

OVERVIEW

International Developments

In March 2012, the US dollar, on average, appreciated vis-à-vis the euro and Japanese yen but depreciated against the Pound sterling. The dollar climbed to two-month highs against a basket of major currencies on the back of a modest brightening of the Federal Reserve's economic forecasts and optimism about the US economy as well as rising Treasury yields. The greenback then dropped on softer-than-expected US inflation data, improved risk sentiment amid signs of stabilization in the euro zone's bond markets and comments from Fed Chairman Bernanke that kept alive hope of more monetary stimulus for the US economy.

The euro depreciated against the US dollar in March 2012, trading at an average of US\$1.3221 compared to an average of US\$1.3244 in February 2012. The European Central Bank left interest rates unchanged at 1 per cent at its rate setting meeting on 8 March but gave a surprise warning on inflation suggesting further policy easing was unlikely, thereby lending support to the single currency. The euro fell to a one-month low of US\$1.3004 against a broadly stronger dollar. Thereafter, the single currency rose against the greenback as the latter fell on profit-taking. The euro hit a one-month high of US\$1.3386 after Fed Chairman Ben Bernanke's comments and a boost to risk appetite arising from an unexpected rise in German business sentiment. The single currency was then hit by weaker-than-expected US data before getting some support on prospects European Finance ministers would agree to boost rescue funds for member nations.

The Pound sterling appreciated against the US dollar in March 2012, trading at an average of US\$1.5830 compared to an average of US\$1.5795 in February 2012. At the start of the month, reduced bets on further quantitative easing and hopes that the British economy would escape recession supported the Pound sterling. Thereafter, sterling then fell to its lowest in over six weeks versus a firmer dollar. The Pound struggled after ratings agency Fitch joined Moody's in warning of a possible downgrade to Britain's triple-A credit rating. Slightly softer-than-expected US

inflation data boosted the Pound against the dollar. A run of improved UK data also supported the Pound. Sterling rose to a four-month high of \$1.5645 versus the dollar, with the US currency burdened by increasing chances of more US monetary easing and the Pound able to shake off the negative effects of a shaky economic outlook in the UK.

Global equities posted a mixed performance in March 2012. Signs of improvement in the US economy and hopes of continued supportive monetary policy helped boost US equity markets, while European stocks ended the month slightly lower dragged down by a shaky economic outlook in Europe. Still, global equity markets posted an impressive January-March rally, helped by robust US economic data and accommodative central bank policies. Over the month, the NASDAQ, Dow Jones Industrial Average and Nikkei gained 4.2 per cent, 2.0 per cent and 3.7 per cent, respectively, while FTSE and CAC-40 dropped 1.8 per cent and 0.8 per cent, respectively. Among emerging stock markets, Shanghai SEC, Bombay SENSEX and JALSH fell by 6.8 per cent, 2.0 per cent and 2.2 per cent, respectively.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$106.2 a barrel in March 2012, up from US\$102.3 a barrel in February 2012. ICE Brent Crude averaged US\$124.5 a barrel during the month under review, up from US\$119.1 a barrel in February 2012. NYMEX and ICE Brent Crude settled at intra-month highs of US\$108.8 a barrel on 1 March 2012 and US\$126.2 a barrel on 13 March 2012, respectively.

COMEX gold futures, on average, went down from US\$1,745.6/Oz in February 2012 to US\$1,676.4/Oz in March 2012 and traded in an intra-month closing range of US\$1,642.5/Oz-1,722.2/Oz compared to US\$1,711.3/Oz-1,788.4/Oz in the preceding month. Gold prices peaked at US\$1,722.2/Oz on 1 March 2012.

