311**	**24,956,858**	**2,137,495,635**
Additions	-	13,781,416	63,090,710	54,106,839	1,027,955	3,571,482	135,578,402
Transfers	13,781,416	(13,781,416)	-	-	-	-	-
Disposals	-	-	-	-	-	(7,112,917)	(7,112,917)
At 30 June 2009	**1,383,390,940**	**-**	**128,305,788**	**677,222,703**	**55,626,266**	**21,415,423**	**2,265,961,120**
DEPRECIATION							
At 1 July 2007	8,915,058	-	-	58,079,253	21,720,004	18,669,768	107,384,083
Charge for the year	27,372,306	-	-	61,502,079	11,408,388	5,669,556	105,952,329
Reclassification	-	-	-	(234,368)	234,368	-	-
Scrapped	-	-	-	-	(252,668)	-	(252,668)
Disposals	-	-	-	(603,033)	(353,780)	(7,473,999)	(8,430,812)
At 30 June 2008	36,287,364	-	-	118,743,931	32,756,312	16,865,325	204,652,932
Charge for the year	27,647,934	-	-	65,343,612	11,435,042	4,356,475	108,783,063
Disposals	-	-	-	-	-	(7,110,917)	(7,110,917)
At 30 June 2009	**63,935, 298**	**-**	**-**	**184,087,543**	**44,191,354**	**14,110,883**	**306,325,078**
NET BOOK VALUE							
At 30 June 2009	**1,319,455,642**	**-**	**128,305,788**	**493,135,160**	**11,434,912**	**7,304,540**	**1,959,636,042**
At 30 June 2008	1,333,322,160	-	65,215,078	504,371,933	21,841,999	8,091,533	1,932,842,703

12. OTHER ASSETS

	2009 Rs	2008 Rs
Net cheques to be cleared	**89,045,313**	179,214,448
Staff Loans	**61,851,574**	61,203,976
Prepayments	**11,807,317**	10,724,301
Dodo Gold Coins with Banks	**12,885,350**	12,776,400
Interest Receivable	**7,346,613**	5,188,937
Pension Contributions receivable	**7,449,335**	-
Others	**7,855,309**	6,682,140
	198,240,811	275,790,202

Net cheques to be cleared are cheques collected and outstanding at close of business and which would be cleared on the next working day.

13. CURRENCY IN CIRCULATION

	2009 Rs	2008 Rs
Notes issued		
Face value		
2,000	**1,086,338,000**	776,128,000
1,000	**10,762,807,000**	9,259,299,000
500	**1,990,668,500**	1,875,211,000
200	**1,243,494,000**	1,198,665,000
100	**928,054,300**	867,941,200
50	**203,241,900**	222,583,200
25	**144,261,100**	141,513,225
Demonetised Notes	**224,038,885**	227,580,220
Total	**16,582,903,685**	14,568,920,845
Coins issued		
Face value		
20 rupees	**95,204,280**	34,086,740
10 rupees	**208,973,260**	200,753,440
5 rupees	**89,145,390**	85,596,600
1 rupee	**110,786,665**	105,364,869
50 cents	**26,208,287**	24,859,595
25 cents *	**6,347,654**	6,349,943
20 cents	**33,556,341**	31,540,321
10 cents *	**2,428,806**	2,430,325
5 cents	**7,973,965**	7,390,296
2 cents *	**330,517**	330,517
1 cent	**221,961**	221,701
Others**	**21,018,813**	19,832,848
Total	**602,195,939**	518,757,195
Total face value of Notes and Coins in Circulation	**17,185,099,624**	15,087,678,040

** These denominations have ceased to be issued by the Bank.*
*** Others include Gold Coins and Commemorative Coins.*

14. OTHER FINANCIAL LIABILITIES

	2009	2008
	Rs	Rs
Bank of Mauritius Bills	-	6,355,093,009
Bank of Mauritius Savings Bonds	943,400	943,400
	943,400	6,356,036,409

The Bank issues Bank of Mauritius Bills ("BOM Bills") 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.

At 30 June 2009, the nominal value of BOM Bills issued and outstanding was nil (2008: Rs6,509.5 million).

15. PROVISIONS

	2009	2008
	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 BENEFITS

Amounts recognised in the Balance Sheet:

	2009	2008
	Rs	Rs
Defined benefit plan (Note (a))	51,582,553	54,390,781
Short term employee benefits (Note (b))	63,366,352	46,635,890
	114,948,905	101,026,671

(a) Defined benefit plan

The Bank operates a defined benefit plan for some of its employees and the plan is wholly funded. The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

16. EMPLOYEE BENEFITS (CONT'D)

The report dated 30 June 2009 submitted by the State Insurance Company of Mauritius Ltd is produced hereunder.

(a) Defined benefit plan (Cont'd)

Amounts recognised in the Income Statement:

	2009	2008
	Rs	Rs
Current service cost	10,986,565	10,133,170
Scheme Expenses	352,554	-
Expected return on plan assets	(38,357,207)	(33,742,404)
Interest costs	41,837,559	42,531,300
Actuarial loss	-	196,066
Net periodic pension cost included in staff costs	14,819,471	19,118,132
Actual return on plan assets	(31,085,858)	46,591,697

Movements in liability recognised in the Balance Sheet:

	2009	2008
	Rs	Rs
At 1 July	54,390,781	51,080,000
Total expenses as per above	14,819,471	19,118,132
Employer contributions	(17,627,699)	(15,817,351)
Adjustment	-	10,000
At 30 June	51,582,553	54,390,781

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2009	2008
	Rs	Rs
At 1 July	(398,452,950)	(405,060,000)
Current service cost	(10,986,565)	(10,133,170)
Interest cost	(41,837,559)	(42,531,300)
Employee Contributions	(13,721)	(4,051)
Actuarial (losses)/gains	(1,915,050)	37,256,478
Benefits paid	20,373,122	22,019,093
At 30 June	(432,832,723)	(398,452,950)

16. EMPLOYEE BENEFITS (CONT'D)

(a) Defined benefit plan (Cont'd)

Movements in the present value of the plan assets in the current period were as follows:

	2009	2008
	Rs	Rs
At 1 July	350,244,006	309,850,000
Expected return on plan assets	38,357,207	33,742,404
Actuarial gains	(69,443,065)	12,849,293
Contributions from the employer	17,627,699	16,140,154
Employee Contributions	13,721	4,051
Benefits paid	(20,373,122)	(22,019,093)
Scheme expenses	(352,554)	(322,803)
At 30 June	316,073,892	350,244,006

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, are as follows:

	Expected rate of return at	
	30 June	30 June
	2009	2008
	%	%
Local equities	21	30
Overseas equities and bonds	14	15
Fixed interest	64	54
Others	1	1
Expected return on Plan Assets	11	11

Amounts recognised in the balance sheet:

	2009	2008
	Rs	Rs
Total market value of assets	316,073,892	350,244,006
Present value of plan liabilities	(432,832,723)	(398,452,950)
Deficit	(116,758,831)	(48,208,944)
Unrecognised actuarial loss/(gain)	65,176,278	(6,181,837)
	(51,582,553)	(54,390,781)

The overall expected rate of return on plan assets is determined by reference to market yields on bonds and expected yields differences on other types of assets held based on historical return trends.

The actual return on plan assets was (Rs31.09) million (2008: Rs46.59 million).

16.EMPLOYEE BENEFITS (CONT'D)

(a) Defined benefit plan (Cont'd)

The history of experience adjustments is as follows:-

	2009	2008	2007	2006
	Rs	Rs	Rs	Rs
Present value of defined benefit obligation	**(432,832,723)**	(398,452,950)	(405,060,000)	(365,610,000)
Fair value of plan assets	**316,073,892**	350,244,006	309,850,000	275,890,000
Deficit	**(116,758,831)**	(48,208,944)	(95,210,000)	(89,720,000)
Experience (losses)/gains on plan liabilities	**(1,915,050)**	37,256,478	(14,500,000)	31,240,000
Experience (losses)/gains on plan assets	**(69,443,065)**	12,849,293	13,310,000	6,600,000

The Bank expects to make a contribution of Rs19.8 million to the defined benefit plans during the next financial year. This estimate may be amended by the Bank of Mauritius on the basis of availability of more accurate information.

The principal actuarial assumptions used for accounting purposes were:

	2009 & 2008
Discount rate	10.5%
Expected return on plan assets	11.0%
Future long-term salary increases	7.5%
Post retirement mortality tables increases	5.5%

(b) Short term employee benefits

	2009	2008
	Rs	Rs
Provision for annual and sick leaves	**37,680,204**	23,403,899
Provision for air mileage	**25,686,148**	23,231,991
	63,366,352	46,635,890

An amount of Rs16,730,462 representing the increase in provision from Rs46,635,890 to Rs63,366,352 has been recognised in the Income Statement.

