

## OVERVIEW

### International Developments

In January 2013, the US dollar, on average, depreciated vis-à-vis the euro but appreciated vis-à-vis the Pound sterling and Japanese yen. The last minute deal in Washington that averted the "fiscal cliff" heightened investors' risk appetite and undermined the safe-haven US dollar. In addition, comments from the head of the Federal Reserve suggesting that the US central bank was in no hurry to withdraw monetary stimulus and the release of robust Chinese export data assuaging concerns about global growth weighed on the US currency.

From US\$1.3136 at the beginning of January 2013, the euro hit an intra-month low of US\$1.3036 on 4 January before embarking on a general upward trend against the US dollar. On 10 January 2013, the European Central Bank (ECB) left its key refinancing rate unchanged at 0.75 per cent. At his post-meeting conference, ECB President Mario Draghi said that euro zone economic weakness was expected to extend into 2013, but the region should gradually recover later in the year. He gave no indication that the ECB would cut interest rates in the near future and his apparent change of opinion from the dovish stance in the previous month lifted the euro. The single currency was also bolstered by solid demand at a sale of Spanish debt while receding worries over a full-blown financial crisis in Europe were also encouraging investors to shift some funds back to the euro. Meanwhile, the Bundesbank reported that Germany's economic slump would be short-lived, adding that the euro zone's largest economy could have already bottomed out. The euro closed January 2013 trading at its intra-month high of around US\$1.3571.

The Pound sterling depreciated against the US dollar, trading at an average of US\$1.5954 in January 2013 compared to an average of US\$1.6135 in December 2012. Starting the month at its intra-month high around US\$1.6220, the British currency remained under pressure amid ongoing concerns about the UK economic outlook with real GDP expected to shrink in the fourth quarter of 2012 and prospects

of more monetary easing. Credit rating agency Fitch also warned that Britain could lose its prized AAA status while uncertainty over its relationship with the European Union also dragged the Pound sterling, which hit an intra-month low of US\$1.5704 on 29 January 2013 before closing the month trading around US\$1.5807.

Global equities rose in January 2013, benefiting partly from solid corporate results and encouraging economic data that spurred optimism about global growth prospects as well as seasonal flows into stocks. Over the month, the NASDAQ, Dow Jones Industrial Average, CAC-40, FTSE and the NIKKEI rose by 4.1 per cent, 5.8 per cent, 2.7 per cent, 6.4 per cent and 7.2 per cent, respectively. Among emerging stock markets, Shanghai SEC, Bombay SENSEX and JALSH gained 0.7 per cent, 2.4 per cent and 2.8 per cent, respectively.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$94.8 a barrel in January 2013, up from US\$88.2 a barrel in December 2012. ICE Brent Crude averaged US\$112.3 a barrel during the month under review, up from US\$109.2 a barrel in December 2012. NYMEX and ICE Brent Crude settled at intra-month highs of US\$97.9 a barrel on 30 January 2013 and US\$ 115.6 a barrel on 31 January 2013, respectively.

COMEX gold futures, on average, went down from US\$1,685.6/Oz in December 2012 to US\$1,670.9/Oz in January 2013 and traded in an intra-month closing range of US\$1,646.3/Oz-1,693.2/Oz compared to US\$1,645.9/Oz-1,721.1/Oz in the preceding month. Gold prices peaked at US\$1,693.2/Oz on 22 January 2013.

## **Domestic Developments**

December 2012 data on tourist arrivals showed an increase of 2.8 per cent to 115,465 from 112,295 a year earlier. Gross tourist receipts decreased by 5.3 per cent, from Rs4,866 million in December 2011 to Rs4,610 million in December 2012. For the year 2012, tourist arrivals increased by 0.1 per cent to 965,441 from 964,642 recorded in 2011. Tourist receipts for the year 2012 rose by 3.9 per cent to Rs44,378 million, from Rs42,717 million in 2011.

The Consumer Price Index (CPI) rose from 134.6 in December 2012 to 135.7 in January 2013. The main contributors to the rise in the index in January 2013 were fruits, vegetables, meat, alcoholic beverages, ready-made clothing, workman's wages, domestic and household services, private school and tuition fees and other goods and services, each registering an increase of 0.1 index point and other food products, which registered an increase of 0.2 index point. Division-wise, an increase of 2.3 per cent was recorded for "Education" followed by "Clothing and footwear" (+1.8 per cent), "Miscellaneous goods and services" (+1.4 per cent), "Furnishings, household equipment and routine household maintenance" (+1.2 per cent), "Food and non alcoholic beverages" (+1.2 per cent), "Health" (+0.7 per cent), "Restaurants and hotels" (+0.7 per cent), "Housing, water, electricity, gas and other fuels" (+0.6 per cent), "Alcoholic beverages and tobacco" (+0.5 per cent) and "Recreation and culture" (+0.4 per cent). "Transport" and "Communication" recorded no change in their indices.

The rate of inflation for the twelve-month period ended January 2013 stood at 3.7 per cent, down from 3.9 per cent for the twelve-month period ended December 2012. Year-on-Year inflation rate went down from 3.2 per cent in December 2012 to 2.9 per cent in January 2013.

