



# BANK OF MAURITIUS

Website: <http://bom.intnet.mu>

## PRESS COMMUNIQUE Financial Stability Report – Eighth Issue

The Bank is releasing today the eighth issue of its Financial Stability Report. The Report focuses on global and domestic financial stability issues in the second semester of 2011.

Global economic conditions worsened in the second semester of 2011 with the intensification of the euro area sovereign debt crisis. Downside risks to global growth have increased. In its January 2012 World Economic Outlook Update, the International Monetary Fund has revised downwards its global growth projection for 2012 to 3.3 per cent, with growth in advanced and emerging and developing economies forecast at 1.2 per cent and 5.4 per cent, respectively.

In Mauritius, the economy has performed relatively well in 2011 and posted an estimated growth rate of 4.1 per cent. The current account deficit has widened in the third quarter of 2011 compared to a year earlier although financial flows to the capital and financial account have been sustained. Gross official international reserves have continued to provide a comfortable buffer against external shocks and represented around 4.6 months of import cover of goods and services as at end-September 2011.

The overall budget deficit was unchanged at 3.2 per cent of GDP in 2011. Public sector debt stood at 57.2 per cent as at end-December 2011, below the 60 per cent threshold. The country's gross external debt has risen by 12.7 per cent as at end-September 2011, driven by an increase in central government external debt and represented 12.6 per cent of GDP at end-September 2011.

Domestic financial markets have reflected the volatile developments in international markets although they have not faced significant dysfunctions while the large excess reserves that used to prevail on the money market have been reduced. On the foreign exchange market, the Bank has intervened on several occasions to reduce excess volatility.

The banking sector remained stable and sound in 2011, with well-capitalised banks, reasonably good asset quality, low credit exposures to Europe, a stable deposit base and elevated profit levels. Household sector credit continued its uptrend, driven mainly by housing loans.

The Bulk Clearing System was introduced in September 2011 and is expected to enhance the resilience of the Mauritius Automated Clearing and Settlement System. The payment system infrastructure operated without any major disruptions in 2011.

Although the domestic economy and financial markets have fared rather well in 2011, risks to financial stability have increased, particularly from the macro-financial perspective, in the wake of the deepening euro area debt crisis. However, the major financial soundness indicators show that the banking sector has been resilient and remains well-equipped to face downside challenges.

The Financial Stability Report is available on the Bank's website at <http://www.bom.mu>

**Bank of Mauritius**  
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