



Monetary Policy Committee

Price Developments and Outlook; Monetary and Balance of Payments Developments

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28 April 2014

Inflation Highlights I



- ❑ 1Q2014 CPI data broadly support to Feb 2014 inflation assessment of “*no demand-driven inflationary pressures over the next 6 quarters, as output remain below potential; no external price pressures either*”. Little evidence of any change in inflation dynamics
- ❑ Main movement in CPI inflation in 1Q2014: transitory shocks (*heavy rains in Jan & Feb 2014*) impact on agricultural supplies combined with methodological change in computing the sub-index for fresh vegetables

Inflation Highlights II



- ❑ Y-o-Y Dec 2014 inflation forecast unchanged from Feb 2014 assessment at around 4.0%; slight change in Jun 2014 forecast to reflect higher CPI in Jan & Feb 2014
- ❑ Y-o-Y inflation rose from 4.0% in Dec 2013 to 4.5% in Mar 2014; Headline inflation increased from 3.5% in Dec 2013 to 4.0% in Mar 2014
- ❑ Y-o-Y CORE2 inflation stable; Other inflation indicators no evidence of inflation picking up

CPI Developments I



Consumer Price Index	Dec-13	Jan-14	Feb-14	Mar-14	Cumulative Chg since Dec
Food & Non Alcoholic Beverages	105.3	110.3	114.4	111.3	6.0
Alcoholic Beverages & Tobacco	116.2	116.3	116.6	116.6	0.4
Clothing & Footwear	107.8	108.2	109.1	109.0	1.2
Housing, Water, Electricity, Gas &..	100.3	101.0	101.0	101.3	1.0
Furnishings, Household Equipment & Routine Household Equipment	102.0	103.3	102.6	102.8	0.8
Health	105.5	108.5	108.5	108.4	2.9
Transport	105.0	105.7	105.7	105.9	0.9
Communication	100.0	100.0	99.9	99.9	-0.1
Recreation & Culture	104.1	104.4	104.9	104.8	0.7
Education	101.9	103.3	103.3	103.3	1.4
Restaurants & Hotels	109.5	110.9	111.2	111.3	1.8
Misc. Goods & Services	102.3	103.3	104.3	104.7	2.4
Overall	105.3	107.2	108.5	107.7	

CPI Developments II



Consumer Price Index				Change %		
DIVISIONS	Mar-13	Dec-13	Mar-14	Mar-13	Dec-13	Mar-13
				to	to	to
				Dec-13	Mar-14	Mar-14
Food & Non Alcoholic Beverages	102.2	105.3	111.3	3.0	5.7	8.9
Alcoholic Beverages & Tobacco	110.2	116.2	116.6	5.4	0.3	5.8
Clothing & Footwear	102.7	107.8	109.0	5.0	1.1	6.1
Housing, Water, Electricity, Gas &..	100.9	100.3	101.3	-0.6	1.0	0.4
Furnishings, HH Equipment &...	102.5	102.0	102.8	-0.5	0.8	0.3
Health	103.3	105.5	108.4	2.1	2.7	4.9
Transport	102.1	105.0	105.9	2.8	0.9	3.7
Communication	100.0	100.0	99.9	0.0	-0.1	-0.1
Recreation & Culture	100.1	104.1	104.8	4.0	0.7	4.7
Education	102.6	101.9	103.3	-0.7	1.4	0.7
Restaurants & Hotels	105.0	109.5	111.3	4.3	1.6	6.0
Misc. Goods & Services	102.7	102.3	104.7	-0.4	2.3	1.9
Overall	103.1	105.3	107.7	2.1	2.3	4.5

CPI Developments III



Consumer Price Index					Weighted Contribution to inflation %	
DIVISIONS	Weights	Mar-13	Dec-13	Mar-14	Dec-13 to Mar-14	Mar-13 to Mar-14
Food & Non Alcoholic Beverages	273	102.2	105.3	111.3	1.6	2.4
<i>Fresh Vegetables</i>	<i>39</i>	<i>102.6</i>	<i>110.5</i>	<i>147.3</i>	<i>1.3</i>	<i>1.7</i>
Alcoholic Beverages & Tobacco	96	110.2	116.2	116.6	0.0	0.5
Clothing & Footwear	45	102.7	107.8	109.0	0.1	0.3
Housing, Water, Electricity, Gas & Furnishings, Household Equipment	120	100.9	100.3	101.3	0.1	0.0
Health	40	103.3	105.5	108.4	0.1	0.2
Transport	151	102.1	105.0	105.9	0.1	0.5
Communication	39	100.0	100.0	99.9	0.0	0.0
Recreation & Culture	44	100.1	104.1	104.8	0.0	0.2
Education	45	102.6	101.9	103.3	0.0	0.0
Restaurants & Hotels	45	105.0	109.5	111.3	0.1	0.3
Misc. Goods & Services	41	102.7	102.3	104.7	0.1	0.1
Overall	1000	103.1	105.3	107.7	2.3	4.5

CPI Developments IV

: *Recomputing CPI without fresh vegetables*



Consumer Price Index	Dec-13	Jan-14	Feb-14	Mar-14
Food & Non Alcoholic Beverages	104.4	106.1	105.6	105.3
Alcoholic Beverages & Tobacco	116.2	116.3	116.6	116.6
Clothing & Footwear	107.8	108.2	109.1	109.0
Housing, Water, Electricity, Gas &..	100.3	101.0	101.0	101.3
Furnishings, Household Equipment & Routine Household Equipment	102.0	103.3	102.6	102.8
Health	105.5	108.5	108.5	108.4
Transport	105.0	105.7	105.7	105.9
Communication	100.0	100.0	99.9	99.9
Recreation & Culture	104.1	104.4	104.9	104.8
Education	101.9	103.3	103.3	103.3
Restaurants & Hotels	109.5	110.9	111.2	111.3
Misc. Goods & Services	102.3	103.3	104.3	104.7
Overall	105.1	106.1	106.1	106.1

Inflation Indicators I



- ❑ CPI recomputed without fresh vegetables (*i.e. weight to zero*) → y-o-y inflation declining from **4.0%** in Jan 2014 to **3.6%** and **3.1%** in Feb and Mar 2014 respectively
- ❑ Why these gyrations in fresh vegetables prices? Change in Methodology: Prior to July 2013, fresh vegetables prices were seasonally-adjusted (12-month moving average). IMF 2013 recommended avoiding seasonal adjustment & report actual monthly vegetables prices

Inflation Indicators II



- ❑ Price indices for imported primary food commodities do not point to any external price pressures: positive contributions: rice and powdered full cream milk; Others zero or negative
- ❑ As expected, transitory supply shocks hardly any second-round impact on y-o-y CORE2* inflation: 3.2% in Dec 2013 to 3.4% in Jan 2014 mainly due to beginning of year price increases in services sector and declined in Feb and Mar 2014 to 3.2% and 3.1%

