

BALANCE OF PAYMENTS DEVELOPMENTS

I 4th QUARTER 2009

The overall balance of payments for the fourth quarter of 2009, excluding valuation changes, recorded a surplus of Rs4,130 million, a shift from the deficit of Rs2,439 million recorded a year earlier.

I.1 Current Account

Provisional estimates for the fourth quarter of 2009 indicate that the current account deficit narrowed to Rs5,632 million, from Rs6,768 million in the fourth quarter of 2008. This improvement resulted from higher net invisibles' (services, income and current transfers) surpluses which largely offset the expanding merchandise trade deficit.

After four consecutive quarter-on-quarter declines, the merchandise trade deficit, inclusive of the purchase of an aircraft, posted a higher shortfall of Rs16,934 million in the fourth quarter of 2009 compared to Rs12,990 million recorded in the fourth quarter 2008. Even after excluding the aircraft, the deficit on the merchandise account still witnessed an 8.3 per cent increase from a year earlier. This largely reflects the decline in nominal exports in the fourth quarter of 2009 which outstripped the slowdown in the contraction in nominal imports.

The surplus on the services account recorded a rise of 56.2 per cent, from Rs4,003 million in the fourth quarter of 2008 to Rs6,253 million in the fourth quarter of 2009, largely driven by favourable developments in "other services" account, despite the drag in travel receipts.

The surplus on the income account reached Rs921 million in the fourth quarter of 2009 compared to Rs323 million in the last quarter of 2008, on account of lower net direct investment income remitted abroad. The surplus on the current transfers account increased more than two-fold to Rs4,128 million in the fourth quarter 2009 from Rs1,896 million in fourth quarter 2008, largely due to higher grants received by the Government.

I.2 Capital and Financial Account

The capital and financial account, inclusive of reserve assets, recorded net inflows of Rs1,006 million during the fourth quarter of 2009 compared to net inflows of Rs1,497 million in the fourth quarter of 2008.

Net foreign direct investment inflows slowed to Rs1,529 million during the fourth quarter of 2009 compared to Rs3,612 million registered in fourth quarter of 2008. Foreign direct investment in Mauritius, net of repatriation, amounted to Rs1,895 million during the fourth quarter of 2009 significantly down from Rs3,981 million registered in the corresponding period of last year. Direct investment outflows, net of repatriation, remained almost flat at Rs366 million in the fourth quarter of 2009.

Portfolio investment recorded lower net outflows of Rs489 million in the fourth quarter of 2009 compared to Rs1,694 million in the fourth quarter of 2008. The year-on-year narrowing of the deficit reflected partly resurging non-resident investors' confidence in investment opportunities on the domestic market both in money-market instruments and holdings of equity.

Among debt-creating flows, other investment posted significant net inflows of Rs4,129 million, a turnaround from net outflows of Rs2,850 million registered during the last quarter of 2008.

II. CALENDAR YEAR 2009

The overall balance of payments for calendar year 2009, excluding valuation changes, recorded a surplus of Rs12,103 million, higher compared to Rs4,624 million recorded in 2008. The increase has been partly traced by the SDR allocations made by the IMF in August and September 2009 to the country.

II.1 Current Account

Provisional estimates of the balance of payments show that the current account deficit for the year 2009 declined significantly from Rs27,633 million in 2008 to Rs21,442 million. This improvement is largely attributable to the narrowing of the merchandise trade deficit as the real economy lost momentum reflecting the impact of the global financial crisis causing import demand to slow down as well as exports to suffer a setback. As a percentage of GDP at market prices, the current account deficit in 2009 dropped to 7.7 per cent, from 10.4 per cent in 2008.

The merchandise trade deficit dropped to Rs49,223 million in 2009 from Rs56,597 million in 2008. On a balance of payments basis, nominal exports (fob) fell, year-on-year, by 9.1 per cent while imports (fob), excluding the purchase of an aircraft, declined at a higher pace of 13.2 per cent in 2009.

The surplus on the services account stood at Rs20,047 million in 2009, up from Rs17,655 million in 2008. The increase in net inflows came mostly on account of favourable developments in "other services" account, which recorded a surplus of Rs1,217 million in 2009 as against a deficit of Rs5,033 million in 2008. Reflective of the adverse spill-over effects of the global crisis on travel, net tourism receipts posted a negative growth rate of 14.1 per cent in 2009, as net travel receipts dropped to Rs 24,386 million, from Rs 28,374 million in 2008.

The deficit on the transportation account narrowed to Rs5,556 million in 2009 from Rs5,686 million in 2008, largely on account of the fall in passenger fares associated with the contraction in tourists arrivals coupled with the decline in freights associated with falling import volumes.

The surplus on the income account dropped considerably to Rs825 million in 2009, from Rs4,900 million in 2008, as a result of higher direct investment income outflows and lower net income drawn by banks.

The current transfers account recorded a surplus of Rs6,909 million in 2009, slightly higher than Rs6,409 million registered in 2008. The determining inflows within current transfers have been the relatively higher grants received by the Government.

II.2 Capital and Financial Account

The capital and financial account, inclusive of reserve assets, recorded net inflows of Rs11,049 million in 2009, nearly 48 per cent decrease from net inflows of Rs21,073 million recorded in 2008.

Net foreign direct investment inflows slowed in 2009 compared to 2008, reflecting the relatively morose attitude associated with the global recession. Direct investment flows in Mauritius, net of repatriation, amounted to Rs8,221 million down from Rs10,895 million in 2008. Direct investment outflows also went down from Rs1,484 million in 2008 to Rs1,197 million in 2009.

During 2009, portfolio investment recorded lower net outflows of Rs2,732 million, compared to Rs4,868 million in 2008. The year-on-year narrowing of the deficit reflected partly resurging non-resident investors' confidence in investment opportunities on the domestic market. Other investment posted net inflows of Rs18,903 million, down from Rs21,194 million registered in 2008.