Between December 2012 and January 2013, for the twelve month period, CORE1 inflation edged down from 3.3 per cent to 3.2 per cent while CORE2 inflation remained unchanged at 3.0 per cent. TRIM10 inflation stood at 2.4 per cent in January 2013, down from 2.5 per cent for the twelve-month period ended December 2012.

Net foreign assets of depository corporations went up by Rs4,656 million, or 1.2 per cent, from Rs392,805 million at the end of November 2012 to Rs397,461 million at the end of December 2012, largely on account of increases of Rs3,589 million and Rs1,067 million, respectively, in net foreign assets of both other depository corporations and the Bank of Mauritius.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs11,951 million, or 3.1 per cent, from Rs390,636 million at the end of

November 2012 to Rs402,587 million at the end of December 2012. Net claims on budgetary central Government increased by Rs5,704 million, or 13.6 per cent, from Rs41,802 million at the end of November 2012 to Rs47,506 million at the end of December 2012. Claims on other sectors, that is, credit to the private sector went up by Rs6,247 million, or 1.8 per cent, to Rs355,081 million in December 2012.

Broad Money Liabilities (BML) rose by Rs11,513 million, or 3.3 per cent, from Rs351,062 million at the end of November 2012 to Rs362,575 million at the end of December 2012.

The monetary base increased by Rs7,037 million, or 15.4 per cent, from Rs45,615 million at the end of November 2012 to Rs52,652 million at the end of December 2012. Currency in circulation went up by Rs3,745 million, or 16.1 per cent, from Rs23,216 million to Rs26,961 million and liabilities to other depository corporations went up by Rs3,384 million, or 15.3 per cent, from Rs22,131 million to Rs25,515 million.

In January 2013, the Bank issued Government of Mauritius Treasury Bills (GMTB) for a total nominal amount of Rs4,125 million against a total tender amount of Rs4,300 million through the auctions of single maturity instruments. There was a net issue of Treasury Bills for Rs267 million in January 2013 compared to Rs369 million in December 2012. Given the excess liquidity conditions prevailing in the banking system, all auctions of GMTB were oversubscribed with the bid cover ratio ranging between 1.01 and 3.36. One auction each for 91-Day and 182-Day GMTB, three auctions for 273-Day GMTB and four auctions of 364-Day GMTB, were held during the month. Further, in view of the sporadic shortage of rupee liquidity, the Bank continued its offer to buy-back Bank of Mauritius Notes from banks.

On a point-to-point basis, the weighted yields of the last auctions held in December 2012 for the 91 Day, 182 Day, 273 Day and 364-Day GMTB went down by 8 basis points, 8 basis points, 15 basis points and 18 basis points, respectively, and stood at

2.66 per cent, 2.72 per cent, 2.80 per cent and 2.87 per cent at the last auctions for each maturity held in January 2013.

The overall weighted yield for January 2013 stood at 2.88 per cent, down from 2.92 per cent for December 2012.

A total nominal amount of Rs2,988.8 million of Bank of Mauritius Bills were issued in January 2013.

A new benchmark issue of Three-Year Government of Mauritius Treasury Notes due 18 January 2016 bearing a coupon rate of 4.90 per cent was held through auction on 16 January 2013 for issue on 18 January 2013. Out of the 27 bids received for a total nominal amount of Rs3,165 million, 5 bids for a total nominal amount of Rs450 million were accepted. The lowest yield received and the highest yield accepted stood at 4.09 per cent and 4.30 per cent, respectively, whilst the weighted yield on accepted bids was 4.22 per cent.

Fifteen-Year Government of Mauritius Bonds due on 25 January 2028 were issued through an auction held on Wednesday 23 January 2013 for a nominal amount of Rs1,200 million for settlement on Friday 26 October 2012. Out of the 70 bids received for a total nominal amount of Rs3,808.7 million, 25 bids for a total nominal amount of Rs1,395.5 million were accepted. The lowest yield and the highest yield accepted stood at 7.40 per cent and 7.60 per cent, respectively, whilst the weighted yield was 7.50 per cent. The coupon rate, which was market determined, was set at 7.40 per cent.

During the month under review, Government Securities for an amount of Rs0.4 million were sold over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers increased from Rs406.7 million in December 2012 to Rs1,828.7 million in January 2013.

Transactions on the overnight interbank money market in January 2013 totalled Rs8,660 million compared to Rs26,110 million in December 2012. The daily average

amount transacted stood at Rs299 million in January 2013 compared to a daily average of Rs842 million in December 2012. Transactions with a high of Rs1,085 million and a trough of Rs10 million were recorded in December 2012. The weighted average overnight interbank rate went down to 1.46 per cent in January 2013 from 1.61 per cent in December 2012.

In January 2013, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of US\$109.9 million whilst it sold US\$38.0 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 January 2013. As regard the Special Line of Credit in Foreign Currency, a total amount of EUR7.5 million was disbursed in January 2013 and the amount outstanding as at end of January 2013 was EUR26.3 million.

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, forex dealers and Bank of Mauritius, appreciated, on average, against the US dollar and the Pound sterling but depreciated against the Euro between December 2012 and January 2013.

At the end of January 2013, the gross foreign exchange reserves of the Bank of Mauritius increased to Rs93,949 million from Rs91,409 million as at end-December 2012. The end-January 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 2011, represented 5.4 months of imports, compared to 5.3 months as at end of December 2012.