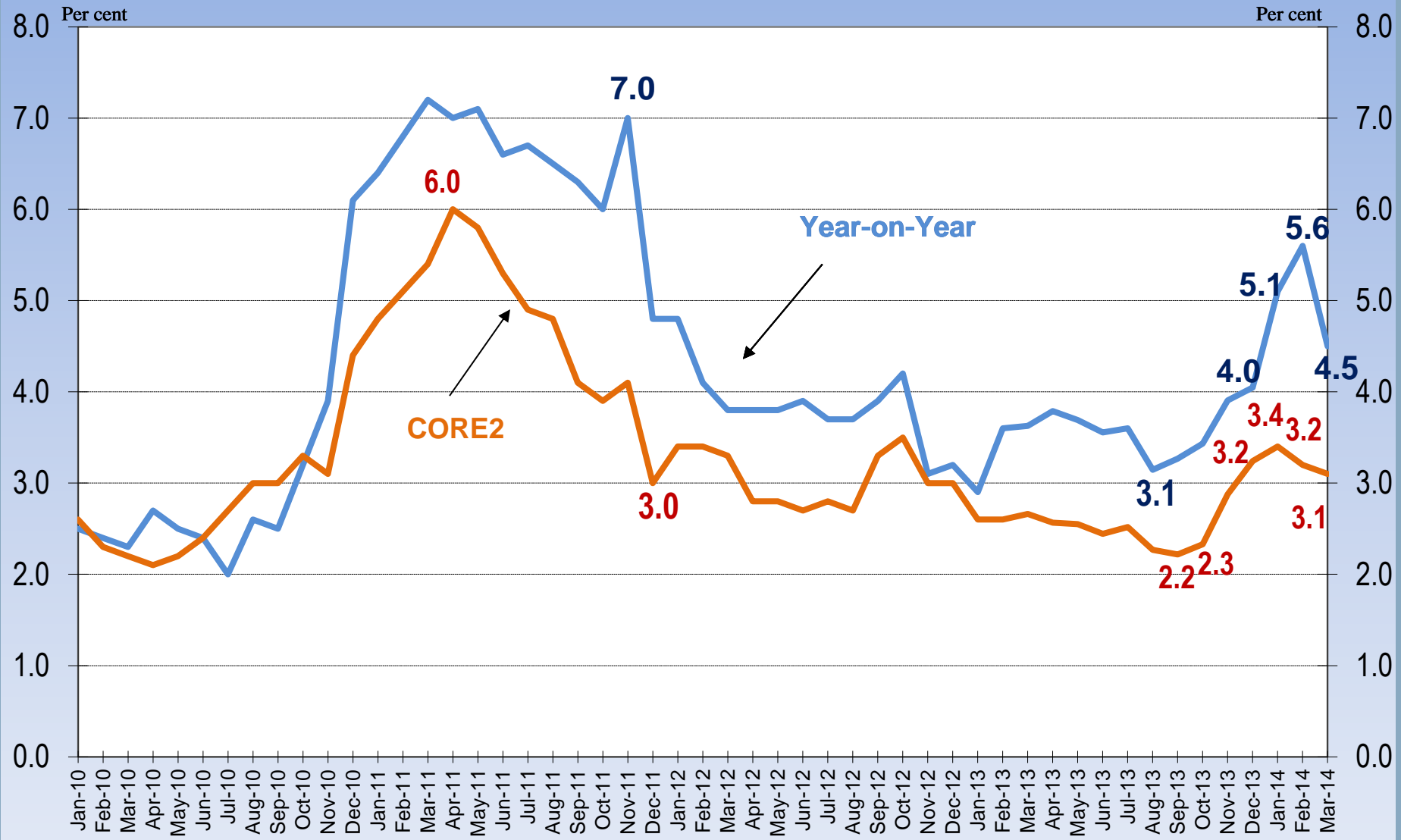
CORE2 excludes Food, Beverages, Tobacco, mortgage interest, energy prices and administered prices

Inflation Indicators III

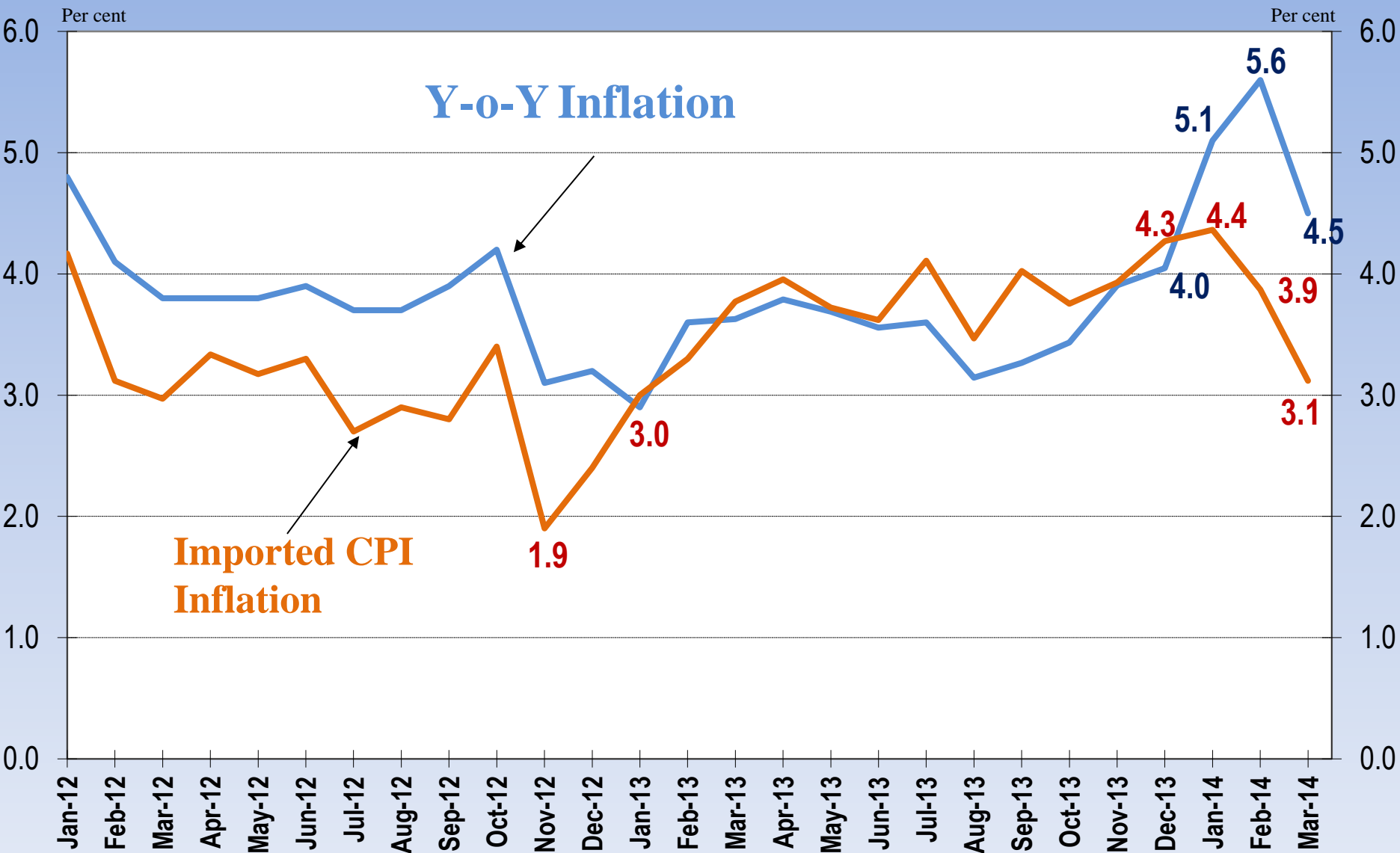


- ❑ Excluding fresh vegetables, Y-o-Y food inflation rose by 2.9% in Mar 2014
- ❑ Y-o-Y imported CPI inflation eased from 4.3 per cent in Dec 2013 to 3.1 per cent in March 2014. In March 2013, it was 3.8 per cent
- ❑ Y-o-Y goods inflation went up from 4.7% in Dec 2013 to 5.2% in Mar 2014 while services inflation rose from 2.9 in Dec 2013 to 3.2% in Mar 2014