Domestic Developments

In the March 2012 issue of the National Accounts, Statistics Mauritius has revised slightly the growth rate for 2011 down to 4.0 per cent, from 4.1 per cent growth estimated in December 2011. For 2012, the economy is forecast to grow by around

3.6 per cent, lower than the previous forecast of 4.0 per cent. Among key sectors of the economy, lower growth is expected in 'Manufacturing' (1.4 per cent), 'Transport, storage and communications' (4.8 per cent) and 'Hotels and restaurants' (1.6 per cent). Growth in 'Financial Intermediation' is forecast to be higher (4.8 per cent). The 'Construction' sector is expected to stagnate, while the growth rate for 'Business Activities' is forecast to remain unchanged at 8.8 per cent.

February 2012 data on tourist arrivals showed an increase of 2.5 per cent to 79,331 from 77,390 a year earlier. Gross tourist receipts increased by 12.1 per cent, from Rs3,660 million in February 2011 to Rs4,102 million in February 2012. In the year March 2011 to February 2012, tourist arrivals increased by 1.4 per cent to 963,533 compared to 949,881 recorded over the previous corresponding period. Tourist receipts for the period March 2011 to February 2012 rose by 12.3 per cent to Rs44,699 million compared to Rs39,815 million registered over the previous corresponding period.

The Consumer Price Index (CPI) rose from 131.9 in February 2012 to 132.3 in March 2012. The main contributors to the rise in the index between February 2012 and March 2012 were fish (+0.1 index point), meat (+0.1 index point), cooking gas (+0.2 index point) and newspapers (+0.1 index point). Other food products registered a drop of 0.1 index point. Division-wise, an increase of 1.8 per cent was recorded for "Recreation and culture" followed by "Housing, water, electricity, gas and other fuels" (+1.1 per cent), "Health" (+0.5 per cent), "Miscellaneous goods and services" (+0.4 per cent), "Food and non alcoholic beverages" (+0.1 per cent), "Alcoholic beverages and tobacco" (+0.1 per cent), "Clothing and footwear" (+0.1 per cent) and "Communication" (+0.1 per cent). "Furnishings, household equipment and routine household maintenance" recorded a decrease of 0.3 per cent while "Transport", "Restaurants and hotels" and "Education" recorded no change in their indices.

The rate of inflation for the twelve-month period ended March 2012 stood at 5.9 per cent, down from 6.2 per cent for the twelve-month period ended February 2012. Year-on-Year inflation rate eased from 4.1 per cent in February 2012 to 3.8 per cent in March 2012.

Between February 2012 and March 2012, for the twelve month period, CORE1 inflation fell from 5.6 per cent to 5.3 per cent while CORE2 inflation decreased from 4.5 per cent to 4.3 per cent. TRIM10 inflation stood at 4.4 per cent in March 2012, down from 4.7 per cent for the twelve-month period ended February 2012.

Net foreign assets of depository corporations went up by Rs6,715 million, or 2.0 per cent, from Rs344,349 million at the end of January 2012 to Rs351,064 million at the end of February 2012, solely as a result of the increase in the net foreign assets of the other depository corporations. Net foreign assets of the other depository corporations went up by Rs6,780 million to Rs274,768 million as at end-February 2012 while the net foreign assets of the Bank of Mauritius decreased by Rs65 million to Rs76,295 million as at end-February 2012.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs690 million, or 0.2 per cent, from Rs350,855 million at the end of January 2012 to Rs351,545 million at the end of February 2012. Net claims on budgetary central Government increased by Rs269 million, or 0.6 per cent, from Rs46,304 million at the end of January 2012 to Rs46,573 million at the end of February 2012. Claims on other sectors, that is, credit to the private sector went up by Rs421 million, or 0.1 per cent, to Rs304,972 million in February 2012.

Net claims on budgetary central Government from the Bank of Mauritius rose by Rs1,378 million, from negative Rs4,225 million at the end of January 2012 to negative Rs2,847 million at the end of February 2012 and net claims on budgetary central Government from other depository corporations fell by Rs1,109 million, or 2.2 per cent, from Rs50,530 million to Rs49,421 million.

