

# OVERVIEW

## International Developments

During April 2002, the US dollar remained vulnerable against all other major currencies. Tensions in the Middle East as well as the possibility that a global recovery might lead to a diversion of investments away from the United States weighed on the US dollar. The US currency was further undermined by growing concerns about the sustainability and pace of the US recovery in the wake of the release of US economic data relating to retail sales, consumer sentiment and US durable goods orders. The pound sterling has risen steadily against the US currency buoyed by general dollar weakness and favourable data on the UK economy. The euro performed fairly well against the US dollar as it secured good support above the US\$0.8770 level. The single currency recorded its most hefty gains in the wake of heavy dollar selling pressure after the Federal Reserve Chairman mentioned that there was no urgency in raising US rates. The Japanese yen, despite official intervention warnings to stem its rise, rebounded vis-à-vis the US dollar. While on the one hand, the yen was seen as benefiting from belief that Japan was less exposed to the heightened political risk arising from the Middle East crisis than the other main currency areas, on the other hand, the complaints against a higher yen were not strong enough to counter the broad-based weakness of the US dollar.

## Domestic Developments

Tourist arrivals in March 2002 stood at 67,554, representing a 20.8 per cent increase compared to March 2001. Gross tourism receipts grew by 16.1 per cent from Rs1,449 million in March 2001 to Rs1,683 million in March 2002.

The Consumer Price Index (CPI) went up from 135.4 in March 2002 to 135.7 in April 2002. The rate of inflation for the 12-month period ended April 2002 stood at 6.1 per cent.

Money supply M2 went up by Rs10,208 million or 10.4 per cent, from Rs97,753 million at the end of June 2001 to Rs107,961 million at the end of March 2002. Narrow money supply M1 rose by Rs1,480 million or 11.6 per cent to Rs14,192 million and quasi-money increased by Rs8,728 million or 10.3 per cent to Rs93,769 million. Reserve money rose by Rs1,116 million or 9.8 per cent to Rs12,459 million at the end of March 2002.

Taking into consideration liquidity conditions in the market, the Bank carried out two reverse repurchase transactions in April 2002 for 1 and 2 days respectively. The highest yield accepted was 5.75 per cent.

Total transactions in eligible Government securities effected through the primary dealers during the month of April 2002 amounted to Rs187.3 million.

Direct sales of foreign currencies by the Mauritius Sugar Syndicate to the banking sector during April 2002 amounted to an equivalent of US\$17.0 million. The Bank did not intervene in the foreign exchange market in April 2002. Between March 2002 and April 2002, the rupee, on average, appreciated against the US dollar but depreciated vis-à-vis the Pound sterling, euro and Japanese yen.

At the end of March 2002, the net international reserves of the country amounted to Rs38,341 million. Based on the value of the import bill for calendar year 2001, the end- March 2002 level of net international reserves of the country represented 35.0 weeks of imports. At the end of April 2002, the foreign exchange reserves of the Bank of Mauritius amounted to Rs27,186 million, up from Rs26,726 million at the end of March 2002.

### **Automation of Port Louis Clearing House**

The coming into operation of the Mauritius Automated Clearing and Settlement System (MACSS) on 15 December 2000 provided the necessary communication infrastructure for payments to be effected in a secure and on a real time basis.

The automation of the Port Louis Clearing House (PLCH), which is based on the standardisation of cheques using Magnetic Ink Character Recognition (MICR) technology, is a logical sequence to the establishment of MACSS as it will enhance the speed of processing of cheques by the banking system. It will enable net settlement and exchange of details contained in the MICR code line in cheques electronically between participants, using the MACSS communication network.

With this development, the PLCH will be known in future as Port Louis Automated Clearing House (PLACH). PLACH participants will capture at their own premises information in the MICR code line of cheques, which will be cleared electronically through the MACSS. It is estimated that the MACSS network will be able to clear around 25,000 cheques daily.

The PLACH will be operating with three clearing cycles at 10.00 a.m., 1.30 p.m. and 3.00 p.m. respectively, as is the case presently. If necessary, the number of clearing cycles will be increased so as to minimise settlement risk further.

Banks have started to issue cheques with MICR code lines as from 2 May 2002. It is expected that all existing cheques without MICR encoding would be recalled by banks over the period May through August 2002 and the PLACH will go live as from September 2002.