Year-on-Year and CORE2



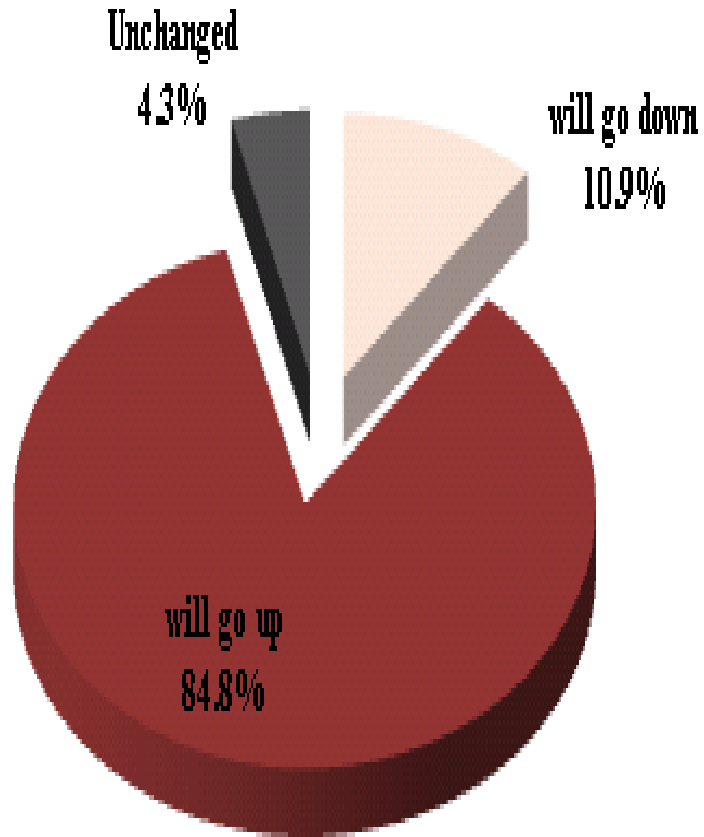
Y-o-Y Inflation and Its Imported Component



