

OVERVIEW

International Developments

In March 2013, the US dollar, on average, appreciated vis-à-vis the euro, the Pound sterling and the Japanese yen. The US dollar rose to a seven-month high against a basket of currencies as signs of improvement in the US economy, including a remarkable growth in employment, added to the optimism over its recovery. Expectations that the US Federal Reserve would tone down its ultra-loose monetary policy sooner than anticipated, also supported the US dollar.

The euro traded at an average of US\$1.2960 in March 2013 compared to an average US\$1.3347 in February 2013. The common currency, which was weighed down by political uncertainty in Italy and economic weakness in the euro zone, rose to an intra-month high of US\$1.3090 after European Central Bank (ECB) President Mario Draghi surprised markets by saying that he expected economic activity to gradually recover. Speaking after the ECB policy meeting on 7 March 2013, at which the ECB kept its key refinancing rate unchanged at 0.75 per cent, Draghi did not give any indication that the ECB would cut interest rates further. The euro plunged on news of a controversial bailout plan for Cyprus that involved a tax on bank deposits, but recovered after Cyprus reached a deal with international lenders in order to avert a collapse of its financial system. Thereafter, the single currency hit an intra-month low of US\$1.2792 on fears that, using the Cyprus bailout as a precedent, future euro zone bank rescues could involve a tax on depositors, and due to a rise in Italy's funding costs.

The Pound sterling depreciated against the US dollar in March 2013, trading at an average of US\$1.5091 compared to an average of US\$1.5478 in February 2013. Sterling gained some support after the Bank of England (BoE) decided at its March 2013 policy meeting not to resume its quantitative easing program and BoE Governor Mervyn King surprised investors by saying that the currency's decline had gone far enough. But poor British economic data and the prospects of more monetary easing by the BoE have kept the UK currency under pressure.

Global equities rose in March 2013, supported by continued policy easing by central banks, although European shares gained only slightly against a backdrop of political stalemate in Italy and uncertainty over the controversial bailout for Cyprus. Over the month, the NASDAQ, Dow Jones Industrial Average, FTSE, CAC-40 and the NIKKEI rose by 0.6 per cent, 1.4 per cent, 0.3 per cent, 1.3 per cent and 3.8 per cent, respectively. Among emerging stock markets, Shanghai SEC and Bombay SENSEX fell by 0.8 per cent and 1.9 per cent respectively, while JALSH gained 0.38 per cent.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$93.0 a barrel in March 2013, down from US\$95.3 a barrel in February 2013. ICE Brent Crude averaged US\$109.5 a barrel during the month under review, down from US\$116.1 a barrel in February 2013. NYMEX and ICE Brent Crude settled at intra-month highs of US\$97.2 a barrel on 28 March 2013 and US\$ 111.6 a barrel on 5 March 2013, respectively.

COMEX gold futures, on average, went down from US\$1,627.2/Oz in February 2013 to US\$1,591.6/Oz in March 2013 and traded in an intra-month closing range of US\$1,572.3/Oz-1,613.8/Oz compared to US\$1,572.8/Oz-1,678.8/Oz in the preceding month. Gold prices peaked at US\$1,613.8/Oz on 21 March 2013.

Domestic Developments

February 2013 data on tourist arrivals showed an increase of 2.3 per cent to 81,185 from 79,331 a year earlier. Gross tourist receipts decreased by 14.7 per cent, from Rs4,102 million in February 2012 to Rs3,501 million in February 2013. For the period March 2012 to February 2013, tourist arrivals decreased by 0.2 per cent to 961,352 from 963,533 recorded over the previous corresponding period. Tourist receipts in the period March 2012 to February 2013 decreased by 3.4 per cent to Rs43,000 million from Rs44,535 million in the previous corresponding period.

The Consumer Price Index (CPI) rose from 136.6 in February 2013 to 137.1 in March 2013. The main contributors to this rise in the index, commodity-wise, were gasoline (+0.3 index point each), diesel, prepared foods, trader's rice and other goods and services (+0.1 index point each) whilst a decline of 0.1 index point in both vegetables and fruits was noted. Division-wise, an increase of 2.0 per cent was recorded for "Transport" followed by

“Restaurants and hotels” (+1.3 per cent), “Miscellaneous goods and services” (+0.9 per cent), “Health (+0.4 per cent), “Recreation and culture” (+0.2 per cent) while the indices for “Clothing and footwear” and “Housing, water, electricity, gas and other fuels” went up by 0.1 per cent, respectively. “Furnishings, household equipment and routine household maintenance” declined by 0.2 per cent while both “Food and non alcoholic beverages” and “Alcoholic beverages and tobacco” recorded a decrease of 0.1 per cent, respectively. “Communication” and “Education” recorded no change in their indices.

