

OVERVIEW

International Developments

In April 2012, the US dollar, on average, appreciated vis-à-vis the euro but depreciated against Japanese yen and the Pound sterling. Early in the month, the dollar got a boost as risk currencies fell after Australia posted a surprise trade deficit. The greenback was supported broadly by safe-haven demand as soaring bond yields rekindled worries about the fragile state of the euro zone economy. The dollar, then, came under broad pressure after the release of soft U.S. payrolls figures showing a slowing US economy in the first quarter bolstered the view that the Federal Reserve could adopt more monetary easing to support the economy.

The euro depreciated against the US dollar in April 2012, trading at an average of US\$1.3160 compared to an average of US\$1.3221 in March 2012. The European Central Bank, as expected, left interest rates unchanged at 1 per cent at its rate setting meeting on 4 April. The euro touched two-month lows around \$1.3008 as soaring Spanish bond yields exacerbated concerns about the fragility of peripheral euro zone economies.

The Pound sterling appreciated against the US dollar in April 2012, trading at an average of US\$1.5996 compared to an average of US\$1.5830 in March 2012. Sterling was underpinned by upbeat manufacturing, construction and services data which tempered concerns over a lack of growth in Britain's economy. The Pound extended its gains on data showing an improvement in the UK economy and on expectations of no further stimulus by the Bank of England following a rise in UK inflation. It fell, thereafter, after data showed the UK economy had slid back into recession. Sterling, nevertheless, outperformed the US currency on speculation that the US Fed could eventually launch another bond buying programme.

Global equities posted a mixed performance in April 2012. Mixed economic data from the US, especially with a disappointing April US employment report, and macroeconomic gloom in Europe, global equity markets found some support from

better-than-expected corporate earnings. Wall Street ended hardly changed, while European stocks ended the month lower dragged down by a shaky economic outlook in Europe. Over the month, the Dow Jones Industrial Average ended unchanged, while the NASDAQ, FTSE, CAC-40 and Nikkei dropped 1.5 per cent, 0.5 per cent, 6.2 per cent and 5.6 per cent, respectively. Among emerging stock markets, Shanghai SEC and JALSH rose by 5.9 per cent and 2.5 per cent, respectively, while Bombay SENSEX fell by 1.6 per cent.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$103.3 a barrel in April 2012, down from US\$106.2 a barrel in March 2012. ICE Brent Crude averaged US\$120.5 a barrel during the month under review, down from US\$124.5 a barrel in March 2012. Both NYMEX and ICE Brent Crude settled at intra-month highs of US\$105.2 a barrel and US\$ 125.4 a barrel, respectively, on 2 April 2012.

COMEX gold futures, on average, went down from US\$1,676.4/Oz in March 2012 to US\$1,651.7/Oz in April 2012 and traded in an intra-month closing range of US\$1,614.1/Oz-1,680.6/Oz compared to US\$1,642.5/Oz-1,722.2/Oz in the preceding month. Gold prices peaked at US\$1,680.6/Oz on 12 April 2012.

Domestic Developments

The March 2012 data on tourist arrivals showed an increase of 0.6 per cent to 83,827 from 83,349 a year earlier. Gross tourist receipts increased by 0.4 per cent, from Rs4,187 million in March 2011 to Rs4,203 million in March 2012. In the year April 2011 to March 2012, tourist arrivals increased by 1.7 per cent to 964,011 compared to 947,482 recorded over the previous corresponding period. Tourist receipts for the period April 2011 to March 2012 rose by 10.7 per cent to Rs44,715 million compared to Rs40,385 million registered over the previous corresponding period.

The Consumer Price Index (CPI) rose from 132.3 in March 2012 to 132.5 in April 2012. The main contributors to the rise in the index between March 2012 and April 2012 were vegetables (+0.1 index point), other food products (+0.1 index point) and other goods and services (+0.1 index point). Interest on housing loan registered a drop of 0.1 index point. Division-wise, an increase of 0.7 per cent was recorded for

“Clothing and footwear” followed by “Food and non alcoholic beverages” (+0.5 per cent), “Furnishings, household equipment and routine household maintenance” (+0.2 per cent) and “Alcoholic beverages and tobacco” (+0.1 per cent). “Housing, water, electricity, gas and other fuels” and “Restaurants and hotels” recorded decreases of 0.3 per cent and 0.1 per cent, respectively, while “Health”, “Transport”, “Communication”, “Recreation and culture”, “Education” and “Miscellaneous goods and services” recorded no change in their indices.

The rate of inflation for the twelve-month period ended April 2012 stood at 5.6 per cent, down from 5.9 per cent for the twelve-month period ended March 2012. Year-on-Year inflation rate remained unchanged at 3.8 per cent in April 2012.

Between March 2012 and April 2012, for the twelve month period, CORE1 inflation fell from 5.3 per cent to 5.0 per cent while CORE2 inflation decreased from 4.3 per cent to 4.1 per cent. TRIM10 inflation stood at 4.1 per cent in April 2012, down from 4.4 per cent for the twelve-month period ended March 2012.