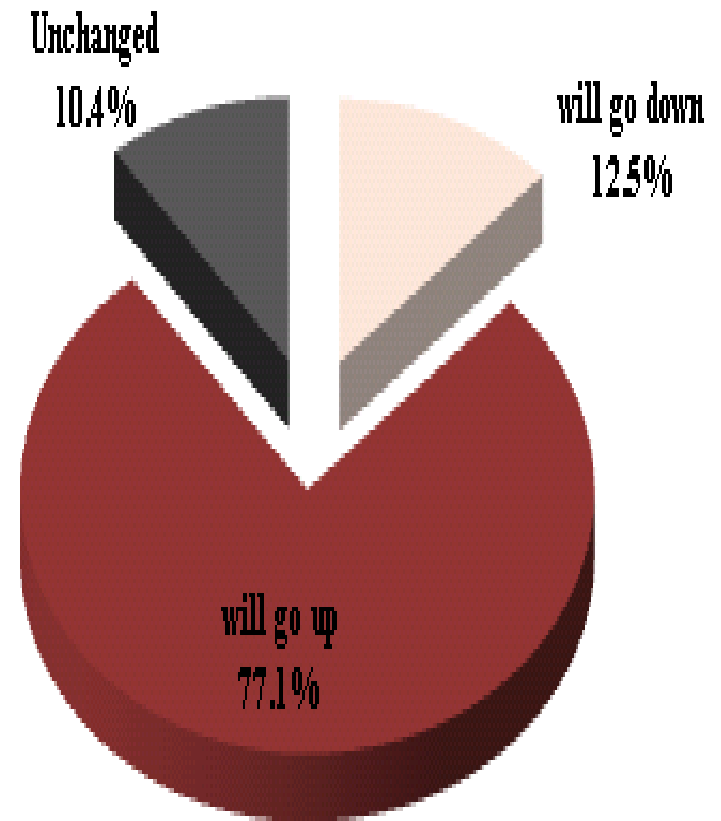
Price Expectations a year ahead



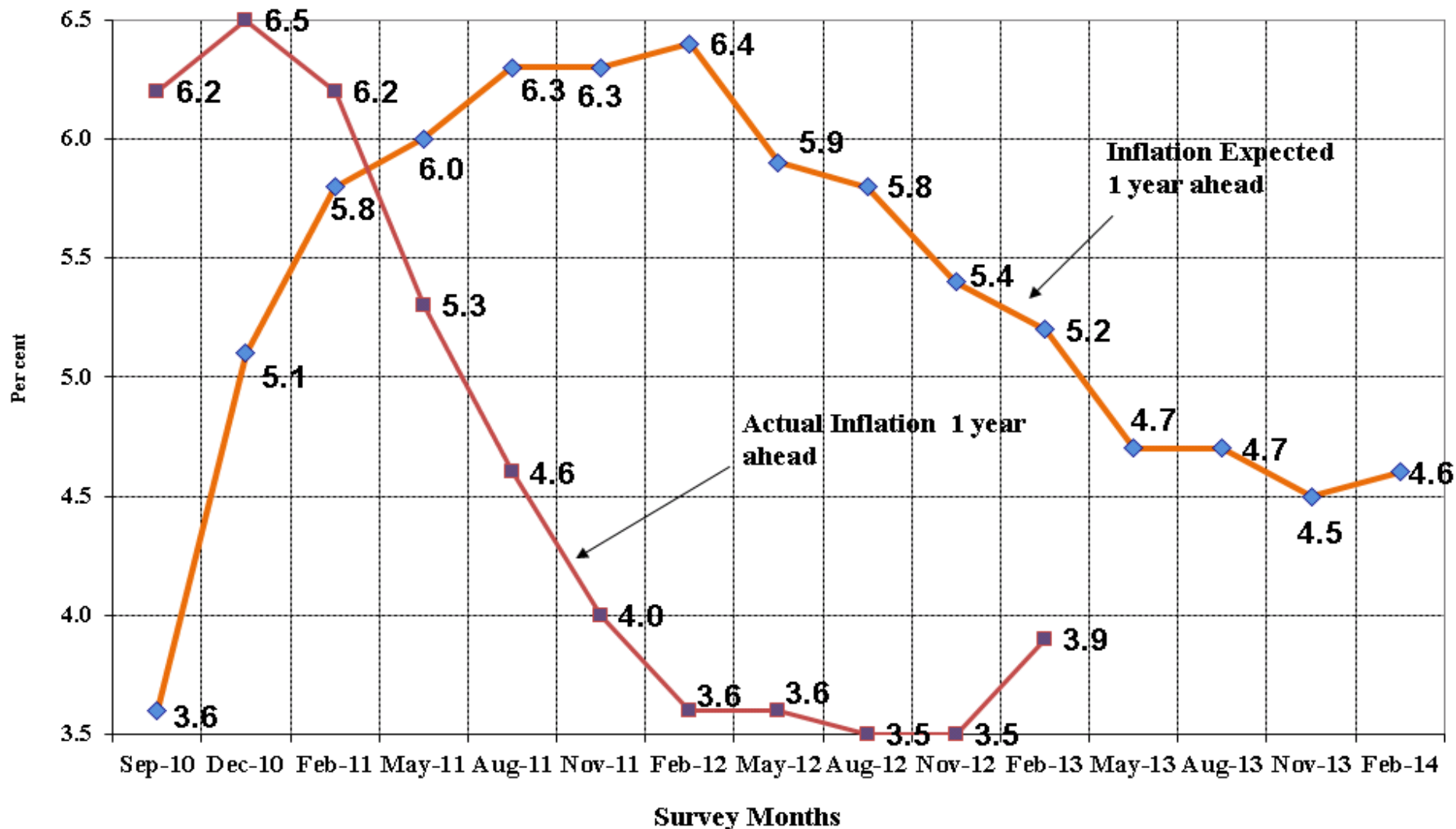
November 2013



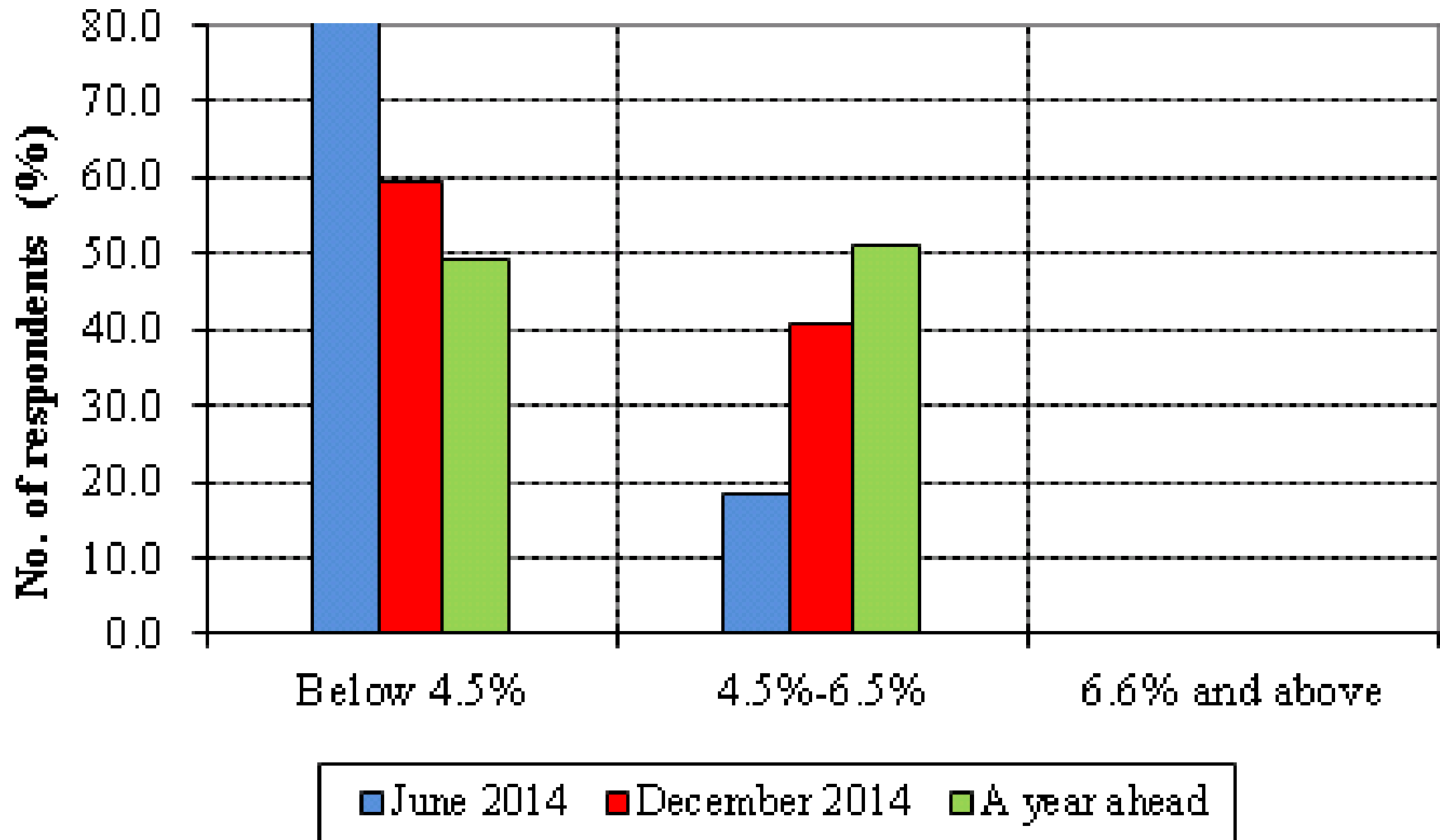
February 2014



(Headline) Mean Inflation Expectations - A year ahead



Mean Expectations – Time Horizons





Inflation Outlook: Expert Judgement I

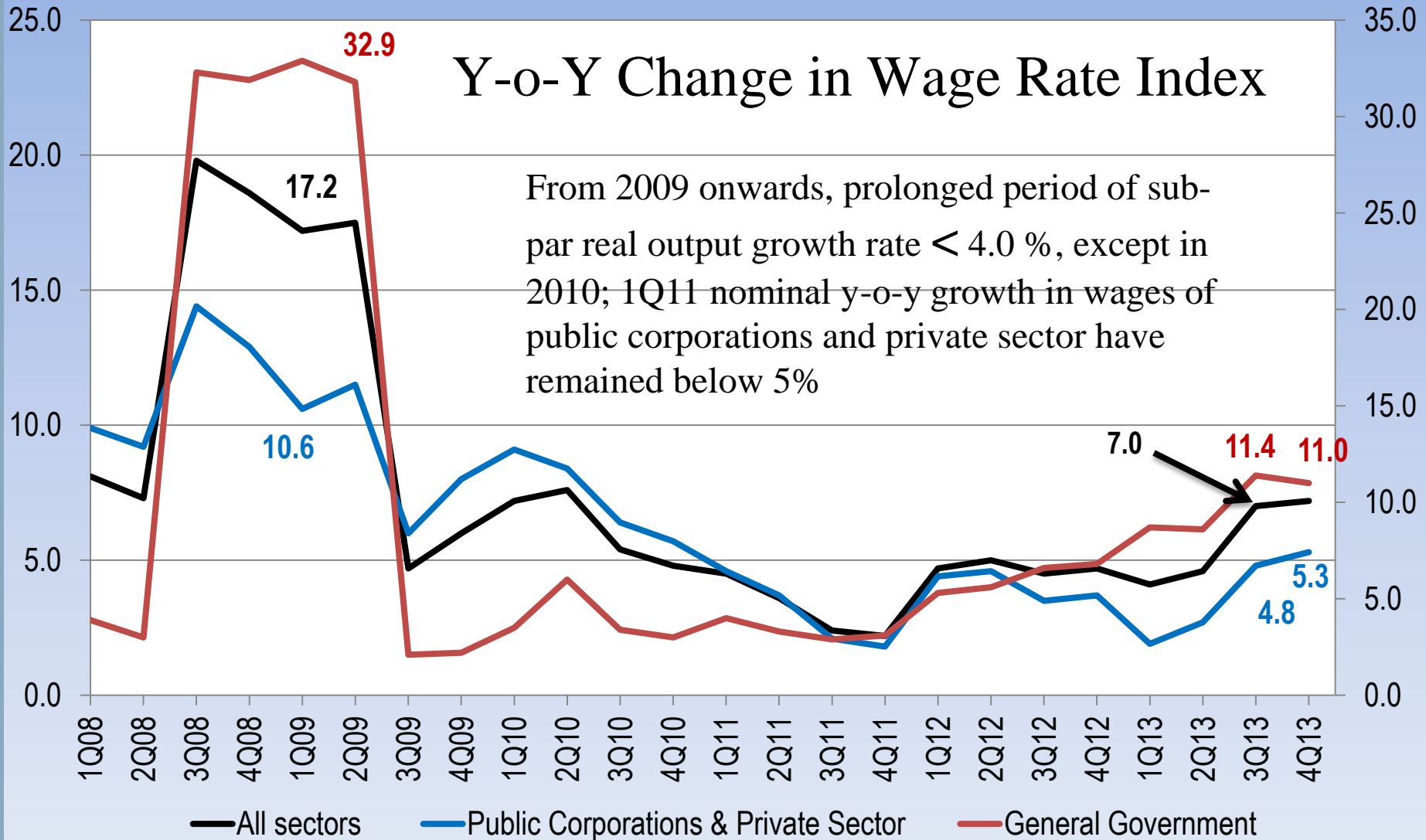
- Recent CPI data do not suggest any major change in the current underlying inflation dynamics
- Rise in inflation in 1Q2014 reflected mostly gyrations in fresh vegetables prices. Vegetables prices generally ease between Apr & Sep and adjust back to their equilibrium levels. Excluding these, CPI flat since Jan 2014
- Assumption: these transitory supply shocks would fade over the forecast horizon

Inflation Outlook: Expert Judgement II



