



BANK OF MAURITIUS

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COMMUNIQUE

Financial Stability Report – August 2012

The Bank is releasing today the August 2012 issue of its Financial Stability Report. The Report focuses on global and domestic financial stability issues in the first semester of 2012 (2012H1).

In spite of some improvement noted in January and February 2012, the euro area crisis deepened during the remainder of 2012H1, causing global uncertainty to rise and risks to global financial stability to increase. Global economic growth continues to be weak and uneven across regions. Advanced economies are projected to register dismal growth, while emerging economies' growth is expected to moderate in 2012.

The domestic economy remained resilient in 2012H1, although the intensification of the euro crisis impacted on the export-led sectors. According to projections made by Statistics Mauritius in June 2012, the economy is expected to grow by 3.5 per cent in 2012.

Gross official international reserves stood at Rs86.7 billion as at end-June 2012, representing 4.9 months of import cover. The debt-service ratio for the country is forecast to remain within a range of 3.5 per cent to 4.0 per cent between 2012 and 2014.

Public sector debt, comprising debt of General Government and public enterprises, stood at 57.1 per cent of GDP as at end-March 2012. The yield curve for government securities shifted downwards as at end-June 2012 compared to end-December 2011, indicating lower borrowing costs for Government.

The banking sector continued to expand despite challenging global and domestic economic conditions. The CAMEL ratings of banks, which reflect their financial conditions, indicated that all banks remained sound as at end-December 2011. Non-performing loans in and outside Mauritius remained at relatively low levels. The capital adequacy of banks was well-above the minimum requirement of 10 per cent, while the exposure of banks' balance sheets to the euro area was quite limited. Financial soundness indicators were at comfortable levels, pointing to a sound banking system.

The financial system infrastructure performed relatively well without any major disruptions in 2012H1.

Overall, financial stability risks are assessed to be broadly contained.

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

Bank of Mauritius
10 September 2012