

OVERVIEW

International Developments

During July 2002, the US dollar, amid a confidence crisis in the US stock market badly shaken by several US corporate scandals, incurred heavy losses against most major currencies, testing new lows across the board. The euro, taking advantage of the depressed dollar sentiment, extended its rally against the US currency despite scant positive signs of economic recovery in the euro zone. On 15 July 2002, the single currency for the first time in over two years breached above the psychological parity level with the US dollar. While ECB policymakers declined to comment on this rise, some EU officials welcomed the euro's appreciation saying that it was in the economic interests of the euro zone economies. The ECB, at its governing council meeting on 4 July 2002, kept its key refinance rate unchanged at 3.25 per cent for eight months running. The Pound sterling also capitalised on renewed scepticism over the US currency to leap to its highest level in over two years against the US dollar, trading above US\$1.57. According to analysts, better fundamentals in the UK and a favourable interest rate differential continued to benefit the Pound. The yen, despite wariness of intervention, maintained its firm tone against a generally weak US dollar.

Domestic Developments

Tourist arrivals went up from 38,496 in June 2001 to 39,048 in June 2002, representing a marginal increase of 1.4 per cent. Gross tourism receipts increased by 5.8 per cent, from Rs1,121 million in June 2001 to Rs1,186 million in June 2002. During fiscal year 2001-02, tourist arrivals increased by 1.3 per cent from 658,351 to 667,236, compared to a growth rate of 6.2 per cent in the preceding year. Despite the deceleration in the growth rate of tourist arrivals, gross tourism earnings grew markedly by 22.7 per cent, from Rs15,527 million in 2000-01 to Rs19,045 million in 2001-02.

The official CPI for July 2002, based on the consumption pattern stemming from the 2001-02 Household Budget Survey, will be published in October 2002. On an indicative basis, based on the consumption pattern drawn from the 1996-97 Household Budget Survey, it is estimated that the Consumer Price Index rose from 135.9 in June 2002 to 137.8 in July 2002. The rate of inflation for the 12-month period ended July 2002 is estimated at 6.3 per cent.

Money supply M2 increased by Rs12,714 or 13.0 per cent, from Rs97,753 million at the end of June 2001 to Rs110,467 million at the end of June 2002. Narrow money supply M1 rose by Rs2,424 million or 19.1 per cent to Rs15,135 million and quasi-money went up by Rs10,290 million or 12.1 per cent to Rs95,332 million. Credit to the private sector from commercial banks increased by Rs5,960 million or 8.1 per cent to Rs79,976 million at the end of June 2002. Reserve money went up by Rs1,582 million or 13.9 per cent to Rs12,925 million at the end of June 2002.

Taking into consideration liquidity conditions in the market, the Bank carried out for 2-days one reverse repurchase transaction and one repurchase transaction in July 2002. The highest yield accepted for the reverse repurchase transaction was 4.25 per cent while the lowest yield accepted for the repurchase transaction was 7.35 per cent.

Total transactions in eligible Government securities effected through the primary dealers during the month of July 2002 amounted to Rs137 million.

Direct sales of foreign currencies by the Mauritius Sugar Syndicate to the banking sector during July 2002 amounted to an equivalent of US\$12.4 million. As the comfortable liquidity situation in the domestic foreign exchange market continued to prevail, the Bank intervened and purchased a total of US\$25.5 million in July 2002. Between June 2002 and July 2002, the rupee, on average, appreciated against the US dollar but depreciated vis-à-vis the Pound sterling, Japanese yen and euro.

At the end of June 2002, the net international reserves of the country amounted to Rs40,551 million. Based on the value of the import bill for calendar year 2001, the end-June 2002 level of net international reserves of the country represented 37.0 weeks of imports, compared to 29.0 weeks at the end of June 2001. At the end of July 2002, the foreign exchange reserves of the Bank of Mauritius amounted to Rs30,557 million, up from Rs29,912 million at the end of June 2002.