- ❑ Underlying trend inflation measures namely, CORE2 inflation, do not point to any imminent upside price pressures either
- ❑ Declining imported inflation; Lower Inflation expectations
- ❑ 4Q2013 WRI suggest diminishing upside risks from the wage factor as long as labour market imbalances persist and corporate balance sheets remain weak

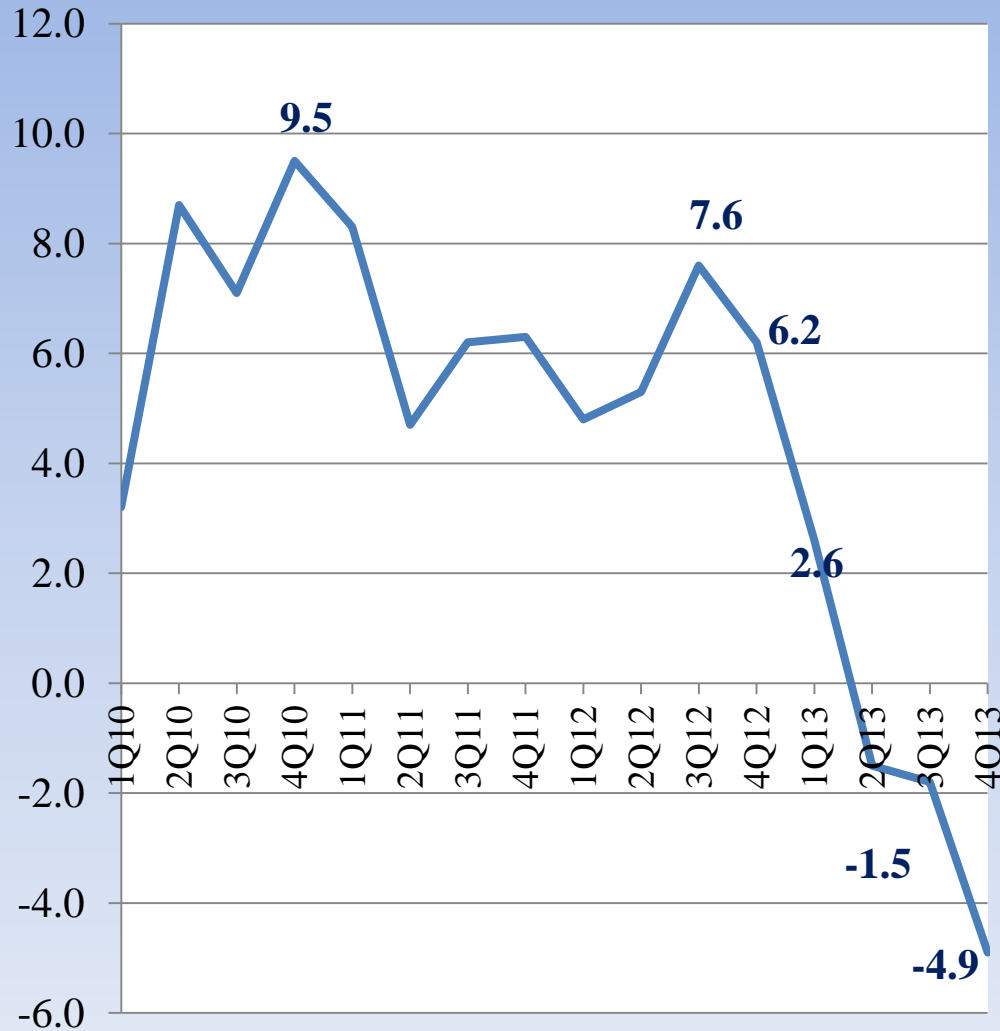
Inflation Outlook: Expert Judgement III



Inflation Outlook: Expert Judgement IV



Y-o-Y Import Price Change



Going forward, no external price pressures; Global inflation to stay subdued. IMF Crude oil price forecast lower in 2015 at US\$98 (US\$104 in 2014). Higher supplies of oil, grains & metals; weak global demand (IMF WEO Apr 2014);

Stable MERI & MERI2 and negative output gap at least in 2014.

