

OVERVIEW

International Developments

World economic growth for 2001, originally forecast at 3.2 per cent, has been revised downward to 2.4 per cent in the wake of the September 11 attacks. For 2002, the world economy is expected to grow by 2.4 per cent. Following the decision of OPEC and non-OPEC members to cut oil production as from the beginning of January 2002, the price of oil, which is currently trading at US\$ 21 a barrel, is expected to push up to US\$ 25-26 a barrel by the end of the year 2002. On 1 January 2002, the euro was introduced as a physical currency. The collapse of Argentina's economy has led to the breakdown of the one-to-one dollar-peso link and a devaluation of the Argentine currency by 30 per cent.

Domestic Developments

Latest economic forecasts by the CSO indicate that the Mauritian economy is expected to grow by 6.3 per cent in 2001, with projected growth rates of 8.1 per cent, 6.3 per cent and 15.1 per cent in the agricultural, manufacturing and services sectors, respectively. The EPZ is expected to grow by 6.0 per cent and the sugar sector by 14.2 per cent. The tourism sector is expected to grow by 3.6 per cent. The unemployment situation remains a focus of attention. Some EPZ units have been shedding labour, the latest casualty being the Afasia Group, where some 1,050 employees have lost their jobs. Under the Voluntary Retirement Scheme (VRS) associated with the restructuring of the sugar industry, the sugar industry is to shed 7,000 jobs.

The rate of inflation for calendar year 2001 stood at 5.4 per cent, up from 4.2 per cent in 2000. For the current fiscal year, the Bank is targeting an inflation rate in the range of 5.0 to 5.5 per cent.

The money market remained liquid. Between end-June and end-November 2001, money supply M2 went up by 4.8 per cent in the wake of an increase of 8.6 per cent in the net foreign assets of the banking system and an expansion of 4.3 per cent in domestic credit. Commercial bank credit to the private sector went up by 4.8 per cent over that period. Injections of liquidity are expected through the disbursement of US\$ 40.0 million under the Umbrella Loan from the World Bank and the line of credit to commercial banks in relation to the VRS. Taking these factors into account, money supply M2 is estimated to increase by 12.5 per cent in the fiscal year, reflecting a growth rate of 11.0 per cent in net foreign assets and in net claims on the government and an expansion of 13.0 per cent in credit to the private sector.

Total exports amounted to Rs 13,265 million in the third quarter of 2001 while total imports amounted to Rs 14,973 million, resulting in a trade deficit of Rs 1,708 million. During the first nine months of 2001, a total number of 474,940 tourists visited Mauritius and gross tourism receipts amounted to Rs 12,870 million.

Direct sales of foreign currencies by the Mauritius Sugar Syndicate to the banking sector during December 2001 amounted to an equivalent of US\$ 39.5 million. The Bank did not intervene in the foreign exchange market in December 2001. Between November and December 2001, the rupee, on average, depreciated against the US dollar, the Pound Sterling and the euro, but appreciated against the Japanese yen. At the end of November 2001, the net international reserves of the country amounted to Rs 34,475 million, equivalent to 31.8 weeks of imports. At the end of December 2001, the foreign exchange reserves of the Bank of Mauritius amounted to Rs 25,220 million, up from Rs24, 682 million a month earlier.