(c) Defined contribution pension fund

	2009	2008
	Rs	Rs
Contributions expensed	**19,113,159**	15,045,911

(d) State pension plan

	2009	2008
	Rs	Rs
National Pension Scheme contributions charged	**710,103**	676,100

17. OTHER LIABILITIES

	2009 Rs	2008 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	**1,199,958,160**	1,325,465,601
Suppliers' Credits	**79,710,109**	97,252,536
Balance Payable to the Government of Mauritius for Transfer to Consolidated Fund	**-**	559,823,879
Abandoned Funds from Banks	**237,212,845**	202,377,618
Interests and Charges Payable	**5,317,931**	10,429,776
Foreign Bills sent for Collection Contra	**793,068**	266,540
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	**169,200**	169,200
Staff Salaries and Other Benefits Payable	**56,663,776**	-
Others	**102,750**	102,750
	1,579,927,839	2,195,887,900

18. INCOME FROM FINANCIAL ASSETS

(i) Interest and Similar Income on Foreign Assets

	2009 Rs	2008 Rs
Deposit Accounts	**1,142,754,088**	1,713,395,380
Fixed Income	**869,916,092**	734,363,042
Special Drawing Rights	**12,276,580**	28,903,617
Repurchase Agreements	**18,787,539**	158,644,184
Current Accounts	**55,184,541**	34,713,236
Gold Deposits	**1,885,469**	1,376,433
	2,100,804,309	2,671,395,892

(ii) Interest and Similar Income on Local Assets

	2009 Rs	2008 Rs
Loans and Advances		
Leasing Facilities/Special Lines of Credit to EPZ, Freeport Sectors and Sugar Industry	**29,561,190**	54,388,462
Loans and Advances to Banks/Government	**1,012,110**	259,869
Special Line of Credit – National Equity Fund	**4,494,346**	4,491,783
Repurchase Transactions	**55,910,713**	-
	90,978,359	59,140,114
Other Government Securities	**3,405,445**	4,065,487
Other Loans	**3,025,647**	1,841,599
	97,409,451	65,047,200

18. INCOME FROM FINANCIAL ASSETS (CONT'D)

(iii) Others

	2009	2008
	Rs	Rs
Revaluation of Government Securities	**44,724,646**	102,089,797
Profit on Sale of Government of Mauritius Treasury Bills – Secondary Market Cell	**29,497,308**	18,737,692
Dividend Received	**1,018,245**	701,507
Loss on Sale of Industrial Gold and Dodo Gold Coins	**(598,917)**	(201,097)
Profit on Issue of Mauritius Commemorative Coins	**5,804,944**	524,995
Profit on Sale of Coins	**1,539**	705
	80,447,765	121,853,599
Total Income from Financial Assets	**2,278,661,525**	2,858,296,691

19.OTHER INCOME

	2009	2008
	Rs	Rs
Processing and Licence Fees	**28,200,920**	21,000,315
MACSS & MCIB Fees	**5,542,651**	3,314,227
Commissions	**354,444**	558,284
Rent	**48,150**	26,100
Pension Contributions receivable	**7,449,335**	-
Profit on Sale of Fixed Assets	**716,003**	666,106
	42,311,503	25,565,032

20.EXPENDITURE ON FINANCIAL LIABILITIES

	2009	2008
	Rs	Rs
Interest Expense and Similar Charges		
Government of Mauritius Accounts	**218,304,738**	23,406,508
IBRD Financial Sector Infrastructure Project Loan	**-**	3,521,444
	218,304,738	26,927,952

Interest paid to Government on its accounts maintained by the Bank increased substantially as high balances were maintained in both their rupee and foreign currency accounts.

21. STAFF SALARIES AND OTHER BENEFITS

	2009	2008
	Rs	Rs
Staff Salaries and Allowances*	**157,975,659**	174,466,144
Staff Salaries and Allowances Payable**	**56,663,776**	-
Pension Cost	**16,304,931**	19,450,935
Staff Family Protection Scheme	**4,513,270**	5,174,433
National Savings Fund	**710,103**	676,100
	236,167,739	199,767,612

** The amount of Rs157,975,659 includes an increase in provision for short term employee benefits amounting to Rs16,730,462 (see note 16(b)).*
***The amount of Rs56,663,776 represents payments to be effected to employees of the Bank following the implementation of the Salary Review Report dated August 2009.*

22. COIN AND NOTE ISSUE EXPENSES

Coin issue expenses were lower in financial year (FY) 2009 as expenses related to issue of existing family of coins whereas expenditure in FY2008 included the cost of minting of the new Rs20 coin. Note issue expenses also decreased in FY2009 compared to FY2008 as expenditure was incurred mainly for the purchase of consumables for sorting banknotes compared to the reprint of the existing family of banknotes in FY2008.

23. DIRECTORS' REMUNERATION

	2009	2008
	Rs	Rs
Governor	**3,885,212**	3,771,844
Deputy Governors (2)	**4,463,573**	4,646,395
Other Directors (6)	**2,160,000**	2,160,000
	10,508,785	10,578,239

Directors are paid a monthly fee of Rs30,000. Directors who are also members of the Monetary Policy Committee are, in addition, paid a fee of Rs20,000 per month.

24. OTHER EXPENDITURE

	2009	2008
	Rs	Rs
Stationery and Library	**3,613,966**	3,041,846
Postage, Telephone and Reuters	**14,168,800**	14,570,252
Others	**118,665**	52,338
	17,901,431	17,664,436

25. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009	2008
	Rs	Rs
Net Profit/(Loss) for the Year	**5,394,043,300**	(3,206,821,461)
Adjustments for:		
Non-Cash Increase in Employee Benefits	**13,922,234**	49,946,671
Amortisation of Intangible Assets	**106,200**	170,384
Depreciation of Property, Plant and Equipment	**108,783,063**	105,952,329
Profit on Sale of Property, Plant and Equipment	**(716,003)**	(666,106)
Dividend Received	**(1,018,245)**	(701,507)
Fair Value(decrease)/increase on Other Investments	**(3,071,242)**	1,994,524
Operating Profit Before Working Capital Changes	**5,512,049,307**	(3,050,125,166)
Decrease/(Increase) in Interest Receivable	**556,850,166**	(291,273,664)
Decrease in Loans and Advances	**373,392,989**	536,032,945
Decrease in Other Assets	**77,549,391**	286,009,855
Increase in Notes and Coins in Circulation	**2,097,421,584**	1,496,556,872
Increase in Government Demand Deposits	**5,698,861,713**	3,888,187,067
Increase in Banks' Demand Deposits	**814,271,973**	2,452,625,621
(Decrease)/Increase in Other Financial Institutions' Demand Deposits	**(14,673,632)**	7,940,175
Decrease in Other Demand Deposits	**(192,337,422)**	(531,445,230)
Increase/(Decrease) in Other Liabilities	**69,371,259**	(157,744,505)
(Decrease)/Increase in Other Financial Liabilities	**(6,355,093,009)**	385,164,630
Net Cash Inflow From Operating Activities	**8,637,664,319**	5,021,928,600

26. OPEN MARKET OPERATIONS

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development undertakes open market operations to manage liquidity conditions in the domestic foreign and money markets. As such, open market operations are broadly conducted through the issue of Bank of Mauritius Bills, outright sale and purchase of Government securities, conduct of repurchase transactions, special deposit facility and intervention in the domestic foreign exchange market to smooth out any unwarranted volatilities in the rupee exchange rate and improve the functioning of these markets.

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 with change of ownership of the portfolio of bills given as collateral.

27. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2009 is as follows:

Capital Subscription in the African Export - Import Bank

The Bank has a commitment to pay on call USD918,000 for capital subscription in the African Export-Import Bank. This amount has not been accounted for as a liability in the financial statements.

There were no other contingent liability that existed at 30 June 2009.

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
New Staff Quarters - Rodrigues	24,000	120,000	348,000	492,000
New Office Building - Rodrigues	100	500	1,800	2,400
Archiving - Plaine-Lauzun DBM	330,000	110,000	-	440,000
Fallback Site - BPML	633,133	107,146	-	740,279
Others	10,000	40,000	-	50,000
	997,233	377,646	349,800	1,724,679

An amount of Rs962,400 (2008: Rs924,046) has been expensed in the Income Statement for the year.

29. 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.

As the monetary authority for Mauritius, the Bank's activities are policy orientated. In the course of carrying out its functions, the Bank is faced with financial risks, operational risks and reputational risks. The main financial risks to which the Bank is exposed to are credit risk, interest rate risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Bank.

The foreign exchange risk or the capital loss as a consequence of fluctuations in the exchange rates is managed mainly through diversification of currency portfolios in which the Bank invests. In the management of foreign exchange reserves, minimising liquidity risk and maximising safety and preservation of capital are the prime considerations in order to achieve its prime objectives.

The internal controls and risk management processes are audited regularly by the Internal Audit Division which submits its report to the Audit Committee of the Bank.

29. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Categories of financial instruments

	2009 Rs	2008 Rs
Financial Assets		
Fair value through profit or loss(FVTPL)		
- Designated as at FVTPL	**481,344,090**	605,471,161
Loans and receivables (including cash and cash equivalents)	**63,906,070,376**	58,089,825,985
	64,387,414,466	58,695,297,146
Financial Liabilities		
Fair value through profit or loss(FVTPL)		
- Designated as at FVTPL	**943,400**	6,356,036,409
Amortised cost	**24,138,401,705**	17,814,986,273
	24,139,345,105	24,171,022,682

(iii) 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 adversely impact on the Bank's future cash inflows from financial assets held at the balance sheet date.

The Bank is exposed to credit risk which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk on the securities held by the Bank is managed by holding only high quality marketable securities issued chiefly by Government of Mauritius. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Credit risk also arises when the Bank provides liquidity to financial institutions through open market operations as part of monetary policy implementation.

(a) The Bank's significant end-of-year concentration of credit exposure by geographical area was as follows:

	2009 Rs	2008 Rs
Mauritius	**1,076,077,160**	1,570,262,066
USA	**5,915,248,187**	15,837,640,881
United Kingdom	**10,711,974,140**	10,103,725,393
Europe	**46,503,760,210**	22,342,342,110
Others	**180,354,769**	8,841,326,696
	64,387,414,466	58,695,297,146

(b) Concentrations of Credit Exposure

The Bank's significant end-of-year concentration of credit exposure by counterparty types was as follows:

	2009 Rs	2008 Rs
Government	**626,104,170**	11,059,744,650
Supranational Financial Institutions	**939,976,670**	1,075,034,100
Foreign Banks and Financial Institutions	**62,070,282,336**	45,544,188,949
Other	**751,051,290**	1,016,329,447
	64,387,414,466	58,695,297,146

(c) Credit Exposure by Credit Rating

The following table presents the credit ratings of respective financial assets, based on the ratings of Standard and Poor's, Fitch Ratings and Moody's ratings. Under Fitch Ratings, AAA is the highest possible credit quality rating and indicates the lowest expectation of credit risk. It is assigned only in the case of exceptionally strong capacity for timely payment of financial commitments. AA is a very high credit quality grade, indicating a very low expectation of credit risk, and A is an upper medium grade, indicating a low expectation of credit risk; BBB is the lowest investment grade rating, indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories. NR indicates the entity has not been rated by Standard and Poor's, Fitch Ratings and Moody's. The Bank's investment in the shares in Afreximbank and SWIFT which typically do not obtain ratings and in Gold are denoted as NR. The Bank's investments with foreign Central Banks are presented separately.

Baa2 denotes ratings of Moody.

	Credit Rating	**2009 Rs**	**%**	2008 Rs	%
Cash & Cash Equivalents	Central Banks	**29,291,540,861**	**46.26**	17,273,953,469	30.24
	AA+	**18,245**	**0.00**	2,019,027,223	3.54
	AA	**1,297,572**	**0.00**	2,469,591,861	4.32
	Baa2	**79,980**	**0.00**	30,720	0.00
	NR	**1,490,298,062**	**2.35**	2,152,553,491	3.77
Other Balances and Placements	Central Banks	**32,354,319,155**	**51.11**	31,676,644,609	55.45
	AA+	**-**	**-**	372,539,504	0.65
	AA	**-**	**-**	430,553,242	0.75
Interest Receivable	Central Banks	**152,387,926**	**0.24**	611,885,664	1.07
	AA+	**45**	**0.00**	45,109,806	0.08
	AA	**3,208**	**0.00**	54,702,627	0.10
	Baa2	**198**	**0.00**		
	NR	**3,684,001**	**0.01**	1,227,447	0.00
Other Investments	NR	**20,286,659**	**0.03**	17,215,417	0.03
Total External Assets		**63,313,915,912**	**100.00**	57,125,035,080	100.00

29. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Credit Risk (Cont'd)

	Credit Rating	2009 Rs	%	2008 Rs	%
Loans and Advances	AA+	**12,953,226**	**1.21**	171,142,739	10.90
	Baa2	**433,222,818**	**40.40**	636,127,976	40.51
	NR	**145,978,420**	**13.51**	157,520,190	10.03
Financial Assets	Baa2	**481,344,090**	**44.88**	605,471,161	38.56
Total Domestic Financial Assets		**1,073,498,554**	**100.00**	1,570,262,066	100.00
Summary by Major Credit Category					
External Assets	Central Banks	**61,798,247,942**	**97.61**	49,562,483,742	86.76
	AA+	**18,290**	**-**	2,436,676,533	4.27
	AA	**1,300,780**	**-**	2,954,847,730	5.17
	Baa2	**80,178**	**-**	30,720	-
	NR	**1,514,268,722**	**2.39**	2,170,996,355	3.80
Total External Assets		**63,313,915,912**	**100.00**	57,125,035,080	100.00
Local Financial Assets	AA+	**12,953,226**	**1.21**	171,142,739	10.90
	Baa2	**914,566,908**	**85.28**	1,241,599,137	79.07
	NR	**145,978,420**	**13.51**	157,520,190	10.03
Total Domestic Financial Assets		**1,073,498,554**	**100.00**	1,570,262,066	100.00
Total Financial Assets		**64,387,414,466**		58,695,297,146	

(iv) Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet financial commitments as and when they arise. Liquidity risk is also the risk arising from the possibility of an entity not realising the fair value of a financial asset that it may have to dispose of to meet a financial obligation.

In order to reduce the level of liquidity risk arising out of open market operations, the Bank requires highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans after applying a haircut.

The Bank manages liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they arise, as well as to intervene on the domestic foreign exchange market. The Bank has set limits with regard to currency and counterparty exposures to contain the risk.

29. FINANCIAL INSTRUMENTS (CONT'D)

(iv) Liquidity Risk

Maturity Analysis

At 30 June 2009	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Assets							
Foreign Assets	29,999,333,430	10,436,936,134	6,466,269,439	15,451,113,580	960,263,329	-	63,313,915,912
Loans and Advances	67,793,394	32,218,434	47,742,635	37,946,045	331,717,032	-	517,417,540
Financial Assets	98,553,313	24,988,917	100,007,509	65,901,843	191,892,508	-	481,344,090
Computer Software	-	-	-	67,475	-	-	67,475
Property, Plant and Equipment	-	-	-	-	1,959,636,042	-	1,959,636,042
Other Assets	-	-	-	-	-	198,240,811	198,240,811
Total Assets	30,165,680,137	10,494,143,485	6,614,019,583	15,555,028,943	3,443,508,911	198,240,811	66,470,621,870
Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	17,185,099,624	17,185,099,624
Demand Deposits	23,821,478,751	-	-	-	-	-	23,821,478,751
Other Financial Liabilities	943,400	-	-	-	-	-	943,400
Provisions	-	-	-	-	100,000,000	-	100,000,000
Employee Benefits	-	-	-	-	-	114,948,905	114,948,905
Other Liabilities	-	1,199,958,160	-	-	379,969,679	-	1,579,927,839
Total Liabilities	23,822,422,151	1,199,958,160	-	-	479,969,679	17,300,048,529	42,802,398,519
Net Liquidity Gap	6,343,257,986	9,294,185,325	6,614,019,583	15,555,028,943	2,963,539,232	(17,101,807,718)	23,668,223,351

29. FINANCIAL INSTRUMENTS (CONT'D)

(iv) Liquidity Risk (Cont'd)

Maturity Analysis

At 30 June 2008	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Assets							
Foreign Assets	24,894,432,773	14,646,345,912	4,219,855,653	2,402,613,631	10,961,787,111	-	57,125,035,080
Loans and Advances	123,476,512	132,134,845	90,719,965	64,448,354	480,030,853	-	890,810,529
Financial Assets	449,962,237	18,044,500	-	-	137,464,424	-	605,471,161
Computer Software	-	-	-	173,675	-	-	173,675
Property, Plant and Equipment	-	-	-	-	1,932,842,703	-	1,932,842,703
Other Assets	-	-	-	-	-	275,790,202	275,790,202
Total Assets	25,467,871,522	14,796,525,257	4,310,575,618	2,467,235,660	13,512,125,091	275,790,202	60,830,123,350
Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	15,087,678,040	15,087,678,040
Demand Deposits	17,515,356,119	-	-	-	-	-	17,515,356,119
Other Financial Liabilities	3,273,753,608	345,841,682	2,736,441,119	-	-	-	6,356,036,409
Provisions	-	-	-	-	100,000,000	-	100,000,000
Employee Benefits	-	-	-	-	-	101,026,671	101,026,671
Other Liabilities	559,823,879	1,325,465,601	-	-	310,598,420	-	2,195,887,900
Total Liabilities	21,348,933,606	1,671,307,283	2,736,441,119	-	410,598,420	15,188,704,711	41,355,985,139
Net Liquidity Gap	4,118,937,916	13,125,217,974	1,574,134,499	2,467,235,660	13,101,526,671	(14,912,914,509)	19,474,138,211

29. FINANCIAL INSTRUMENTS (CONT'D)

(v) 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 policy pertaining to changes in fair values due to changes on exchange rates is explained at section (vi) below.