Inflation Outlook: Expert Judgement V



□ Pluriconseil Feb.2014 survey: 63% of respondents forecast headline inflation $\leq 4.0\%$ by Jun 2014; IMF Apr 2014 y-o-y & headline inflation at 4.5% & 3.5% in Dec 2014; Bank Staff's Feb 2014 y-o-y inflation forecasts unchanged

	Year-on-Year	Headline
Jun-14	3.9 - 4.1	3.8 - 4.2
Dec-14	3.9 - 4.3	4.0 - 4.4

Inflation Forecasts: Model-Based

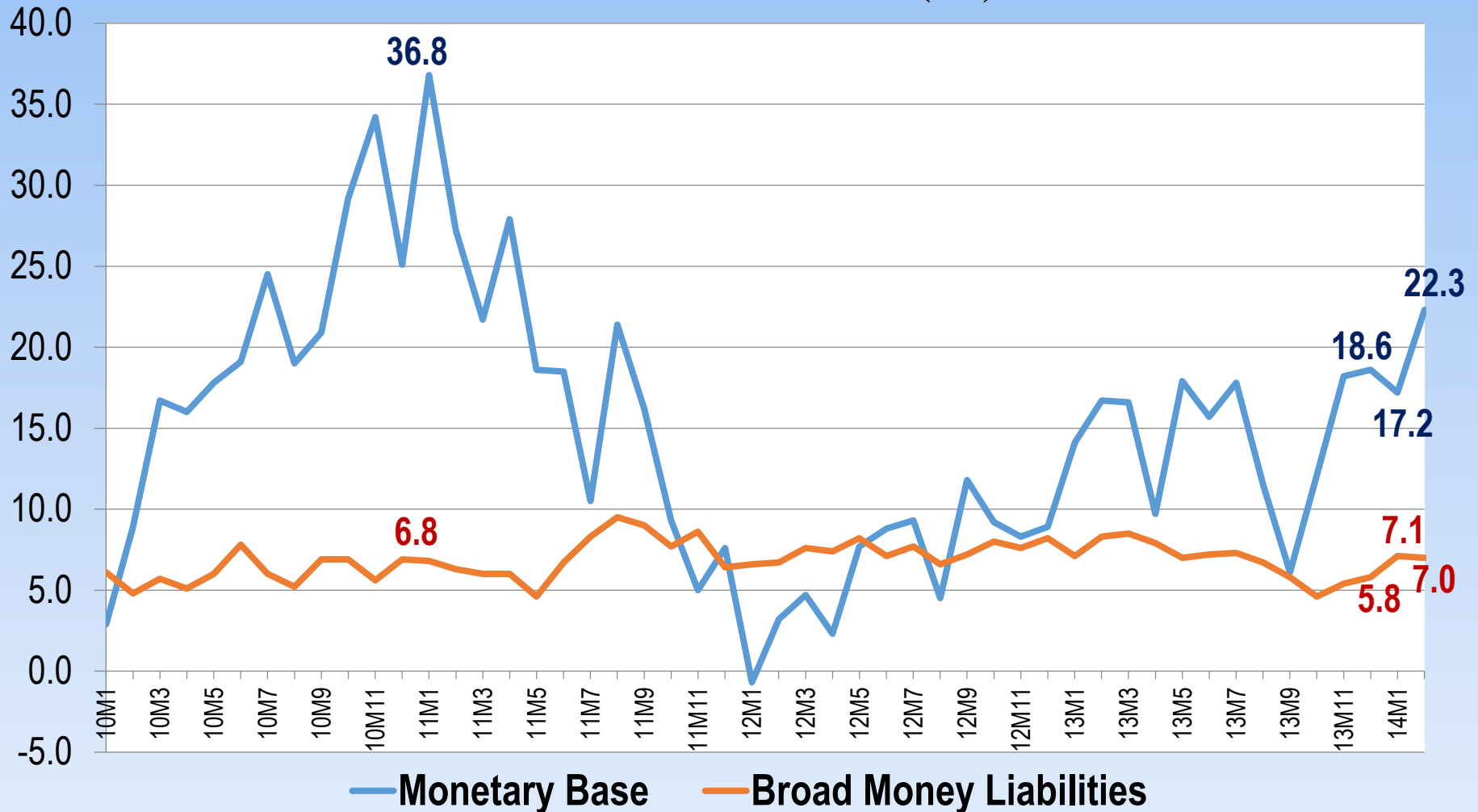


Period	Y-o-Y Inflation MPC Feb 2014	Y-o-Y Inflation MPC April 2014
2014Q2	3.8	4.1
2014Q3	3.6	4.4
2014Q4	4.1	4.2
2015Q1	4.0	3.6
2015Q2	4.6	4.1
2015Q3		4.4

MONETARY DEVELOPMENTS I



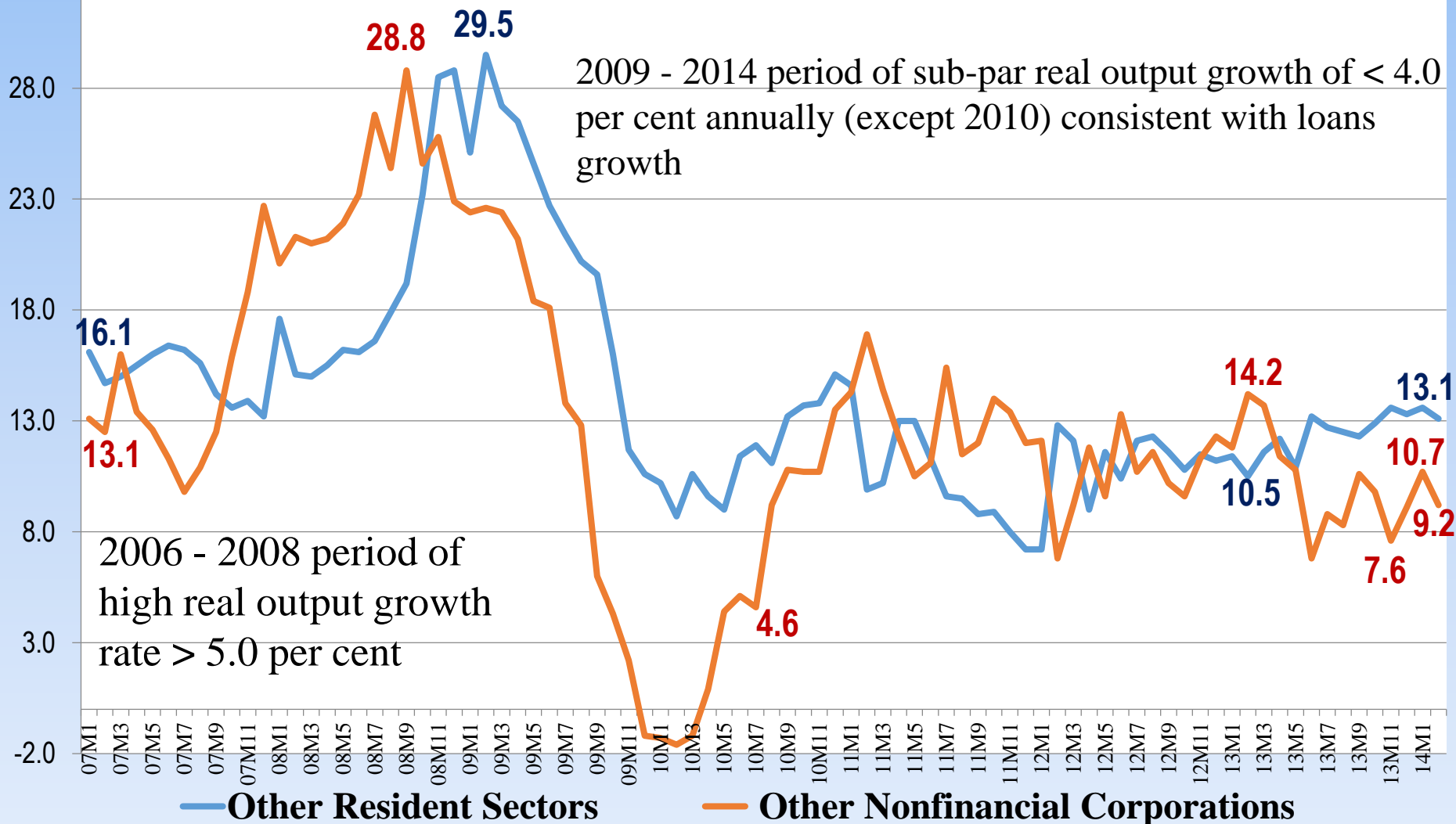
Annual Growth Rates (%)



