

## OVERVIEW

### International Developments

In February 2013, the US dollar, on average, appreciated vis-à-vis the Pound sterling and the Japanese yen but depreciated slightly against the euro. The US dollar strengthened broadly on account of expectations of more monetary easing in other major economies. In addition, the US currency gained some support from the Minutes of the US Federal Reserve's meeting held in January 2013, which suggested that policymakers would slow or stop buying assets on better jobs data.

The euro traded at an average of US\$1.3347 in February 2013 compared to an average of US\$1.3287 in January 2013. After rising to an intra-month high of US\$1.3624 at the start of the month amid signs that the euro zone was slowly starting to pull out of recession, the euro drifted generally lower against the US dollar. On 7 February 2013, as expected, the European Central Bank kept its key refinancing rate unchanged at 0.75 per cent. The euro came under pressure in the wake of growing political uncertainty in Italy and Spain and on expectations of rate cuts by the ECB. Thereafter, the single currency hit an intra-month low of US\$1.3049 on 26 February 2013 as the political deadlock in Italy following inconclusive elections and the stalemate in the United States over automatic government spending cuts further undermined risk sentiment. The euro closed February 2013 trading around US\$1.3153.

The Pound sterling depreciated against the US dollar in February 2013, trading at an average of US\$1.5478 compared to an average of US\$1.5954 in January 2013. The British currency trended downward against the US dollar on the back of a bleak UK economic outlook and expectations of continued monetary easing by the Bank of England. It slipped further following Moody's downgrade of the country's prized triple-A sovereign rating and hit an intra-month low of \$1.5104 toward the end of the month.

Global equities posted a mixed performance in February 2013. The US, UK and Japanese markets recording gains on pledges of supportive monetary policy from central

banks while European shares dropped slightly on renewed worries over the euro zone economy. Over the month, the NASDAQ, Dow Jones Industrial Average, FTSE and the NIKKEI rose by 0.6 per cent, 1.4 per cent, 1.3 per cent and 3.8 per cent, respectively, while the CAC-40 dropped 0.3 per cent. Among emerging stock markets, Shanghai SEC, Bombay SENSEX and JALSH fell by 0.8 per cent, 5.2 per cent and 1.9 per cent, respectively.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$95.3 a barrel in February 2013, up from US\$94.8 a barrel in January 2013. ICE Brent Crude averaged US\$116.1 a barrel during the month under review, up from US\$112.3 a barrel in January 2013. NYMEX and ICE Brent Crude settled at intra-month highs of US\$97.8 a barrel on 1 February 2013 and US\$ 118.9 a barrel on 8 February 2013, respectively.

COMEX gold futures, on average, went down from US\$1,670.9/Oz in January 2013 to US\$1,627.2/Oz in February 2013 and traded in an intra-month closing range of US\$1,572.8/Oz-1,678.8/Oz compared to US\$1,646.3/Oz-1,693.2/Oz in the preceding month. Gold prices peaked at US\$1,678.8/Oz on 6 February 2013.

### **Domestic Developments**

January 2013 data on tourist arrivals showed a decrease of 6.0 per cent to 92,894 from 98,837 a year earlier. Gross tourist receipts decreased by 14.2 per cent, from Rs5,478 million in January 2012 to Rs4,701 million in January 2013. In the period February 2012 to January 2013, tourist arrivals decreased by 0.2 per cent to 959,498 from 961,592 recorded over the previous corresponding period. Tourist receipts in the period February 2012 to January 2013 decreased by 1.1 per cent to Rs43,601 million from Rs44,093 million in the previous corresponding period.

The Consumer Price Index (CPI) rose from 135.7 in January 2013 to 136.6 in February 2013. The main contributors to the rise in the index between January 2013 and February 2013 were vegetables and alcoholic beverages (+0.3 index point each), other food products and other goods and services (+0.2 index point each). A decline of 0.1 index point in air tickets was noted. Division-wise, an increase of 1.6 per cent was recorded for “Alcoholic beverages and tobacco” followed by “Food and non alcoholic beverages” (+1.1 per cent), “Restaurants and hotels” (+1.1 per cent), “Furnishings, household equipment and

routine household maintenance” (+0.9 per cent), “Miscellaneous goods and services” (+0.5 per cent), “Clothing and footwear” (+0.2 per cent) and “Health” (+0.2 per cent). “Transport” and “Recreation and culture” recorded decreases of 0.2 per cent and 0.1 per cent, respectively while “Housing, water, electricity, gas and other fuels”, “Communication” and “Education” recorded no change in their indices.

The rate of inflation for the twelve-month period ended February 2013 stood at 3.6 per cent, down from 3.7 per cent for the twelve-month period ended January 2013. Year-on-Year inflation rate went up from 2.9 per cent in January 2013 to 3.6 per cent in February 2013.

Between January 2013 and February 2013, for the twelve month period, CORE1 inflation fell from 3.2 per cent to 3.0 per cent while CORE2 inflation edged down from 3.0 per cent to 2.9 per cent. TRIM10 inflation remained unchanged at 2.4 per cent for the twelve-month period ended February 2013.