The rate of inflation for the twelve-month period ended March 2013 remained unchanged at 3.6 per cent compared to the twelve-month period ended February 2013. Similarly, Year-on-Year inflation rate remained unchanged at 3.6 per cent in March 2013 compared to the previous month.

Between February 2013 and March 2013, for the twelve month period, CORE1 inflation and CORE2 inflation remained unchanged at 3.0 per cent and 2.9 per cent, respectively. TRIM10 inflation remained unchanged at 2.4 per cent for the twelve-month period ended March 2013.

Net foreign assets of depository corporations declined by Rs53,250 million, or 12.5 per cent, from Rs425,209 million at the end of January 2013 to Rs371,959 million at the end of February 2013. Net foreign assets of the Bank of Mauritius decreased marginally by Rs549 million to Rs93,549 million at the end of February 2013 while the net foreign assets of the other depository corporations decreased by Rs52,702 million to Rs278,409 million at the end of February 2013.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs8,713 million, or 2.2 per cent, from Rs390,671 million at the end of January 2013 to Rs399,384 million at the end of February 2013. Net claims on central Government increased by Rs2,389 million, or 9.6 per cent, from Rs24,971 million at the end of January 2013 to Rs27,360 million at the end of February 2013. Claims on other sectors went up by Rs6,324 million, or 1.7 per cent, to Rs372,024 million in February 2013.

Broad Money Liabilities (BML) rose by Rs3,918 million, or 1.1 per cent, from Rs340,909 million at the end of January 2013 to Rs344,827 million at the end of February 2013.

The monetary base increased by Rs2,275 million, or 4.5 per cent, from Rs50,087 million at the end of January 2013 to Rs52,362 million at the end of February 2013. Currency in circulation went down by Rs664 million, or 2.6 per cent, from Rs25,163 million to Rs24,498 million while liabilities to other depository corporations rose by Rs2,944 million, or 11.8 per cent, from Rs24,854 million to Rs27,798 million.

In March 2013, the Bank issued Government of Mauritius Treasury Bills (GMTB) for a total nominal amount of Rs3,900 million against a total tender amount of Rs3,900 million through the auctions of single maturity instruments. There was a net issue of Treasury Bills for Rs1,630 million in March 2013 compared to a net redemption of Rs221 million in February 2013. Given the excess liquidity conditions prevailing in the banking system, all auctions of GMTB were oversubscribed with the bid cover ratio ranging between 1.86 and 4.49. One auction each for 91-Day, 182-Day and 273-Day and two auctions for the 364-Day GMTB were held during the month.

Between the last auctions held in February 2013 and the last auctions held in March 2013, the weighted yields for the 91-Day, 182-Day, 273-Day and 364-Day GMTB went down by 15 basis points, 28 basis points, 39 basis points and 8 basis points, respectively, to reach 2.26 per cent, 2.34 per cent, 2.35 per cent and 2.47 per cent. The overall weighted yield for March 2013 stood at 2.37 per cent, down from 2.67 per cent for February 2013.

A total nominal amount of Rs4,794 million of Bank of Mauritius Bills were issued in March 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 were re-opened for a nominal amount of Rs1,300 million at an auction held on 20 March 2013 for issue on 22 March 2013. Out of the 37 bids received for a total nominal amount of Rs4,805 million, 7 bids for a total nominal amount of Rs1,300 million were accepted. The lowest yield received and the highest

yield accepted stood at 3.40 per cent and 3.70 per cent, respectively, whilst the weighted yield on accepted bids was 3.55 per cent.

During the month under review, Government Securities for an amount of Rs3.80 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 Rs915.0 million in February 2013 to Rs1,904.6 million in March 2013.

Transactions on the overnight interbank money market in March 2013 totalled Rs25,680 million compared to Rs17,545 million in February 2013. The daily average amount transacted stood at Rs917 million in March 2013 compared to a daily average of Rs675 million in February 2013. Transactions with a high of Rs2,000 million and a trough of Rs30 million were recorded in March 2013. The weighted average overnight interbank rate went down to 1.35 per cent in March 2013 from 1.37 per cent in February 2013.

In March 2013, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of US\$73.3 million whilst it sold US\$35.8 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 March 2013. As regard the Special Line of Credit in Foreign Currency the amount outstanding as at end of March 2013 was EUR26.2 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, foreign exchange dealers and the Bank of Mauritius, depreciated, on average, against the US dollar but appreciated against the Pound sterling and the Euro between February 2013 and March 2013.

At the end of March 2013, the gross foreign exchange reserves of the Bank of Mauritius increased to Rs96,577 million, from Rs93,382 million as at end-February 2013. The end-March 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 5.2 months of imports, compared to 5.0 months at the end of February 2013.