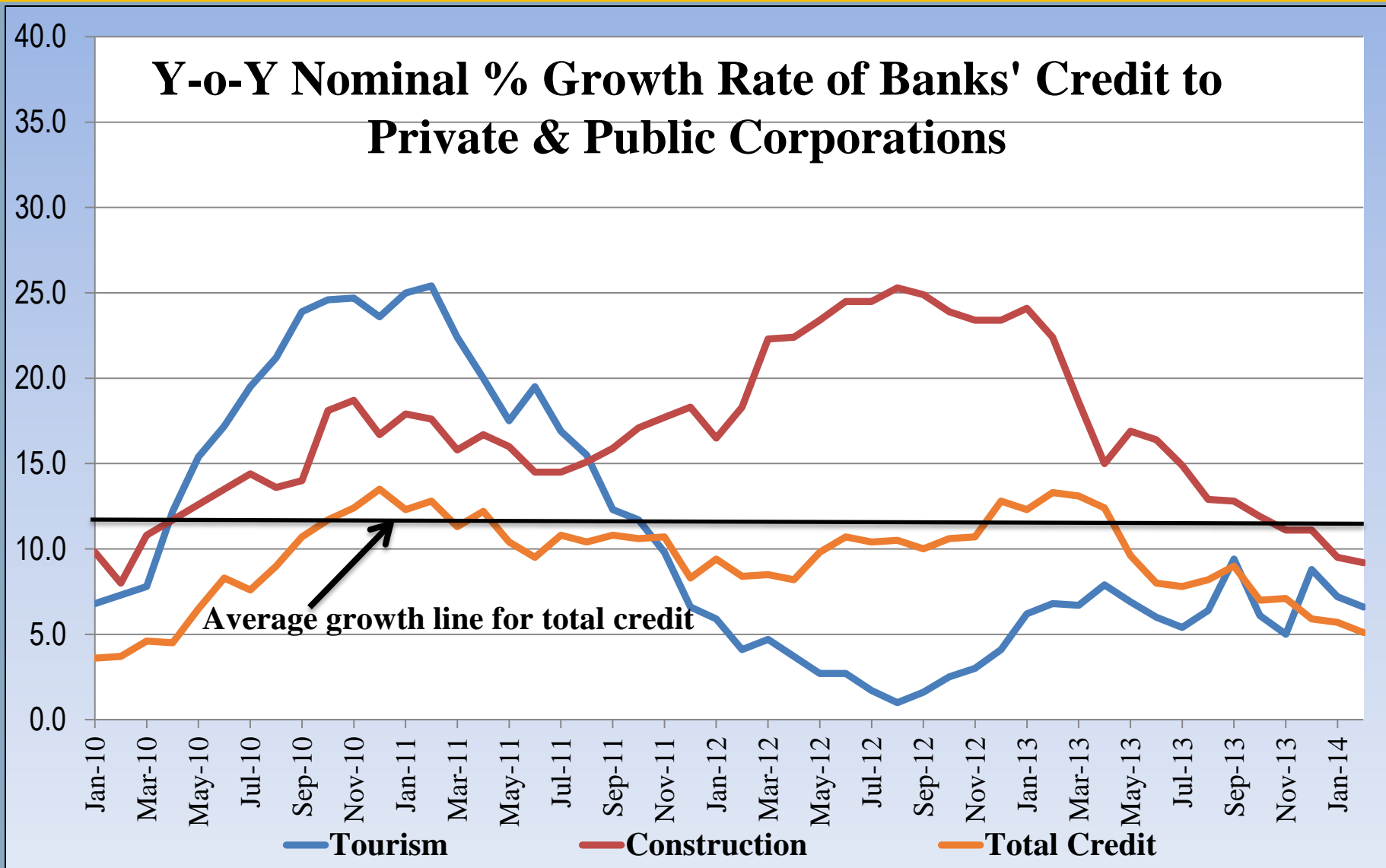
MONETARY DEVELOPMENTS II



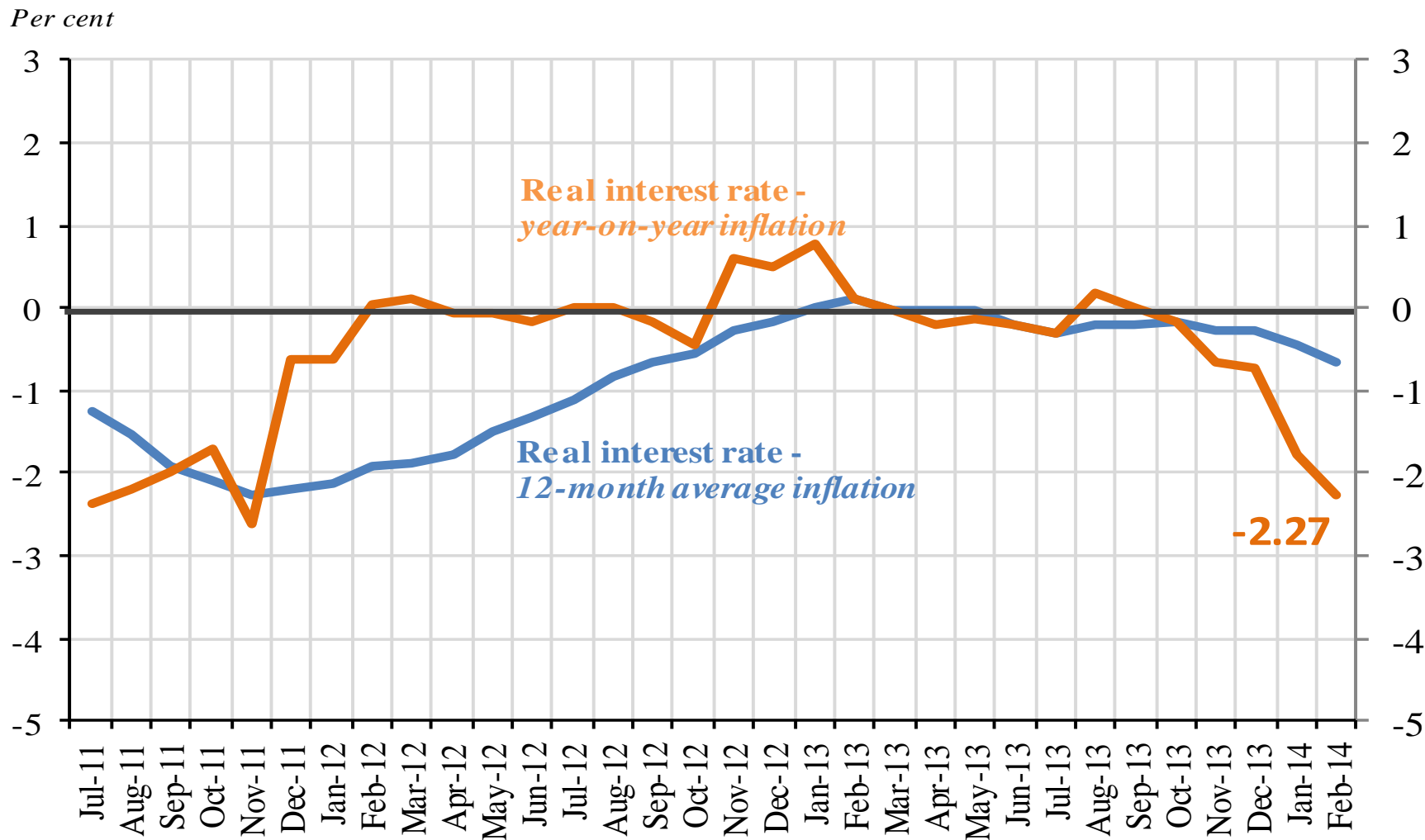
Y-O-Y NOMINAL GROWTH RATE OF ODCs' LOANS