The rates on financial assets and financial liabilities which are interest-bearing are set at or around current market levels.

The Bank's reserves management includes investments in a variety of foreign currency denominated cash, deposits and other securities. The Bank's objective is to maximise return within the constraints of liquidity and safety and these are effected through investments with sound financial institutions.

The following table demonstrates the sensitivity of the Bank's profit to interest rate changes, all other variables held constant.

	Increase/decrease in the yield curve overseas	**Effect on Profit Rs 2009**	**Effect on Profit Rs** 2008
Foreign Currency Portfolio	**+0.5%**	**316,569,580**	1,554,427,300
	-0.5%	**(301,298,254)**	(1,562,677,848)
	Increase/decrease in basis points		
Government Securities	**+50**	**(685,873)**	(1,056,962)
	-50	**689,251**	1,070,957

Government Securities are marked to market in the Balance Sheet of the Bank of Mauritius as they are sold over the counter and traded on the Stock Exchange of Mauritius.

The tables below summarise the Bank's exposure to interest rate risk.

29. FINANCIAL INSTRUMENTS (CONT'D)

(v) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Over 12 months Rs	Non-interest bearing Rs	Total Rs
At 30 June 2009							
Assets							
Foreign Assets	29,843,258,052	10,436,936,134	6,466,269,439	15,451,113,580	960,263,329	156,075,378	63,313,915,912
Loans and Advances	67,793,394	32,218,434	47,742,635	37,946,045	331,717,032	-	517,417,540
Financial Assets	98,553,313	24,988,917	100,007,509	65,901,843	191,892,508	-	481,344,090
Computer Software	-	-	-	-	-	67,475	67,475
Property, Plant and Equipment	-	-	-	-	-	1,959,636,042	1,959,636,042
Other Assets	-	-	-	-	-	198,240,811	198,240,811
Total Assets	30,009,604,759	10,494,143,485	6,614,019,583	15,554,961,468	1,483,872,869	2,314,019,706	66,470,621,870
LESS: Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	17,185,099,624	17,185,099,624
Demand Deposits	-	-	-	-	-	23,821,478,751	23,821,478,751
Other Financial Liabilities	943,400	-	-	-	-	-	943,400
Provisions	-	-	-	-	-	100,000,000	100,000,000
Employee Benefits	-	-	-	-	-	114,948,905	114,948,905
Other Liabilities	-	-	-	-	-	1,579,927,839	1,579,927,839
Total Liabilities	943,400	-	-	-	-	42,801,455,119	42,802,398,519
On Balance Sheet Interest Sensitivity Gap	30,008,661,359	10,494,143,485	6,614,019,583	15,554,961,468	1,483,872,869	(40,487,435,413)	23,668,223,351

9. FINANCIAL INSTRUMENTS (CONT'D)

(v) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Over 12 months Rs	Non-interest bearing Rs	Total Rs
At 30 June 2008							
Assets							
Foreign Assets	13,401,365,680	18,004,899,930	1,417,544,700	12,626,512,115	10,961,787,111	712,925,544	57,125,035,080
Loans and Advances	123,476,512	132,134,845	90,719,965	64,448,354	480,030,853	-	890,810,529
Financial Assets	-	-	-	468,006,737	137,464,424	-	605,471,161
Computer Software	-	-	-	-	-	173,675	173,675
Property, Plant and Equipment	-	-	-	-	-	1,932,842,703	1,932,842,703
Other Assets	-	-	-	-	-	275,790,202	275,790,202
Total Assets	13,524,842,192	18,137,034,775	1,508,264,665	13,158,967,206	11,579,282,388	2,921,732,124	60,830,123,350
LESS: Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	15,087,678,040	15,087,678,040
Demand Deposits	-	-	-	-	-	17,515,356,119	17,515,356,119
Other Financial Liabilities	1,415,011,800	1,858,741,808	-	3,082,282,801	-	-	6,356,036,409
Provisions	-	-	-	-	-	100,000,000	100,000,000
Employee Benefits	-	-	-	-	-	101,026,671	101,026,671
Other Liabilities	-	-	-	-	-	2,195,887,900	2,195,887,900
Total Liabilities	1,415,011,800	1,858,741,808	-	3,082,282,801	-	34,999,948,730	41,355,985,139
On Balance Sheet Interest Sensitivity Gap	12,109,830,392	16,278,292,967	1,508,264,665	10,076,684,405	11,579,282,388	(32,078,216,606)	19,474,138,211

29. FINANCIAL INSTRUMENTS (CONT'D)

(v) Interest Rate Risk (Cont'd)

Effective Interest Rates

The interest-bearing assets earn interest at rates ranging from 4.50% p.a. to 6.50% p.a. (2008: 6.77% p.a. to 13.56% p.a.) for assets denominated in Mauritian rupee and from 0% p.a. to 7.12% p.a. (2008: 0.02% p.a. to 9.00% p.a.) for foreign currency denominated cash deposits and other securities.

The interest-bearing liabilities bear interest at rates ranging from 4.50% p.a. to 7.00% p.a. (2008: 6.75% p.a. to 11.70% p.a.) for liabilities denominated in Mauritian rupee and from 0% p.a. to 2.75% p.a. (2008: 5.99% p.a. to 7.30% p.a.) for liabilities denominated in foreign currencies.

(vi) Foreign Currency Risk

The Bank of Mauritius has monetary assets and liabilities denominated in foreign currencies, which consist mainly of currencies of the major trading partners of Mauritius. The liabilities represent mainly deposit accounts maintained by its customers.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside a reserve called Special Reserve Fund, which is used to cater for movements due to appreciation/depreciation in foreign currencies, Gold and SDR.

The Bank considers it has a well diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank's External Assets based on the SDR Basket is as follows:

	2009 Rs million	2008 Rs million
SDR Basket	**51,864.33**	46,251.75
Non SDR Basket	**11,449.58**	10,873.29
	63,313.91	57,125.04

The SDR Basket comprises the following currencies: JPY, EUR, GBP and USD.

The following table demonstrates the sensitivity of the Bank's equity to exchange rate changes, all other variables held constant.

	Increase/ decrease in MRU rate	**Effect on Equity Rs mn 2009**	**Effect on Equity Rs mn** 2008
Foreign Currency Portfolio	**50 cents**	**1,038.81**	1,047.20
	-50 cents	**(1,038.81)**	(1,047.20)

29. FINANCIAL INSTRUMENTS (CONT'D)

(vii) Fair Values and Carrying Amount

The fair value of the financial assets and financial liabilities approximate their carrying amounts at balance sheet date.

(viii) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity investment are disclosed in Note 3 to the financial statements.

30. CAPITAL RISK MANAGEMENT

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. The paid up capital presently stands at Rs1 billion.

31. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius, the shareholder, are disclosed in notes 9, 17 and 18 to the financial statements.

Emoluments payable to Directors are disclosed in note 23 as per their terms of appointment.

The Bank contributes for the post retirement benefits for some of its employees including the First Deputy Governor. An amount of Rs803,950 representing an adjustment in contribution in respect of the previous Governor was paid during the year. The contribution for the First Deputy Governor was Rs 304,420.

32. 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 also remunerates the Bank on a quarterly basis on its SDR Holdings.

The Bank maintains two current accounts and one securities account for the IMF. The IMF No. 1 and No. 2 accounts appear under the heading "Demand Deposits from Other Financial Institutions". The Securities Account is kept off Balance Sheet.

Any quota increase is subscribed in local currency and in any freely convertible currency.

The portion payable in freely convertible currency is paid in cash by Government while the part in local currency is paid by way of non-negotiable, non-interest bearing notes issued by Government in favour of IMF, which are repayable on demand. These notes are lodged with the Bank acting as custodian for the IMF. The Securities Account form part of the 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 on 30 April and also whenever the Fund makes use of Mauritian rupees in accordance with the IMF Designation Plan.

