



### **BALANCE OF PAYMENTS DEVELOPMENTS: 3rd Quarter 2010**

The overall balance of payments for the third quarter of 2010, excluding valuation changes, recorded a surplus of Rs602 million.

#### *1 Current Account*

Provisional estimates for the third quarter of 2010 indicate that the current account deficit of the balance of payments worsened to Rs7,576 million, from Rs5,687 million registered in the third quarter of 2009, owing chiefly to a more pronounced deficit in the merchandise trade account and lower surpluses on both the services and current transfers accounts. The turnaround in the income account helped to partly contain the rising deficit. In the second quarter of 2010, the current account deficit stood at Rs7,673 million.

The merchandise trade deficit worsened significantly to Rs13,811 million, 24.5 per cent higher relative to the shortfall of Rs11,090 million recorded in the third quarter of 2009. This deficit was largely driven by a higher increase of 15.6 per cent in imports (fob) relative to a rise of 9.4 per cent in exports (fob).

The surplus on the services account reached Rs3,015 million, representing a year-on-year decrease of 32.2 per cent from Rs4,446 million recorded in the third quarter of 2009. Out of the three main components within the services account, the shift in “other services” to a deficit in the third quarter of 2010 contributed significantly to lower the overall surplus.

The income account recorded a surplus of Rs2,739 million in the third quarter of 2010 as against a deficit of Rs143 million in the third quarter of 2009, largely on account of significantly lower direct income paid abroad. Direct investment income narrowed to post net outflows of Rs454 million, considerably lower than the net outflows of Rs2,564 million recorded in the third quarter of 2009 when there were significant direct investment income remitted abroad. Income on other investment, comprising mostly of interest paid by banks on liabilities and income drawn on their foreign assets, recorded growing net inflows of Rs3,462 million compared to net inflows of Rs2,692 million during the same quarter in 2009.

The surplus on the current transfers decreased to Rs481 million in the third quarter of 2010, from Rs1,100 million in the corresponding quarter of 2009 driven by lower net inflows of private transfers.

The capital and financial account of the balance of payments, inclusive of reserve assets, recorded higher net inflows of Rs11,328 million in the third quarter of 2010 compared to net inflows of Rs3,983 million registered for the same corresponding period of 2009.

Net foreign direct investment inflows dropped to Rs1,073 million during the third quarter of 2010 compared to Rs1,419 million registered in the third quarter of 2009. Foreign direct investment in Mauritius, net of repatriation, increased to Rs2,281 million during the third quarter of 2010 from Rs1,760 million recorded in the same corresponding period of 2009. Direct investment abroad, net of repatriation, during the third quarter of 2010 amounted to Rs1,208 million compared to Rs341 million in the third quarter of 2009.

Portfolio investment recorded net outflows of Rs1,027 million during the third quarter of 2010, as against net inflows of Rs1,259 million a year earlier. Other investment posted net inflows of Rs11,892 million in the third quarter of 2010, representing a year-on-year increase of Rs6,703 million. The overall surplus emanated mostly from expanding balances on non-residents' deposits with domestic banks, which more than offset the rise in their foreign assets.