MONETARY DEVELOPMENTS II



INTEREST RATE DEVELOPMENTS



BOP DATA REVISIONS I



- ❑ Major BOP data revision in March 2014 due to inclusion of GBC1s Survey 2012 data and FALS 2011 & 2012 data in the ESS
- ❑ GBC1s Survey and FALS launched in Mar/Apr every year and usually finalized by early Sep for the GBC1s Survey and by Oct/Nov for the FALS
- ❑ BOP data are of quarterly frequency but survey data are annual and need to be “quarterlised”

BOP DATA REVISIONS II



- ❑ Prior to Mar 2014 data revision, the Bank was using the GBC1s annual survey data 2011 as a benchmark for the estimation of GBC1s quarterly BOP data for 2012 & 2013
- ❑ Thus, these initial GBC1s BOP estimates for 2012 based on the GBC1s survey 2011 were revised to reflect the “quarterlisation” of hard data for GBC1s 2012 BOP data
- ❑ New quarterly estimates for GBC1s BOP data were worked out for 2013 on the basis of the 2012 survey data

BOP DATA REVISIONS III



FALS	2011 OLD data	2011 NEW data	2012 OLD data	2012 NEW data	GBC1s Survey	2012 OLD data	2012 NEW data
Direct Investment Income	-4,789	-6,333	-3,199	-5,743	Direct Investment Income	6,692	-3,241
Direct Investment, gross inflows	9,456	12,894	12,669	20,373	Portfolio Investment Income	-8,029	11,846
<i>o/w Equity</i>	9,456	9,842	12,669	14,811	Other Investment Income	-1,290	2,669
<i>o/w Retained Earnings</i>	<i>n.a</i>	1,881	<i>n.a</i>	3,815	Direct Investment, Net	-25,504	157,924
<i>o/w Shareholders' Loan</i>	<i>n.a</i>	1,171	<i>n.a</i>	1,747	Portfolio Investment, Net	301,136	37,954
Direct Investment, gross outflows	2,545	6,101	2,659	5,549	Other Investment, Net	-227,574	-153,628
<i>o/w Equity</i>	2,545	4,315	2,659	2,478			
<i>o/w Retained Earnings</i>	<i>n.a</i>	288	<i>n.a</i>	612			
<i>o/w Shareholders' Loan</i>	<i>n.a</i>	1,498	<i>n.a</i>	2,459			
Other Investment, other sector, long-term liabilities	3,507	4,482	-1,020	-1,802			

Summary BOP I



<i>Rs Million</i>	Q4-2011	Q4-2012	Q4-2013	Year 2011	Year 2012	Year 2013
Current Account (Including GBC1s)	-13,870	-7,693	-9,418	-44,630	-25,056	-36,187
Current Account (Excluding GBC1s)	-11,534	-10,151	-11,029	-37,131	-35,579	-41,186
Exports (f.o.b)	19,623	21,687	23,560	73,586	79,658	88,148
Imports (f.ob)	-40,166	-42,408	-45,023	-141,171	-153,471	-157,738
Trade balance	-20,543	-20,721	-21,463	-67,585	-73,813	-69,590
Services, net	7,633	7,421	6,718	22,869	28,838	21,493
<i>o.w travel, net</i>	9,875	9,614	8,036	31,234	33,382	27,169
Income, net (Including GBC1s)	-2,153	3,518	3,640	-3,389	15,659	9,134
Income, net (Excluding GBC1s)	100	926	1,972	3,790	4,386	3,852
Current transfers, net	1,193	2,091	1,687	3,475	4,260	2,776
Current A/c (Incl. GBC1s) as a % of GDP_{mp}	-15.6	-8.1	-9.3	-13.8	-7.3	-9.9
Current A/c (Excl. GBC1s) as a % of GDP_{mp}	-13.0	-10.6	-10.9	-11.5	-10.3	-11.2

Summary BOP II



<i>Rs million</i>	Q4-2011	Q4-2012	Q4-2013	Year 2011	Year 2012	Year 2013
Capital & Financial Account	9,102	-9,184	13,631	39,188	35,464	40,450
Direct investment, net (Including GBC1s)	-23,208	43,713	16,404	-29,009	170,204	67,213
Direct investment, net (Excluding GBC1s)	1,481	6,443	1,404	7,910	12,280	3,807
<i>Abroad (Excluding GBC1s)</i>	<i>-958</i>	<i>-1,497</i>	<i>-1,309</i>	<i>-4,530</i>	<i>-5,420</i>	<i>-4,132</i>
<i>In Mauritius (Excluding GBC1s)</i>	<i>2,439</i>	<i>7,940</i>	<i>2,713</i>	<i>12,440</i>	<i>17,700</i>	<i>7,939</i>
Portfolio investment, net (Including GBC1s)	66,056	7,803	16,863	256,972	42,058	67,026
Portfolio investment, net (Excluding GBC1s)	-240	-1,154	1,563	1,988	4,104	6,261
<i>Equity (Excluding GBC1s)</i>	<i>-418</i>	<i>-988</i>	<i>1,348</i>	<i>1,816</i>	<i>2,528</i>	<i>6,284</i>
<i>Debt (Excluding GBC1s)</i>	<i>178</i>	<i>-166</i>	<i>215</i>	<i>172</i>	<i>1,576</i>	<i>-23</i>
Other investment, net (Including GBC1s)	-32,175	-57,037	-15,238	-183,475	-170,516	-77,086
Other investment, net (Excluding GBC1s)	17,926	-20,781	21,762	9,221	-16,888	62,748
<i>General Government</i>	<i>282</i>	<i>545</i>	<i>1,443</i>	<i>5,452</i>	<i>2,782</i>	<i>9,783</i>
<i>Monetary Authorities</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Banks</i>	<i>12,014</i>	<i>-23,089</i>	<i>17,914</i>	<i>-7,911</i>	<i>-24,971</i>	<i>46,892</i>
<i>Other Sectors: Long-term (Excluding GBC1s)</i>	<i>3,365</i>	<i>358</i>	<i>-305</i>	<i>4,710</i>	<i>-1,820</i>	<i>-2,544</i>
<i>Other Sectors: Short-term</i>	<i>2,265</i>	<i>1,405</i>	<i>2,710</i>	<i>6,970</i>	<i>7,119</i>	<i>8,617</i>
Balance of payments Surplus (-)/ Deficit (+)	-1,560	-3,580	-4,361	-5,247	-6,041	-16,580



Thank you