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Appendix I Board Directors

Chairman	Mr Rundheersing Bheenick, Governor
Director	Mr Yandraduth Googoolye, First Deputy Governor
Director	Dr Ahmad Jameel Khadaroo, Second Deputy Governor
Director	Mr Mohunlall Ramphul
Director	Mr Shyam Razkumar Seebun
Director	Mr Jacques Tin Miow Li Wan Po
Director	Mr Jean George Archimede Lascie
Director	Mr Kader Bhayat S.C.
Director	Mr Gooroonaden Vydelingum

Appendix II Monetary Policy Committee

Members

Mr Rundheersing Bheenick	Governor and Chairperson
Mr Yandraduth Googoolye	First Deputy Governor
Dr Ahmad Jameel Khadaroo	Second Deputy Governor
Mr Jacques Tin Miow Li Wan Po	Board Director of the Bank of Mauritius
Mr Shyam Razkumar Seebun	Board Director of the Bank of Mauritius
Mr Jagnaden Padiaty Coopamah	External Member
Mr Pierre Dinan	External Member
Professor Stefan Gerlach	External Member Professor of Monetary Economics at the Institute for Monetary and Financial Stability, Johann Wolfgang Goethe University of Frankfurt, Germany

Observers

Mr Hemraz Oopuddhye Jankee	Chief Economist, Bank of Mauritius
Dr Streevarsen Narrainen	Senior Economic Adviser, Ministry of Finance and Economic Empowerment

Honorary Adviser

Dr Mario I. Blejer	Director and Member of the Board of YPF, the Argentine Petroleum Company, and the IRSA SA as well as a consultant

Appendix III Senior Management Officials

Governor	Mr Rundheersing Bheenick
First Deputy Governor	Mr Yandraduth Googoolye
Second Deputy Governor	Dr Ahmad Jameel Khadaroo

Secretary	Mrs Hemlata Sadhna Sewraj-Gopal
Chief Economist	Mr Hemraz Oopuddhye Jankee
Director - Supervision	Mr Nurani Subramanian Vishwanathan
Head - Corporate Services Division	Mr Radhakrishnan Sooben
Head - Accounting & Budgeting Division	Mr Jayendra Kumar Ramtohul
Head - Regulation, Policy & Licensing Division	Mr Ramsamy Chinniah
Head - Financial Markets Operations Division	Mr Jaywant Pandoo
Head - Financial Markets Analysis Division	Mrs Marjorie Marie-Agnes Heerah Pampusa
Director - Change Management Office	Mr Mardayah Kona Yerukunondu
Head - Economic Analysis Division	Mr Mahendra Vikramdass Punchoo
Head - Statistics Division	Mr Jitendra Nathsingh Bissessur
Head - Banking & Currency Division	Mr Anil Kumar Tohooloo
Head - Supervision, On-Site Division	Mrs Sudha Hurrymun
Head - Internal Audit	Mr Yuntat Chu Fung Leung
Head - Payments System & MCIB Division	Mr Dhanesswurnath Thakoor
Head - Supervision, Off-Site Division	Mr Deenesh Ghurburrun

Appendix IV Meetings attended by Governor, First Deputy Governor and Second Deputy Governor

Governor attended:

- the AACB Symposium/Assembly of Governors (Kigali, Rwanda – August 2008)
- the Meeting of the Committee of Central Bank Governors in SADC (Cape Town, South Africa – September 2008)
- the Commonwealth Conference for Ministers of Finance/Governors and the Annual General Meetings of IMF/World Bank (St Lucia and Washington DC, USA – October 2008)
- the African Economic Conference on the Financial Crisis, organised by ADB, UNECA (Tunis, Tunisia – November 2008)
- the Meeting of Governors of Francophone Countries on “Global Financial Crisis” (Abidjan, Cote D’Ivoire – December 2008)
- the Central Bank Governors Forum/50^{th} Anniversary of Bank Negara (Kuala Lumpur, Malaysia – February 2009)
- the High Level Conference on “Changes – Successful Partnerships for Africa’s Growth Challenge” hosted jointly by the President of Tanzania and the IMF (Dar-Es-Salaam, Tanzania – March 2009)
- the IMF/IBRD Meetings and a Forum organised by the Sovereign Investment Partnership (Washington DC, USA – April/May 2009)
- the 16^{th} Meeting of Governors of Francophone Countries (Nice, France – May 2009)
- the Meeting of the Committee of Central Bank Governors in SADC (Pretoria, South Africa – May 2009)
- a Forum at the Commonwealth Business Council, a Roundtable on “Challenges for African Central Banks in the new Financial Environment”, a Conference on “Emerging Financial Stability Frameworks” and the Annual Meeting of the BIS (London. UK and Basel, Switzerland-June/July 2009)

The First Deputy Governor attended:

- the 15^{th} International Conference of Banking Supervisors (Brussels, Belgium – September 2008)
- the FSI/WB/IMF Seminar on the Supervision and Regulation of state-owned banks and the FICCI-IBA Conference on Global Banking Paradigm Shift: Navigating Successfully in an uncertain world; and the Conference held by the Islamic Financial Services Board and the Institute of International Finance (Mumbai, India and Kuala Lumpur, Malaysia – November 2008)
- the High Level Meeting on Recent Developments in Financial Markets and Supervisory Responses (Cape Town, South Africa – January 2009)
- the OGBS Meeting (London, UK – March/April 2009)
- the FSI – Bank of Spain Conference on Procyclicality and the Role of Financial Regulation and the Celebrations on the occasion of the 35^{th} Anniversary of the Central Bank of Swaziland (Madrid, Spain and Swaziland – May 2009)
- the World Bank/IMF/FRB 9^{th} Annual International Seminar on Policy Challenges for the Financial Sector (Washington DC, USA – June 2009)

The Second Deputy Governor attended:

- the Board Meeting of Afreximbank (Windhoek, Namibia – March 2009)
- the 7^{th} Assembly of the Islamic Financial Services Board (Riyadh, Kingdom of Saudi Arabia – March/April 2009)
- the Conference on Central Banking, Financial System Stability and Growth organised by the Central Bank of Nigeria (Abuja, Nigeria – May 2009)

Appendix V Overseas Training Courses/ Seminars/Workshops

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/ SEMINAR/ WORKSHOP	HOST/VENUE
Mrs N Mihdidin	Analyst	Chief Economist's Office	14 to 18 July 2008	Course on Modern Monetary Economics	IMF Headquarters, Washington
Mr S Jugoo	Analyst	Statistics	21 to 25 July 2008	Seminar on Balance of Payments and International Investment Position Manual	Accra, Ghana
			15 & 16 June 2009	Workshop on Improving Statistics on International Trade in Services	Durban, South Africa
Mr S Nabelah	Bank Officer Grade I	Banking & Currency	23 to 25 July 2008	Currency Management Seminar	SARB - Pretoria, South Africa
Mr R Kallychurn	Analyst Programmer	IT	28 to 30 July 2008	SADC Payment System Project's Annual Regional Conference	Centurion, South Africa
Mr J N Bissessur	Head	Statistics	29 to 31 July 2008	Workshop on GDDS2 External Sector Module	Bank of Uganda - Kampala, Uganda
			26 to 28 May 2009	Workshop for the GDDS2 Project	Kampala, Uganda
Mrs P S Hurree Gobin	Chief	Statistics	29 to 31 July 2008	Workshop on GDDS2 External Sector Module	Bank of Uganda - Kampala, Uganda
			17 to 21 November 2008	Seminar on Remittances Statistics	Joint Africa Institute – Tunis, Tunisia
			26 to 28 May 2009	Workshop on the GDDS2 Project	Kampala, Uganda
Mr M V Punchoo	Head	Economic Analysis	01 & 02 August 2008	Meeting of the Group of African Governors of the IMF and the World Bank	Nouakchott, Mauritania

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/ SEMINAR/ WORKSHOP	HOST/VENUE
Mr M V Punchoo	Head	Economic Analysis	26 to 28 November 2008	Mobilisation Workshop for the Review of the SADC Macroeconomic Convergence Programme and the Meeting of the SADC Macroeconomic Subcommittee	SADC Secretariat – Gaborone, Botswana
Mr R Bullyraz	Senior Bank Examiner	Regulation, Policy and Licensing	04 to 08 August 2008	Fundamentals of Islamic Finance Course	Bank Negara, Malaysia
Mr A Haulkhory	Analyst	Statistics	05 to 07 August 2008	Seminar on the CDIS for countries from Anglophone Africa	SARB - Pretoria, South Africa
			26 to 28 May 2009	Workshop on the GDDS2 Project	Kampala, Uganda
Mrs P G D Veerapatren	Bank Officer Grade I	Banking & Currency	11 to 15 August 2008	Cash Management & Combating Counterfeit Money Course	Kenya School of Monetary Studies, Kenya
Mr A K Dowlut	Senior Analyst Programmer	IT	18 to 22 August 2008	COBIT Training Workshop	Lobito, Angola
			02 to 06 March 2009	SADC Central Banks IT Forum Annual Conference	Maseru, Lesotho
Mr I F Beekun	Analyst Programmer	IT	26 to 29 August 2008	Africa Bankmaster User Group Meeting 2008	Bangalore, India
Miss M Mudhoo	Analyst	Economic Analysis	01 to 05 September 2008	Economic Modelling and Forecasting Seminar	Gaborone, Botswana
			29 June to 10 July 2009	Course on Monetary and Exchange Rate Policy(MERP)	Stellenbosch, South Africa