Net foreign assets of depository corporations went up by Rs45,751 million, or 13.0 per cent, from Rs351,064 million at the end of February 2012 to Rs396,815 million at the end of March 2012. Net foreign assets of the other depository corporations went up by Rs46,281 million to Rs321,049 million as at end-March 2012 while the net foreign assets of the Bank of Mauritius decreased by Rs529 million to Rs75,766 million as at end-March 2012.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs4,701 million, or 1.3 per cent, from Rs351,545 million at the end of February 2012 to Rs356,246 million at the end of March 2012. Net claims on budgetary central Government increased by Rs1,134 million, or 2.4 per cent, from Rs46,573 million at the end of February 2012 to Rs47,707 million at the end of March 2012. Claims on other sectors, that is, credit to the private sector went up by Rs3,567 million, or 1.2 per cent, to Rs308,539 million in March 2012.

Net claims on budgetary central Government from the Bank of Mauritius fell by Rs697 million, from negative Rs2,847 million at the end of February 2012 to negative

Rs3,544 million at the end of March 2012 and net claims on budgetary central Government from other depository corporations rose by Rs1,830 million, or 3.7 per cent, from Rs49,421 million to Rs51,251 million.

Broad Money Liabilities (BML) went up by Rs2,356 million, or 0.7 per cent, from Rs332,762 million at the end of February 2012 to Rs335,118 million at the end of March 2012.

The monetary base decreased by Rs271 million, or 0.6 per cent, from Rs45,015 million at the end of February 2012 to Rs44,744 million at the end of March 2012. Currency in circulation dropped by Rs309 million, or 1.4 per cent, from Rs22,171 million to Rs21,862 million and liabilities to other depository corporations went up slightly by Rs43 million, or 0.2 per cent, from Rs22,608 million to Rs22,651 million.

In April 2012, the Bank issued Government of Mauritius Treasury Bills for a total nominal amount of Rs3,560 million against a total tendered amount of Rs3,800 million through the auctions of single maturity instruments. One auction for 91-day and 182-Day maturity each and three auctions for 273-day and 364-day maturity each were held during the month. In a bid to alleviate liquidity conditions, the Bank continued to offer buy-back for Bank of Mauritius Notes.

The weighted yields on the Treasury Bills trended further downwards in April 2012. As compared to the last auction held in March 2012, the weighted yield of the 91-day and the 182-day Treasury Bills decreased by 5 basis points to reach 3.38 per cent and 3.59 per cent at the last auction held on 19 April 2012 and 23 April 2012, respectively; the weighted yield of the 273-day Treasury Bills went down by 11 basis points to 3.76 per cent on 26 April 2012 while that of the 364- Day Bills lost 7 basis points to reach 3.93 per cent on 17 April 2012.

The overall weighted yield for April 2012 stood at 3.77 per cent down from 4.08 per cent for March 2012.

An auction for the Three-Year Government of Mauritius Treasury Notes with coupon rate of 4.90 per cent and maturity date of 6 April 2015 took place on 4 April 2012. Out of the 32 bids received for a total nominal amount of Rs2,353.7 million at the auction, 18 bids for a total nominal amount of Rs1,400 million were accepted. The lowest yield received and the highest yield accepted stood at 5.00 per cent and 5.24 per cent, respectively, whilst the weighted yield on accepted bids was 5.14 per cent.

Five-Year Government of Mauritius Bonds, with coupon rate of 6.00 per cent and maturing on 20 April 2017 were put on auction on Wednesday 18 April 2012 for an amount of Rs1,400 million for settlement on Friday 20 April 2012. Out of the 34 bids received for a total nominal amount of Rs2,130 million at the auction, 17 bids for a total nominal amount of Rs1,400 million were accepted. The lowest yield received and the highest yield accepted stood at 6.00 per cent and 6.35 per cent, respectively, whilst the weighted yield on accepted bids was 6.23 per cent.

During the month under review, Rs1.0 million worth of Treasury Notes were sold over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers increased from Rs318.4 million in March 2012 to Rs1,063.3 million in April 2012.

Transactions on the overnight interbank money market in April 2012 totalled Rs22,085 million up from Rs9,890 million in March 2012. The daily average amount transacted stood at Rs736 million in April 2012 compared to a daily average of Rs353 million in March 2012. Transactions with a high of Rs1,685 million and a trough of Rs170 million were recorded in April 2012. The weighted average overnight interbank rate stood at 1.87 per cent in April 2012 compared to 1.97 per cent in March 2012.

During the period under review, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of USD20.1 million from the market whilst it sold USD40.605 million to its customers.

Under the Special Line of Credit made available to Small and Medium Planters, the amount outstanding as at end of April 2012 stood at Rs1,014.9 million.

The weighted average dealt selling rates of the rupee, which are calculated on the basis of transactions of US\$30,000 and above, or the equivalent in other foreign currencies conducted by banks and Bank of Mauritius, depreciated, on average, against the US dollar and the Pound sterling, but appreciated vis a vis the Euro between March and April 2012.

At the end of April 2012, the gross foreign exchange reserves of the Bank of Mauritius decreased to Rs78,995 million from Rs79,369 million as at end-March 2012. The end-April 2012 level of gross international reserves of the country, based on the value of imports of goods and services for the year 2011, represented 4.5 months of imports, compared to the 4.6 months covered as at end of March 2012.