

OVERVIEW

International Developments

In April 2013, the US dollar, on average, depreciated vis-à-vis the euro and the Pound sterling but appreciated vis-à-vis the Japanese yen. The US dollar fell broadly after weaker-than-expected US employment growth and GDP data as well as slowing inflation reinforced expectations that the US Federal Reserve would continue buying bonds to support the US economy. Against the yen, the US dollar rose to four-year highs on account of the Bank of Japan's aggressive monetary easing.

The euro traded at an average of US\$1.3021 in April 2013 compared to an average of US\$1.2960 in March 2013. The common currency gained support after European Central Bank (ECB) President Mario Draghi said the ECB stood ready to act if growth continued to weaken following the policy meeting on 4 April 2013, at which the ECB kept its key refinancing rate unchanged at 0.75 per cent. The single currency hit an intra-month high of US\$1.3175. However, poor growth prospects in the euro zone and speculation that the ECB would cut its main refinancing rate soon weighed on the euro.

The Pound sterling appreciated against the US dollar in April 2013, trading at an average of US\$1.5300 compared to an average of US\$1.5091 in March 2013. Sterling rose after the Bank of England refrained from injecting fresh stimulus into the economy on better-than-expected UK growth data. But concerns about Britain's fragile economic outlook remained and limited the Pound's gains.

Global equities rose in April 2013, helped by supportive monetary policies that have kept interest rates low as well as strong corporate earnings. Over the month, the NASDAQ, Dow Jones Industrial Average, FTSE, CAC-40 and the NIKKEI rose by 1.9 per cent, 1.8 per cent, 0.3 per cent, 2.6 per cent and 11.8 per cent, respectively. Among emerging stock markets, Shanghai SEC and JALSH fell by 2.6 per cent and 2.8 per cent, respectively, while Bombay SENSEX gained 3.6 per cent.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$92.1 a barrel in April 2013, down from US\$93.0 a barrel in March 2013. ICE Brent Crude averaged US\$103.4 a barrel during the month under review, down from US\$109.5 a barrel in March 2013. NYMEX and ICE Brent Crude settled at intra-month highs of US\$97.2 a barrel on 2 April 2013 and US\$111.1 a barrel on 1 April 2013, respectively.

COMEX gold futures, on average, went down from US\$1,591.6/Oz in March 2013 to US\$1,486.3/Oz in April 2013 and traded in an intra-month closing range of US\$1,361.1/Oz-US\$1,600.0/Oz compared to US\$1,572.3/Oz-US\$1,613.8/Oz in the preceding month. Gold prices peaked at US\$1,600.0/Oz on 1 April 2013.

Domestic Developments

March 2013 data on tourist arrivals showed an increase of 9.5 per cent to 91,759 from 83,827 a year earlier. Gross tourist receipts decreased by 7.8 per cent, from Rs4,188 million in March 2012 to Rs3,862 million in March 2013. For the period April 2012 to March 2013, tourist arrivals increased by 0.5 per cent to 969,284 from 964,011 recorded over the previous corresponding period. Tourist receipts for the period April 2012 to March 2013 decreased by 4.2 per cent to Rs42,674 million from Rs44,536 million in the previous corresponding period.

In May 2013, Statistics Mauritius released a new CPI series, based on an updated basket of goods and services derived from the 2012 Household Budget Survey. The base period for this new CPI series is the twelve-month period January 2012 to December 2012. The official CPI for the month of April 2013 stood at 103.4. The rate of inflation for the twelve-month period ended April 2013 stood at 3.6 per cent, unchanged from the previous month.

Net foreign assets of depository corporations went up by Rs24,329 million, or 6.5 per cent, from Rs371,959 million at the end of February 2013 to Rs396,288 million at the end of March 2013. Net foreign assets of the Bank of Mauritius increased by Rs3,205 million to Rs96,755 million at the end of March 2013 while the net foreign assets of the other depository corporations increased by Rs21,124 million to Rs299,533 million at the end of March 2013.

Domestic claims of depository corporations, including claims on GBL holders, decreased by Rs1,571 million, or 0.4 per cent, from Rs399,384 million at the end of February 2013 to

Rs397,812 million at the end of March 2013. Net claims on central Government increased by Rs689 million, or 2.5 per cent, from Rs27,360 million at the end of February 2013 to Rs28,049 million at the end of March 2013. Claims on other sectors went down by Rs2,260 million, or 0.6 per cent, to Rs369,763 million in March 2013.