Net foreign assets of depository corporations went up by Rs23,888 million, or 6.0 per cent, from Rs401,321 million at the end of December 2012 to Rs425,209 million at the end of January 2013. Net foreign assets of the Bank of Mauritius went up by Rs2,538 million to Rs94,098 million as at end-January 2013 and the net foreign assets of the other depository corporations increased by Rs21,350 million to Rs331,111 million as at end-January 2013.

Domestic claims of depository corporations, including claims on GBL holders, decreased slightly by Rs19 million, from Rs392,768 million at the end of December 2012 to Rs392,749 million at the end of January 2013. Net claims on central Government decreased by Rs1,445 million, or 5.1 per cent, from Rs28,494 million at the end of December 2012 to Rs27,049 million at the end of January 2013. Claims on other sectors went up by Rs1,426 million, or 0.4 per cent, to Rs365,700 million in January 2013.

Broad Money Liabilities (BML) declined by Rs4,376 million, or 1.3 per cent, from Rs347,363 million at the end of December 2012 to Rs342,987 million at the end of January 2013.

The monetary base decreased by Rs2,536 million, or 4.8 per cent, from Rs52,623 million at the end of December 2012 to Rs50,087 million at the end of January 2013. Currency in circulation went down by Rs1,798 million, or 6.7 per cent, from Rs26,961 million to Rs25,163 million and liabilities to other depository corporations fell by Rs661 million, or 2.6 per cent, from Rs25,515 million to Rs24,854 million as at end January 2013.

In February 2013, the Bank issued Government of Mauritius Treasury Bills (GMTB) for a total nominal amount of Rs2,700 million against a total tender amount of Rs4,125 million through the auctions of single maturity instruments. There was a net redemption of Treasury Bills for Rs221 million in February 2013 compared to a net issue of Rs267 million in January 2013. Given the excess liquidity conditions prevailing in the banking system, all auctions of GMTB were oversubscribed with the bid cover ratio ranging between 1.27 and 4.52. One auction each for 91-Day, 182-Day, 273-Day and 364-Day GMTB was held during the month. The Bank maintained its offer to buy-back Bank of Mauritius Notes from banks during the month.

Between the last auctions held in January 2013 and the last auctions in February 2013, the weighted yields on the 91-Day, 182-Day, 273-Day and 364-Day GMTB fell by 25 basis points, 10 basis points, 6 basis points and 4 basis points, respectively, to reach 2.41 per cent, 2.62 per cent, 2.74 per cent and 2.83 per cent. The overall weighted yield for February 2013 stood at 2.67 per cent, down from 2.88 per cent for January 2013.

A total nominal amount of Rs1,300.0 million of Bank of Mauritius Bills were issued in February 2013.

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 at an auction held on 14 February 2013 for issue on 15 February 2013. Out of the 29 bids received for a total nominal amount of Rs2,940 million at the auction, 5 bids for a total nominal amount of Rs850 million were accepted. The lowest yield received and the highest yield accepted stood at 3.99 per cent and 4.09 per cent, respectively, whilst the weighted yield on accepted bids was 4.06 per cent.

Five-Year Government of Mauritius Bonds due on 22 February 2018 were issued through an auction held on Wednesday 20 February 2013 for a nominal amount of Rs1,200 million for settlement on Friday 22 February 2013. Out of the 43 bids received for a total nominal amount of Rs4,700 million, 3 bids for a total nominal amount of Rs1,200 million were accepted. The lowest yield and the highest yield accepted stood at 4.30 per cent and 4.40 per cent, respectively, whilst the weighted yield was 4.34 per cent. The coupon rate, which was market determined, was set at 4.30 per cent.

During the month under review, Government Securities for an amount of Rs5.05 million were sold over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers decreased from Rs1,828.7 million in January 2013 to Rs915.0 million in February 2013.

Transactions on the overnight interbank money market in February 2013 totalled Rs17,545 million compared to Rs8,660 million in January 2013. The daily average amount transacted stood at Rs675 million in February 2013 compared to a daily average of Rs299 million in January 2013. Transactions with a high of Rs1,105 million and a trough of Rs30 million were recorded in February 2013. The weighted average overnight interbank rate went down to 1.37 per cent in February 2013 from 1.46 per cent in January 2013.

In February 2013, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of US\$76.3 million whilst it sold US\$35.0 million to its customers.

Under the Special Line of Credit made available to Small and Medium Planters an amount of Rs1,022.3 million was outstanding as at end of February 2013. The amount outstanding under the Special Line of Credit in Foreign Currency stood at EUR26.2 million as at end of February 2013.

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 the US dollar and the Euro but appreciated against the Pound sterling between January 2013 and February 2013.

At the end of February 2013, the gross foreign exchange reserves of the Bank of Mauritius decreased to Rs93,382 million from Rs93,949 million as at end-January 2013. The end-February 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 5.0 months of imports, compared to 5.1 months as at end of January 2013.