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/ SEMINAR/ WORKSHOP	HOST/VENUE
Miss B N Issack	Analyst	Statistics	01 to 05 September 2008	Economic Modelling and Forecasting Seminar	Gaborone, Botswana
Mr J K Ramtohul	Head	Accounting & Budegting	02 to 05 September 2008	8th ECB Seminar on Payment and Settlement Issues	Frankfurt am Main, Germany
Miss M L J Jhamna	Analyst	Economic Analysis	08 to 12 September 2008	Training Workshop on Econometric Analysis of Macroeconomic Policies	COMESA - Lusaka, Zambia
Mrs S Hurrymun	Head	Supervision, On-site	10 to 12 September 2008	Meeting of the Committee of Central Bank Officials in SADC	Cape Town, South Africa
			16 to 18 April 2009	FIP Mobilisation Workshop	Johannesburg, South Africa
Mr G Gonpot	Chief	Regulation, Policy & Licensing	15 to 17 September 2008	Workshop on Current Issues on Financial System Development and Stability	COMESA - Lusaka, Zambia
Mr H O Jankee	Chief Economist	-	18 September 2008	Bank of Namibia Symposium	Windhoek, Namibia
			01 December 2008	Regional Financial Integration Workshop	Tunis, Tunisia
			04 & 05 December 2008	Meeting of Governors of Francophone Countries on "Global Financial Crisis"	Abidjan, Cote D'Ivoire
			12 to 14 May 2009	SDDS Meeting	Windhoek, Namibia
Mrs Y Seeburrun	Senior Bank Examiner	Supervision, Off-site	22 to 26 September 2008	Financial Stability Course	Kenya School of Monetary Studies, Nairobi, Kenya
Mrs V Soyjaudah	Chief	Financial Stability Unit	22 September to 03 October 2008	Financial Stability Course	Study Centre, Gerzensee Switzerland

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/ SEMINAR/ WORKSHOP	HOST/VENUE
Mrs M Ramdhan	Chief	Supervision, Off-site	06 & 07 October 2008	Launch of Basel II Reporting System & International Seminar on “Use of XBRL for Developing Economies – Central Banks' Perspectives”	Reserve Bank of India – Pune, India
Mr V K Ranlaul	Analyst Programmer	IT	06 & 07 October 2008	Launch of Basel II Reporting System & International Seminar on “Use of XBRL for Developing Economies – Central Banks' Perspectives”	Reserve Bank of India – Pune, India
Mr K Kissoon	Acting Administrative Officer	Banking & Currency	12 to 15 October 2008	Currency Conference	Prague, Czech Republic
Mr B Kwok Chung Yee	Executive Assistant	First Deputy Governor's Office	14 to 16 October 2008	FSI Seminar on the Basel II Advanced Measurement Approaches for Operational Risk-Current State and Key Outstanding Issues	Basel, Switzerland
Mr J Pandoo	Head	Financial Markets Operations	20 to 23 October 2008	AMF-BIS Reserve Management Seminar	Abu Dhabi
			04 March 2009	3rd Islamic Financial Services Forum: The European Challenge	Paris, France
Mr R Sooben	Head	Corporate Services	20 to 24 October 2008	COMESA Meetings on Monetary Cooperation	Cairo, Egypt

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/ SEMINAR/ WORKSHOP	HOST/VENUE
Mr R Sooben	Head	Corporate Services	28 October to 02 November 2008	15th General Meeting of Afreximbank	Kampala, Uganda
Mrs P Keerodhur	Senior Bank Examiner	Regulation, Policy & Licensing	20 to 24 October 2008	"Séminaire Destiné Aux Superviseurs Francophones Des Organismes De Contrôle Des Banques Des Pays En Développement"	Banque de France - Paris, France
Mr A Jhary	Chief	Accounting and Budgeting	27 & 28 October 2008	ECB Seminar on Financial Accounting and Reporting Issues for Central Banks	Frankfurt am Main, Germany
Mr S Ramnarainsing	Chief	Accounting and Budgeting	27 & 28 October 2008	ECB Seminar on Financial Accounting and Reporting Issues for Central Banks	Frankfurt am Main, Germany
Mr S Vadeevaloo	Senior Bank Examiner	Supervision, Off-Site Division	27 to 31 October 2008	Bank Supervision Course	Federal Reserve Bank - New York, USA
Mrs R Jutton-Gopy	Legal Officer	Legal	28 & 29 October 2008	SADC Anti-Money Laundering Workshop	Pretoria, South Africa
			20 to 24 April 2009	Evaluator's Training to Conduct Anti-Money Laundering and Combating the Financing of Terrorism Mutual Evaluation	Mombassa, Kenya
M1r J K Choolhun	Chief	Financial Markets Operations	28 to 30 October 2008	Meeting of the CCBG Financial Markets Subcommittee	Pretoria, South Africa
Mr D K Daworaz	Senior Bank Examiner	Supervision, On-Site Division	03 to 07 November 2008	Banking Supervision under Basle II Course	Kenya School of Monetary Studies, Nairobi, Kenya
Mr Y Rughoobur	Senior Bank Examiner	Regulation, Policy & Licensing	11 to 13 November 2008	Seminar on Practical Techniques to Implement Pillar 2	Financial Stability Institute – Basel, Switzerland

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/SEMINAR/ WORKSHOP	HOST/VENUE
Mr H Ramsurn	Chief	Regulation, Policy & Licensing	20 & 21 November 2008	Deutsche Bank Group-Asia-Pacific & Americas Supervisory College	Germany
Mrs M M A Heerah-Pampusa	Head	Financial Markets Analysis	01 to 03 December 2008	Pan African Conference: ”Towards Good Governance of Financial and Economic Institutions in Africa: The Critical Role of Governments”	Tangier, Morocco
			29 June to 10 July 2009	Course on Monetary and Exchange Rate Policy(MERP)	Stellenbosch, South Africa
Mr G Beegoo	Research Officer	Statistics	01 to 03 December 2008	Commonwealth Secretariat Workshop on-QEDS/GDDS Database	London, UK
Mr K Pitteea	Analyst	Financial Markets Analysis	01 to 12 December 2008	“Cours Régional de Gestion Macroéconomique et Questions de Dettes”	Joint Africa Institute – Tunis, Tunisia
			24 to 27 February 2009	Seminar on Financial Stability Analysis and Reports	SARB College - Pretoria, South Africa
Mr N Kowlessur	Chief	Economic Analysis	08 to 19 December 2008	“Un Cours de Politiques Économiques et Vulnérabilités Extérieures”	Douala, Cameroun
			26 & 27 March 2009	Meeting of the SADC Macroeconomic Sub-Committee	Gaborone, Botswana
Mr F B K Sooklall	Analyst	Economic Analysis	19 to 30 January 2009	“Cours sur la Gestion Macroéconomique et la Politique des Finances Publiques”	Joint Africa Institute – Tunis, Tunisia
Mrs V Ramful	Analyst	Financial Markets Operations	26 to 30 January 2009	Workshop on Portfolio Indexation and Benchmark Management	Bangkok, Thailand
Mr D Ghurburrun	Head	Supervision, Off-Site Division	29 & 30 January 2009	FSI High Level Meeting on Recent Development in Financial Markets and Supervisory Responses	Cape Town, South Africa

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/SEMINAR/ WORKSHOP	HOST/VENUE
Mr D Ghurburrun	Head	Supervision, Off-Site Division	02 & 03 April 2009	SADC Heads of Banking Supervision Annual Meeting	Gaborone, Botswana
			29 May 2009	Meeting of the Committee of Central Bank Officials in SADC	Pretoria, South Africa
Mr M Kona Yerukunondu	Director	Change Management	29 to 31 January 2009	Conference on“10 years of European Monetary Union: a Legal Perspective”	Frankfurt am Main, Germany
			5 and 6 May 2009	Public Hearing and a programme on the Country Showcase	Singapore
			07 and 08 May	6th Islamic Financial Services Board Summit - The Future of Islamic Financial Services	Singapore
Mrs P Lo Tiap Kwong	Chief	Statistics	02 to 05 March 2009	First Congress of African Economists	Nairobi, Kenya
Mrs K Nowbutsing-Hurrynag	Analyst	Chief Economist’s Office	16 to 19 March 2009	Seminar on Strengthening Financial Stability Arrangements	SARB College - Montana, South Africa
Mr R Dawonath	Senior Bank Examiner	Supervision, On-Site Division	16 to 20 March 2009	Credit Risk Analysis School	Goa, India
Mrs N Sajadah Aujayeb	Legal Officer	Legal	17 to 19 March 2009	Workshop on Fraudulent Financial Schemes and Unlicensed Financial Institutions	Central Bank of Swaziland - Ezulwini, Swaziland
Mr P Seeballuck	Chief	Payment Systems & MCIB	17 to 20 March 2009	Seminar on Payments and Settlement System	Reserve Bank of India - Chennai, India
Mrs T Gokool	Bank officer Grade I	Supervision, Off-Site Division	31 March to 2 April 2009	International Seminar on Basel II with focus on Pillar II	Reserve Bank of India - Chennai, India
Mr D Thakoor	Head	Payment Systems & MCIB	06 April 2009	SADC Payment System Project Annual Regional Conference	Cape Town, South Africa

