



BANK OF MAURITIUS

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COMMUNIQUE

Financial Stability Report – February 2013

Issue No. 10

The Bank is releasing today the February 2013 issue of its Financial Stability Report. The Report focuses on global and domestic financial stability issues in the second semester of 2012 (2012H2).

The global economic outlook has stabilised following strong policy initiatives in major advanced economies and in the euro area, in particular, that clearly showed the authorities' commitment to resolve the sovereign debt crisis and restore confidence to the markets. World economic growth is expected to strengthen in 2013 but significant threats from potential adverse developments with regard to the euro area sovereign debt crisis and the US fiscal situation still exist.

The domestic economy has been resilient in 2012 despite the external headwinds and is forecast to expand by 3.7 per cent in 2013. Macroeconomic risks have lessened but the performance of the domestic economy remains, to some extent, dependent on the evolution of the situation in the Eurozone.

Gross official international reserves increased in 2012H2 with the Operation Reserves Reconstitution programme and stood at Rs93.0 billion as at end-December 2012 representing 5.3 months of import cover. Gross external debt rose by 12.0 per cent as at end-September 2012, driven mainly by increases in central Government and public enterprises external debt and represented 14.3 per cent of GDP. The debt-service ratio for the country is forecast to remain within a range of 3.4 per cent to 5.0 per cent between 2012 and 2014.

Public sector debt, comprising debt of general Government and public enterprises, stood at 57.0 per cent of GDP as at end-December 2012. Yields on government securities have fallen, thus contributing to a reduction in Government financing costs.

The financial sector has remained stable and sound despite the challenging international context. Banks in Mauritius have been resilient with adequate liquidity, solid capital and sound profitability levels. While credit growth and asset quality have generally been maintained, an increase in non-performing loans in some sectors, more specifically the construction sector, has been noted, which warrants closer monitoring in 2013. Financial stability indicators have remained at satisfactory levels.

The payment and settlement system operated efficiently without any major disruption in 2012H2.

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
1 March 2013