Broad Money Liabilities (BML) rose by Rs3,419 million, or 1.0 per cent, from Rs344,827 million at the end of February 2013 to Rs348,246 million at the end of March 2013.

The monetary base decreased by Rs399 million, or 0.8 per cent, from Rs52,362 million at the end of February 2013 to Rs51,963 million at the end of March 2013. Currency in circulation went up by Rs456 million, or 1.9 per cent, from Rs24,499 million to Rs24,955 million whereas liabilities to other depository corporations declined by Rs854 million, or 3.1 per cent, from Rs27,798 million to Rs26,943 million.

In April 2013, the Bank issued Government of Mauritius Treasury Bills (GMTB) for a total nominal amount of Rs3,200 million through the auctions of single maturity instruments. There was a net issue of Treasury Bills of Rs90 million in April 2013 compared to a net issue of Rs1,630 million in March 2013. Given the excess liquidity conditions prevailing in the banking system, all auctions of GMTB were oversubscribed with the bid cover ratio ranging between 1.44 and 2.14. One auction each for 182-Day and 273-Day and two auctions for the 364-Day GMTB were held during the month.

On a point-to-point basis, the weighted yields of the last auctions held in April 2013 for the 182-Day, 273-Day and 364-Day GMTB went down by 4 basis points, 1 basis point and 16 basis points, and stood at 2.30 per cent, 2.34 per cent and 2.31 per cent, respectively, at the last auction for each maturity held in April 2013.

The overall weighted yield for April 2013 stood at 2.33 per cent, down from 2.37 per cent for March 2013.

In view of the excess liquidity prevailing in April 2013, a total nominal amount of Rs1,165 million of Bank of Mauritius Bills were issued during the month.

The Three-Year Government of Mauritius Treasury Notes (GMTN) issued on 18 January 2013 and bearing a coupon rate of 4.90 per cent was re-opened for a nominal amount of Rs1,200 million at an auction held on 03 April 2013 for issue on 05 April 2013. Out of the 29 bids received for a total nominal amount of Rs2,555 million, 13 bids for a total nominal amount of Rs1,200 million were accepted. The lowest yield received and the highest yield accepted stood at 3.40 per cent and 3.73 per cent, respectively, whilst the weighted yield on accepted bids was 3.65 per cent.

The Five-Year Government of Mauritius Bonds issued on 22 February 2013 and bearing a coupon rate of 4.30 per cent was re-opened for a nominal amount of Rs1,200 million at an auction held on 24 April 2013 for issue on 26 April 2013. Out of the 32 bids received for a total nominal amount of Rs3,150 million, 11 bids for a total nominal amount of Rs1,225 million were accepted. The lowest yield received and the highest yield accepted stood at 4.00 per cent and 4.20 per cent, respectively, whilst the weighted yield on accepted bids was 4.08 per cent.

During the month under review, there was no sale of Government Securities over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers fell from Rs1,904.6 million in March 2013 to Rs800.6 million in April 2013.

Transactions on the overnight interbank money market in April 2013 totalled Rs20,271 million compared to Rs25,680 million in March 2013. The daily average amount transacted stood at Rs676 million in April 2013 compared to a daily average of Rs917 million in March 2013. Transactions with a high of Rs1,455 million and a trough of Rs160 million were recorded in April 2013. The weighted average overnight interbank rate went down to 1.26 per cent in April 2013 from 1.35 per cent in March 2013.

In April 2013, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of US\$59.5 million whilst it sold US\$50.4 million to its customers.

Under the Special Line of Credit in Foreign Currency, an amount of EUR4.15 million was disbursed during the month of April 2013 and the amount outstanding as at end of April 2013 was EUR30.18 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, foreign exchange dealers and the Bank of Mauritius, depreciated, on average, against all the three major currencies, that is, the US dollar, the Pound sterling and the Euro between March 2013 and April 2013.

At the end of April 2013, the gross foreign exchange reserves of the Bank of Mauritius decreased to Rs95,706 million, from Rs96,577 million as at end-March 2013. The end-April 2013 level of gross official international reserves of the country, based on the value of imports of goods, *fob* and non-factor services for the year 2012, represented 5.1 months of imports, compared to 5.2 months at the end of March 2013.