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/SEMINAR/ WORKSHOP	HOST/VENUE
Mr D Thakoor	Head	Payment Systems & MCIB	07 to 10 April 2009	The World Bank Conference on Payment Systems	Cape Town, South Africa
Mr A Z Ackbarally	Bank Officer Grade I	Payment Systems & MCIB	29 & 30 April 2009	Meeting of the SADC Exchange Control Committee	Gaborone, Botswana
Mr D Doobree	Head	Banking & Currency Division	07 to 09 May 2009	Seminar on Liquidity Management	Central Bank of Nigeria - Abuja, Nigeria
Mr M Mohesh	Analyst	Statistics	07 to 09 May 2009	Seminar on Liquidity Management	Central Bank of Nigeria - Abuja, Nigeria
Mr J Moosoohur	Analyst	Financial Markets Operations	07 to 09 May 2009	Seminar on Liquidity Management	Central Bank of Nigeria - Abuja, Nigeria
Mr D Rughoobur	Senior Bank Examiner	Supervision, Off-Site Division	04 to 08 May 2009	Course on Risk-Based Supervision – Market and Operational Risk	Joint Africa Institute – Tunis, Tunisia
Mr N S Vishwanathan	Director	Supervision	12 May 2009	Standard Chartered Bank College	London, UK
Mr V P A Koonjul	Analyst	Financial Markets Operations	13 to 15 May 2009	Reserve Management Training Seminar	CBP – London, UK
Mr P E Padaruth	Bank Officer Grade I	Payment Systems & MCIB	18 to 21 May 2009	SWIFT Regional Conference	Marrakech, Morocco
Mr B Baijnath	Acting Senior Analyst Programmer	IT	25 to 29 May 2009	COBIT Training Workshop and Meeting for ITG Champions	Montana Park, South Africa
Mr S Ramrutton	Senior Research Officer	Financial Markets Analysis	02 to 07 June 2009	African Union-Meeting of the Committee of Experts	Sharm el-Sheikh, Egypt
Mrs S S B Goolam Hossen	Bank Officer Grade I	Supervision, Off-Site Division	15 to 20 June 2009	Malta-Commonwealth Third Country Training Programme on Banking and Finance in Small States: Issues and Policies	University of Malta, Valetta, Malta
Mrs U Pratap Gaya	Research Assistant	Governor's Office	15 to 20 June 2009	Malta-Commonwealth Third Country Training Programme on Banking and Finance in Small States: Issues and Policies	University of Malta, Valetta, Malta
Mr J C B Chamary	Chief	Financial Markets Operations	24 to 26 June 2009	Workshop hosted by the National Treasury of South Africa and BESA	Cape Town, South Africa

Appendix VI Local Courses/Seminars/Workshops

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/ SEMINAR/ WORKSHOP	HOST/VENUE
Mr G Gonpot	Chief	Regulation, Policy & Licensing	04 July 2008	Coordinating Committee Meeting on WTO National Seminar on Domestic Regulation	Ministry of Foreign Affairs, International Trade and Cooperation
			25 February 2009	Seminar on Applying Continual Improvement Techniques to Mauritius Enterprises	Conference Hall of the Cyber Tower
Mrs A Cooroopdoss	Bank Officer Grade I	Internal Audit	18 July to 05 September 2008	Internal Audit Course	Grant Thornton Ltd, Fairfax House, Port Louis
Mrs N Sajadah-Aujayeb	Legal Officer	Legal	29 to 31 July 2008	WTO National Seminar on Domestic Regulation	Ministry of Foreign Affairs, International Trade and Cooperation
Mr R Kallychurn	Analyst Programmer	IT	12 August 2008	Symantec Event	Le Labourdonnais Hotel
			27 February 2009	Workshop on Cert-MU - Privacy and Data Protection	-
Mr K Pitteea	Analyst	Financial Markets Analysis	21 & 22 August 2008	Course on Technical Analysis for Market Professionals	FRCI, Les Pailles
Mr D Rughoobur	Senior Bank Examiner	Supervision, On-Site Division	21 & 22 August 2008	Course on Technical Analysis for Market Professionals	FRCI, Les Pailles

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/SEMINAR/ WORKSHOP	HOST/VENUE
Mr B Doolar	Senior Bank Officer	Human Resource	27 August 2008	Workshop on the Strategy to promote and Sustain the Employability of Persons with Disabilities	MEF Training Centre, Ebene
			18 March 2009	Brainstorming session	NPCC, conference Room, Ebene
Mr M N Bakurally	Bank Officer Grade I	Human Resource	27 August 2008	Workshop on the Strategy to promote and Sustain the Employability of Persons with Disabilities	MEF Training Centre, Ebene
Mrs N Mihdidin	Analyst	Chief Economist's Office	25 September 2008	Workshop on the Financial Mechanism of Carbon Market in line with the Capacity Development for Clean Development Mechanism Project	Domaine Les Pailles
			7 October 2008	A session on 'Impact of Financial Crisis on our Industry'	Domaine Les Pailles
Mr T Ramdenee	Senior Bank Officer	Facilities Management	4 November 2008	Seminar on Employment Rights Act 2008 & Employment Relations Act 2008	Ministry of Labour, Industrial Relations and Employment
Mrs R Jutton-Gopy	Legal Officer	Legal	03 October 2008	Workshop on Corporate Governance organized by the National Committee on Corporate Governance	La Canelle, Domaine Les Pailles
			13 November 2008	Workshop on ISS/SARPCCO Research on Organised Crime – The EROC Project	Gold Crest Hotel, Quatre Bornes
Mr D Thakoor	Head	Payment Systems & MCIB	08 October 2008	Visa Briefing on Economic Benefits of Electronic Payments	Le Maritim Hotel
			03 December 2008	Workshop on Critical Information Infrastructure Protection	Le Labourdonnais Waterfront Hotel
			16 to 20 March 2009	Card Security Week	Le Labourdonnais Waterfront Hotel

NAME	DESIGNATION	DIVISION/ UNIT	DATE	COURSE/SEMINAR/ WORKSHOP	HOST/VENUE
Mrs L D Maistry	Senior Bank Examiner	Regulation, Policy & Licensing	13 November 2008	Half-day seminar on The Impact of the Tax Reform on the Individual Income Tax System in Mauritius	Mauritius Research Council
Mr F I Beekun	Analyst Programmer	IT	03 December 2008	Workshop on Critical Information Infrastructure Protection	Le Labourdonnais Waterfront Hotel
Mrs T Gobin Jhurry	Chief	Payments System and MCIB	10 December 2008 & 25 February 2009	Steering Committee Meeting for Doing Business	Board of Investment, Port Louis
Mr I Ramlall	Analyst	Financial Stability Unit	15 & 16 December 2008	Training session on Global Capital Markets	Domaine Les Pailles
Mrs M Heerah Pampusa	Head	Financial Markets Analysis	16 & 21 January 2009	Sub Committee for Protection of the Purchasing Power	Statistical Office, LIC Building
Mr N Kowlessur	Chief	Economic Analysis	06 February 2009	Meeting on Strategy on Trade in Services	Ministry of Foreign Affairs, Regional Integration and International Trade
Mr Y M Peerbocus	Bank Officer Grade I	Payments System and MCIB	16 to 20 March 2009	Card Security Week	Le Labourdonnais Waterfront Hotel
Mr R Chinniah	Head	Regulation, Policy & Licensing	24 to 26 February 2009	Workshop on EPA Trade	Ministry of Foreign Affairs, Regional Integration and International Trade
Miss M L J S Jhamna	Analyst	Economic Analysis	24 to 26 February 2009	Workshop on EPA Trade	Ministry of Foreign Affairs, Regional Integration and International Trade
			21 & 22 April 2009	Workshop on Policies and Instruments for Successful Exports	University of Mauritius

Appendix VII Recruitments/Promotion

Recruitments

Mrs Deepmala Ramrup joined the Bank as Analyst Programmer with effect from 8 September 2008.

Miss Archana Devi Gobin joined the Bank as Analyst Programmer with effect from 2 October 2008.

Mrs Kaajal Seebaluck-Beerbul joined the Bank as Analyst Programmer with effect from 3 November 2008.

Mr Jugdishsarwan Rughoonundun joined the Bank as Services Technician with effect from 16 February 2009.

Mr Dharmen Monohur joined the Bank as part-time Safety and Health Officer with effect from 1 April 2009.

Promotion

Mr Deojeet Gowreeah, Bank Attendant Grade III, was appointed Bank Attendant Grade II with effect from 26 May 2009.

Appendix VIII Retirements/Resignations

Retirements

Mrs Cossila Seewooram, Bank Officer Grade II, retired from the service of the Bank with effect from 2 September 2008.

Mrs Vandana Morarjee Singh, Senior Research Officer, retired from the service of the Bank with effect from 5 September 2008.

Mr Brij Kumar Ramlaul, Administrative Officer, retired from the service of the Bank with effect from 10 November 2008.

Mr Rameshchandraduth Ramlowat, Bank Attendant/Driver, retired from the service of the Bank with effect from 8 December 2008.

Miss Sew Yin How Min Kin Ho Fong, Bank Officer Grade III, retired from the service of the Bank with effect from 14 January 2009.