Broad Money Liabilities (BML) went down by Rs431 million, or 0.1 per cent, from Rs333,193 million at the end of January 2012 to Rs332,762 million at the end of February 2012.

The monetary base increased by Rs1,069 million, or 2.4 per cent, from Rs43,946 million at the end of January 2012 to Rs45,015 million at the end of February 2012. Currency in circulation dropped by Rs417 million, or 1.8 per cent, from Rs22,588

million to Rs22,171 million and liabilities to other depository corporations went up by Rs1,477 million, or 7.0 per cent, from Rs21,131 million to Rs22,608 million.

In March 2012, the Bank issued Government of Mauritius Treasury Bills for a total nominal amount of Rs3,480 million against a total tendered amount of Rs4,600 million through the auctions of single maturity instruments. Two auctions for 91-day and three auctions for 182-day, 273-day and 364-day maturity each, were held during the month. An auction of 364-day Bank of Mauritius Bills was also held in March 2012 for an amount of Rs225 million and the weighted yield stood at 4.37 per cent. The Bank continued to offer buy-back for Bank of Mauritius Notes.

As compared to the last auction held in February 2012, the weighted yield of the 91-day maturity decreased by 48 basis point to reach 3.43 per cent at the last auction held on 29 March 2012; the weighted yield of the 182-day maturity went down by 45 basis points from 4.09 per cent to 3.64 per cent on 30 March 2012; the weighted yield of the 273-day maturity and 364-day maturity went down by 46 basis points each to stand at 3.87 per cent on 26 March 2012 and 4.00 per cent on 22 March, respectively.

The overall weighted yield for March 2012 stood at 4.22 per cent down from 4.25 per cent for February 2012.

The re-opening of the Three Year Government of Mauritius Treasury Notes with coupon rate of 5.50 per cent and maturity date of 21 October 2014 took place on 14 March 2012. Out of the 27 bids received for a total nominal amount of Rs2,366 million at the auction, 18 bids for a total nominal amount of Rs1,500 million were accepted. The lowest yield received and the highest yield accepted stood at 5.59 per cent and 5.73 per cent, respectively, whilst the weighted yield was 5.68 per cent.

The Five-Year Government of Mauritius Bonds, with coupon rate of 6.75 per cent, due on 19 August 2016 was re-opened through an auction held on Wednesday 28 March 2012 for an amount of Rs1,000 million for settlement on Friday 30 March 2012. Out of the 36 bids received for a total nominal amount of Rs2,393.8 million at the auction, 8 bids for a total nominal amount of Rs1,000.0 million were accepted.

The lowest yield received and the highest yield accepted stood at 6.20 per cent and 6.45 per cent, respectively, whilst the weighted yield was 6.32 per cent.

During the month under review, Rs8.4 million worth of Treasury Bills/Treasury Notes were sold over the counter at the Bank to members of the public. On the secondary market, an amount of Rs318.4 million was traded by primary dealers during the month.

Transactions on the overnight interbank money market in March 2012 totalled Rs9,890 million with a daily average of Rs353 million compared to Rs548 million for February 2012. Transactions with a high of Rs1,155 million and a trough of Rs40.0 million were recorded in March 2012. The weighted average overnight interbank rate stood at 1.97 per cent in March 2012 from 2.32 per cent in February 2012.

During the period under review, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of USD36.4 million from the market while it sold USD49.6 million to its customers.

Under the Special Line of Credit made available to Small and Medium Planters, the outstanding amount, as at end of March 2012, stood at Rs1,014.9 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 and Bank of Mauritius, depreciated, on average, against the US dollar and the Pound sterling, but remained virtually unchanged vis-a-vis the euro between February and March 2012.

At the end of March 2012, the gross official international reserves of the country stood at Rs80,812 million compared to Rs81,349 million at the end of February 2012. The end-March 2012 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 4.6 months of imports, unchanged as at the end of February 2012.