

## OVERVIEW

### International Developments

**The US economy grew by 0.2 percent in the first quarter of 2015 on an annual basis; while economic data releases in the Eurozone were quite positive during April 2015.** As expected, at its FOMC meeting in April 2015, the US Federal Reserve maintained a dovish stance on its interest rate hike and attributed the economic slowdown in the first quarter of 2015 to “transitory factors”. At its meeting on 15 April 2015, the European Central Bank (ECB) left its main refinancing rate unchanged at 0.05 per cent as widely expected after the second month of its bond-buying program. The program has helped to improve lending in the Euro zone. The UK economy grew by 0.3 percent in the first quarter of 2015 compared to 0.6 percent in the last quarter of 2014. The Bank of England (BoE) Monetary Policy Committee, held on 8 and 9 April 2015, kept the Bank Rate at 0.5 percent unanimously and its asset purchase programme unchanged. The minutes of the meeting highlighted weakness in wage growth and a wide range of views on the future path of interest rates.

**Currency markets remained volatile during April 2015 and were influenced by data releases in major economies.** The US dollar was initially bolstered as the ECB and the Bank of Japan were expected to maintain their ultra-easy monetary policy stance while the US Federal Reserve was expected to raise interest rates from their historic lows in the coming months. Thereafter, the US currency retreated as the International Monetary Fund lowered its forecasts for US growth for 2015 and 2016. Moreover, a string of disappointing US economic data releases convinced investors that the US Federal Reserve would not lift interest rates soon and prompted them to unwind bullish bets on the greenback. The single currency fell as the ECB reiterated a dovish policy stance bias amidst heightened concerns over Greece’s debt default. The euro recovered in the second half of the month given a brief pick-up in economic activity and the US dollar’s broad-based weakness. The euro traded at an average of US\$1.0792 in April 2015 – touching an intra-month low of US\$1.0542 – compared to US\$1.0850 in March 2015. The associated risk of political uncertainty after a supposedly tight national election in May 2015 and weaker-than-expected economic data kept the British currency under pressure. The Pound

sterling traded at an average of US\$1.4935 in April 2015 – with an intra-month low of US\$1.4590 – compared to US\$1.4991 in March 2015.

**Equity markets recovered during April mainly on a number of positive quarterly earnings reports.** The MSCI Global Equity Index, MSCI Developed Markets Index and MSCI Emerging Markets Index gained 2.2 per cent, 0.9 per cent and 7.5 per cent, respectively. The NASDAQ and Dow Jones rose by 0.8 per cent and 0.4 per cent, respectively. Among the European market indices, FTSE and CAC-40 increased by 2.8 per cent and 0.8 per cent, respectively while DAX shed 4.3 per cent. The Shanghai Exchange Composite, Hang Seng and Nikkei rose by 18.5 per cent and 13.0 per cent, 1.6 per cent, respectively, while Bombay SENSEX retreated by 3.4 per cent.

**International energy prices firmed up while food prices declined further in April 2015.** Oil prices rose, reflecting higher global oil demand growth and the increasing risk of unplanned supply outages in the Middle East and North Africa. Crude oil NYMEX WTI (West Texas Intermediate crude oil) averaged US\$54.5 a barrel in April 2015, up from US\$47.8 a barrel in March 2015. ICE Brent Crude averaged US\$61.0 a barrel in April 2015, up from US\$56.8 a barrel in March 2015. The Food and Agriculture Organisation's (FAO) Food Price Index continued to decline in April 2015, reaching its lowest value in almost five years as supplies for most commodities remained robust. The April 2015 FAO Price Index stood at 171.0, down by 1.2 per cent from March 2015 and 19.2 per cent below its level a year earlier.

### **Domestic Developments**

**Tourist arrivals increased by 9.8 per cent to 96,595 in March 2015, from 87,977 a year earlier.** The year-on-year growth in arrivals for March 2015 reflected mainly increases from Europe (+12 per cent) and Asia (+22.7 per cent). Gross tourism earnings increased by 12.1 per cent, from Rs3,557 million in March 2014 to Rs3,988 million in March 2015. For the twelve-month period ended March 2015, tourism earnings rose by 11.6 per cent while tourist arrivals recorded an increase of 7.7 per cent compared to the corresponding period of 2014.

**Latest CPI data released by Statistics Mauritius showed easing inflationary pressures in the domestic economy in April 2015.** Headline inflation went down from 2.4 per cent in March 2015 to 2.2 per cent in April 2015, while y-o-y inflation edged down to 2.1 per cent in April 2015, from 2.2 per cent in March 2015. The core measures of inflation remained further subdued in April 2015.

**Monetary aggregates gained momentum in March 2015.** Monetary expansion, measured by the year-on-year growth rate of Broad Money Liabilities (BML), rose to 10.5 per cent in March 2015, from 9.6 per cent in February 2015. Growth in banks' credit picked up from 1.2 per cent in February 2015 to 2.6 per cent in March 2015. The annual growth rate of monetary base was 17.8 per cent in March 2015, compared with 9.9 per cent in February 2015.

**All the auctions of Government of Mauritius Treasury Bills (GMTBs) held in April 2015 were oversubscribed as reflected by a high-bid cover ratio and falling yields.** The bid cover ratio ranged between 3.0 and 4.6, as compared to 3.5 and 4.6 in March 2015. The weighted yields of the 182-Day, 273-Day and 364-Day maturities of GMTB declined further during the month. The overall weighted yield on GMTBs decreased to 1.47 per cent in April 2015, from 1.88 per cent in March 2015. The auctions for the New Benchmark Three-Year GoM Treasury Notes and the Five-Year GoM Bonds (Re-opening) were also oversubscribed with bid-cover ratios of 2.5 and 2.6, respectively.

**The weighted average dealt selling rates of the rupee depreciated, on average, against the US dollar, the euro and Pound sterling between March and April 2015.** The average rupee exchange rate against the US dollar, the euro and Pound sterling were Rs36.151/USD, Rs39.084/EUR and Rs54.256/GBP, respectively, in April 2015 compared to Rs35.711/USD, Rs38.784/EUR and Rs53.619/GBP, respectively, in March 2015. The rates are calculated on the basis of transactions of US\$30,000 and above, or the equivalent in other foreign currencies, conducted by banks and foreign exchange dealers.

**The gross foreign exchange reserves of the Bank of Mauritius decreased from Rs138,778 million at the end of March 2015 to Rs137,255 million at the end of April 2015.** Based on the value of imports of goods (f.o.b.) and non-factor services for the year 2014, the end-April 2015

level of gross official international reserves of the country represented 6.9 months of imports compared to 7.0 months as at end-March 2015.