Mrs Neevedita Beharee, Chief Bank Examiner, retired from the service of the Bank with effect from 1 February 2009.

Mr Ponsamy Ramen, Bank Attendant Grade III, retired from the service of the Bank with effect from 14 March 2009.

Resignations

Mr Balram Cunniah, Technical Officer Grade A, resigned from the service of the Bank with effect from 11 September 2008.

Miss Harshana Kasseeah, Analyst, resigned from the service of the Bank with effect from 1 January 2009.

Miss Bibi Noorjahan Issack, Analyst, resigned from the service of the Bank with effect from 5 January 2009.

Mr Banysing Unmar, Research Officer, resigned from the service of the Bank with effect from 16 January 2009.

Appendix IX Completion of Studies

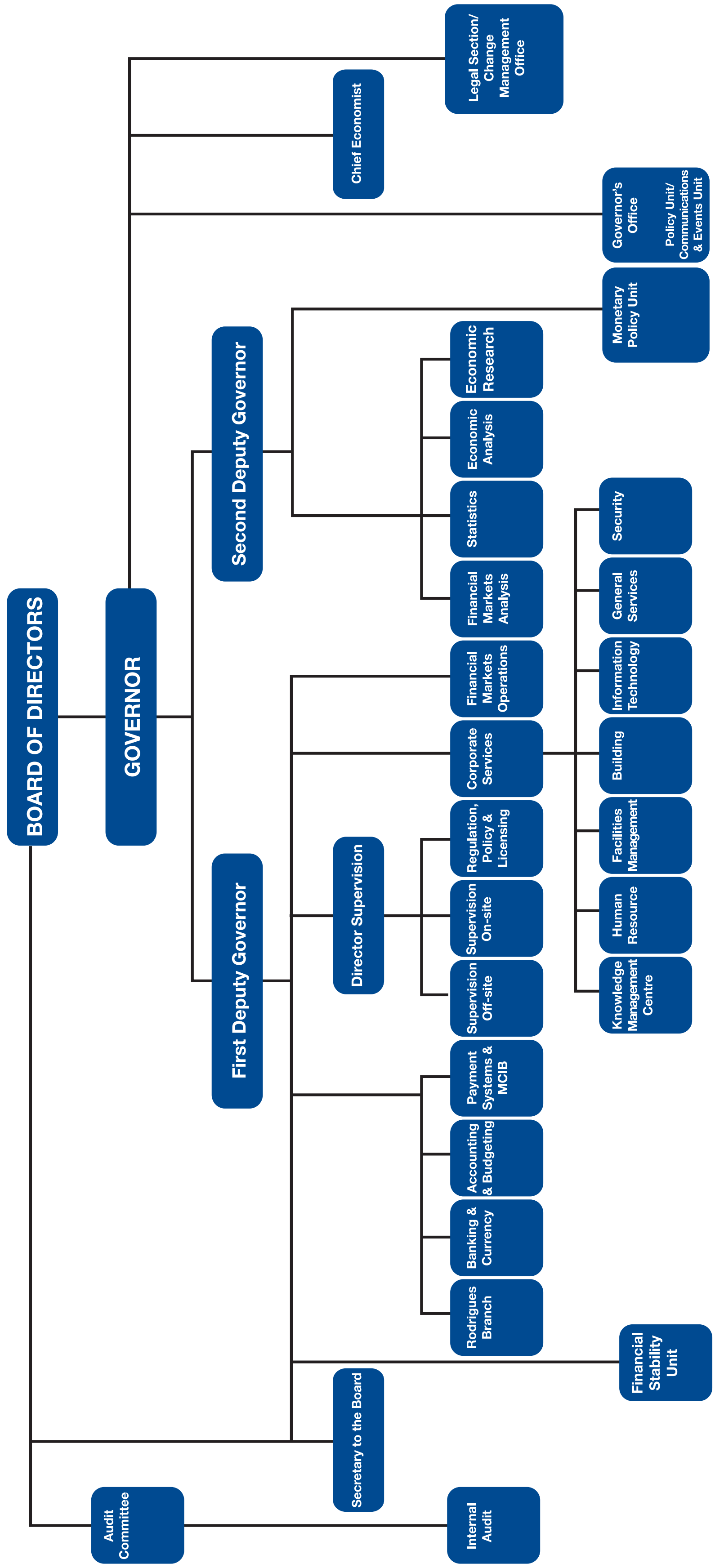
Miss Rajpriya Bhuckory, Manager, has been awarded the degree of Master of Business Administration with a Specialism in Public Administration by the Heriot –Watt University in July 2008.

Mrs Tameshwaree Gokool, Bank Officer Grade I, has been awarded the degree of Bachelor of Science by the University of London in August 2008.

Mr Ravishin Bullyraz, Senior Bank Examiner, has been awarded the degree of Bachelor of Laws by the University of London in August 2008.

Mrs Ouma Purmessur Dookhit, Bank Officer Grade I, has been awarded the Master's Degree in Financial Economics by the University of Mauritius in December 2008.

Appendix X Organisation Chart



Appendix XI List of banks, non-bank deposit-taking institutions, money-changers and foreign exchange dealers licensed by the Bank of Mauritius

The following is an official list of banks holding a Banking Licence, institutions other than banks which are licensed to transact deposit-taking business and cash dealers licensed to transact the business of money-changer or foreign exchange dealer in Mauritius and Rodrigues as at 30 June 2009.

Banks Licensed to carry Banking Business

1. AfrAsia Bank Limited
2. Bank One Limited
3. Bank of Baroda
4. Banque des Mascareignes Ltée
5. Barclays Bank PLC
6. Bramer Banking Corporation Ltd
7. Deutsche Bank (Mauritius) Limited
8. Habib Bank Limited
9. HSBC Bank (Mauritius) Limited
10. Investec Bank (Mauritius) Limited
11. Mauritius Post and Cooperative Bank Ltd
12. P.T Bank Internasional Indonesia
13. SBI (Mauritius) Ltd
14. Standard Bank (Mauritius) Limited
15. Standard Chartered Bank (Mauritius) Limited
16. State Bank of Mauritius Ltd
17. The Hongkong and Shanghai Banking Corporation Limited
18. The Mauritius Commercial Bank Ltd.

Non-Bank Deposit-Taking Institutions

1. ABC Finance & Leasing Ltd.
2. Barclays Leasing Company Limited
3. Capital Leasing Ltd
4. Cim Finance Ltd
5. Finlease Company Limited
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. Abbey Royal Finance Ltd
2. Change Express Ltd.
3. Easy Change (Mauritius) Co LTD
4. EFK Ltd
5. InterCash Ltd
6. Jet Change Co Ltd
7. Max & Deep Co. Ltd
8. Moneytime Co. Ltd
9. Storm Rain Co Ltd
10. Unit E Co Ltd
11. Viaggi Finance Ltd
12. Gowtam Jootun Lotus Ltd[1]

Foreign Exchange Dealers

1. British American Exchange Co. Ltd
2. Cim Forex Ltd
3. Forex Direct Ltd
4. Shibani Finance Co. Ltd
5. Thomas Cook (Mauritius) Operations Company Limited

[1]The Bank suspended the Licence granted to Gowtam Jootun Lotus Ltd to carry on the business of money-changer with effect from 26 January 2006.

Launching of a commemorative gold coin at the Bank on 16 September 2008

Top: *from left to right*, Dr the Honourable Navinchandra Ramgoolam, G.C.S.K., FRCP, Prime Minister; Mr Rundheersing Bheenick, Governor of the Bank of Mauritius; and Mr Yandraduth Googoolye, First Deputy Governor.

Middle: *from left to right*, Dr the Honourable Navinchandra Ramgoolam, G.C.S.K., FRCP, Prime Minister; Miss Amélia Leroux, student who recited a poem on the occasion; and Mr Anand Kumar Chutoo, musician from Mahatma Gandhi Institute.

Bottom: *from left to right*, Mr Philippe Gentil, music composer of the National Anthem, and young vocalists from the Conservatoire François Mitterrand.

Sports Activity

Top: Governor with representatives of the Bank of Mauritius Sports Organising Committee and the Mauritius Amateur Athletic Association (M.A.A.A.)

Middle: Mr J Pandoo giving prize to the Best Club - Boys (Quatre Bornes Athletic Club).

Bottom: Governor giving prize to the best overall club (Boys and Girls) - (Quatre Bornes Athletic Club).

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The organisation of the Launching Ceremony of a commemorative gold coin was led by a core team comprising Mrs V Soyjaudah, Mrs L C Bastien Sylva and Ms L Appadoo. Photo Credits: Audio Visual Section, Government Information Service, Prime Minister's Office.

The Sports Organising Committee was led by Mr J Pandoo and comprised Mr N Sultanti, Mr H Budhna, Mrs R Gopy, Mr V Rughoobur, Mr D Rughoobur and Mr N Boojhawon. Photo credits for the coverage of the Sports Activity: Mr M Nawoor.

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