

GOVERNOR BHEENICK TALKS TO RICHARD LOUGH OF REUTERS ON MONDAY 25 JANUARY 2010

MAURITIUS CENTRAL BANK SAYS CURRENCY, INFLATION NO CAUSE FOR MONETARY EASING

MAURITIUS CENTRAL BANK GOVERNOR SEES 4.5 PCT 2010 GROWTH VS OFFICIAL 4.3 PCT FORECAST

MAURITIUS CENTRAL BANK SEES 3 PCT ANNUAL AVERAGE INFLATION RATE MID-2010, Y/Y AT 4 PCT

**Mauritius central bank sees 4.5 pct growth in 2010
Central bank governor says no need for monetary easing
Governor says global economy to pull Mauritius "upwards"
Bank to launch official interbank lending rate soon**

Mauritius' economy will expand by 4.5 percent in 2010, up from an earlier government forecast of 4.3 percent, barring any policy change or major external shock, the head of the central bank said.

Governor Rundheersing Bheenick told Reuters that an upward revision for the global economy by the International Monetary Fund (IMF) would provide the Indian Ocean island's almost \$10 billion economy with an "upwards pull".

"It seems like the (global) recovery will be robust and we can only benefit from that," Bheenick told Reuters in a telephone interview late on Monday.

"Although there are some worries about the timing and coordination of exit strategies in major markets, we do not believe there is any risk of a double dip or prolonged stagnation," he said.

Gross domestic product growth slowed to 2.8 percent in 2009 from an above 5 percent average for the previous three years, as demand for key exports dropped and local consumer demand crumpled.

The Indian Ocean island exports textiles and sugar and is a popular tourism destination for visitors from Europe, Africa, the Middle East and Asia. It also has a thriving offshore financial sector.

Bheenick said he expected headline annual inflation to accelerate to 3 percent by June 2010 from 2.5 percent in December. The year-on-year inflation rate, a measure some analysts follow closely, would reach 4 percent in June, up from December's 1.5 percent, he said. But he said inflationary pressures at home were under control with external shocks from rising commodity, oil and food prices presenting the greatest risk to consumer prices on the import-dependent island. "With none of these on the cards right now we do not see any reason to be nervous about inflation."

NO NEED FOR RATE CUTS

He said the currency reflected fundamentals and he foresaw no need to change the bank's key repo rate.

Bheenick also insisted his job was safe after an increasingly acrimonious feud among the board at the Bank of Mauritius forced him in November to reject calls from a majority of board members to resign.

The Monetary Policy Committee's next scheduled meeting is in March, although the governor has been under pressure from exporters to call an early MPC meeting.

"We do not see any need for monetary easing. We have no major credit shortage. On the contrary, we have a slight credit overhang which we are trying to mop up."

The central bank, he said, had freed up the foreign exchange market with weekly spot-to-three-month forward swap transactions since late December that have totalled some 100 million rupees (\$3.4 million)

Mauritius' currency appreciated to a 14-month high of 27.90 rupees to the dollar on Dec. 15.

"The forex market had almost seized up as exporters hoarded their (foreign) currency and began clamouring for an immediate depreciation." "We came up with an instrument that would get them off the fence and back in the market while not interfering with the spot rates," Bheenick said.

The bank has also offered Treasury bills to mop up liquidity at a rate slightly above the weekly auction rates. Commercial banks had since seen an increase in demand for spot and three-month swaps, Bheenick said.

At 0815 GMT the rupee traded at a mid-price of 29.75 against the greenback, compared with 29.50 at Monday's close.

The governor told Reuters the central bank would officially launch a Mauritius Interbank Borrowing Rate (MIBOR) in the coming months, adding that the palm-fringed island's banks were "fairly active on the interbank market". "We'll have a MIBOR overnight and MIBOR 7-days up to about one month," he said.

Yields on government paper, Bheenick said, were likely to remain steady and continue mirroring global markets.

"Otherwise we will attract hot money flows which will unbalance things."

Source: Reuters

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