

## **OVERVIEW**

### **International Developments**

In November 2012, the US dollar, on average, appreciated vis-à-vis the euro, the Pound sterling and the Japanese yen. The US dollar hit a two-month high against a basket of major currencies early in the month after US job reports pointed to relatively solid economic fundamentals. Also, a bleak economic outlook in the euro zone dampened risk appetite, thereby boosting the safe-haven appeal of the dollar.

The euro traded at an average of US\$1.2839 in November 2012 compared to an average of US\$1.2964 in October 2012. The euro dropped to an intra-month low of US\$1.2772, hurt by uncertainty over Greece and a persistently weak euro zone economy. The European Central Bank held its key interest rate steady at 0.75 per cent at its policy meeting on 8 November 2012. The common currency, thereafter, rose to an intra-month high of US\$1.2996 after international lenders agreed on a new debt target for Greece, in a step towards releasing the aid package for Athens.

The Pound sterling depreciated against the US dollar in November 2012, trading at an average of US\$1.5970 compared to an average of US\$1.6072 in October 2012. Sluggish UK economic data, which spurred chances of more easing by the Bank of England (BoE), weighed on the Pound. The BoE kept its Bank Rate on hold at 0.50 per cent and its quantitative easing programme unchanged at its November 2012 policy meeting.

Global equities rose in November 2012, with US markets posting modest gains on signs that the worst of Europe's debt crisis was over and that a US budget deal would be reached before the end of the year. Over the month, the NASDAQ, CAC-40, FTSE and the NIKKEI rose by 1.1 per cent, 3.73 per cent, 1.5 per cent and 5.8 per cent, respectively, while the Dow Jones Industrial Average dropped by 0.5 per cent. Among emerging stock markets, Shanghai SEC fell by 4.3 per cent, while Bombay SENSEX and JALSH gained 4.5 per cent and 2.6 per cent respectively.

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$86.7 a barrel in November 2012, down from US\$89.6 a barrel in October 2012. ICE Brent Crude

averaged US\$109.5 a barrel during the month under review, down from US\$111.5 a barrel in October 2012. Both NYMEX and ICE Brent Crude settled at intra-month highs of US\$89.3 a barrel and US\$ 111.7 a barrel, respectively, on 19 November 2012.

COMEX gold futures, on average, went down from US\$1,746.1/Oz in October 2012 to US\$1,722.0/Oz in November 2012 and traded in an intra-month closing range of US\$1,675.2/Oz-1,751.4/Oz compared to US\$1,701.6/Oz-1,796.5/Oz in the preceding month. Gold prices peaked at US\$1,751.4/Oz on 23 November 2012.

### **Domestic Developments**

October 2012 data on tourist arrivals showed a decrease of 0.7 per cent to 89,994 from 90,616 a year earlier. Gross tourist receipts increased by 9.6 per cent, from Rs3,422 million in October 2011 to Rs3,751 million in October 2012. In the period November 2011 to October 2012, tourist arrivals decreased by 0.1 per cent to 965,221 from 965,830 recorded over the previous corresponding period. Tourist receipts in the period November 2011 to October 2012 rose by 8.1 per cent to Rs44,851 million, from Rs41,487 million in the previous corresponding period.

The Consumer Price Index (CPI) rose from 133.6 in October 2012 to 134.4 in November 2012. The main contributors to the rise in the index between October 2012 and November 2012 were cigarettes (+0.6 index point), alcoholic beverages (+0.5 index point) and rice (+0.1 index point). Fruits, furniture, motor vehicles and other food products each registered a decrease of 0.1 index point. Division-wise, an increase of 6.9 per cent was recorded for “Alcoholic beverages and tobacco” followed by “Restaurants and hotels” (+1.0 per cent), “Miscellaneous goods and services” (+0.3 per cent) and “Health” (+0.1 per cent). “Food and non alcoholic beverages”, “Clothing and footwear”, “Furnishings, household equipment and routine household maintenance”, “Transport” and “Recreation and culture” recorded decreases of 0.3 per cent, 0.4 per cent, 1.4 per cent, 0.2 per cent and 0.8 per cent, respectively, while “Housing, water, electricity, gas and other fuels”, “Communication” and “Education” recorded no change in their indices.

The rate of inflation for the twelve-month period ended November 2012 stood at 4.0 per cent, down from 4.3 per cent for the twelve-month period ended October 2012. Year-on-Year inflation rate fell from 4.2 per cent in October 2012 to 3.1 per cent in November 2012.

Between October 2012 and November 2012, for the twelve month period, CORE1 inflation decreased from 3.6 per cent to 3.4 per cent while CORE2 inflation remained unchanged at 3.1 per cent. TRIM10 inflation stood at 2.6 per cent in November 2012, down from 2.8 per cent for the twelve-month period ended October 2012.

Net foreign assets of depository corporations went up by Rs19,732 million, or 5.3 per cent, from Rs370,658 million at the end of September 2012 to Rs390,390 million at the end of October 2012. Net foreign assets of the other depository corporations went up by Rs19,617 million to Rs306,184 million as at end-October 2012 while the net foreign assets of the Bank of Mauritius increased by Rs115 million to Rs84,206 million as at end-October 2012.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs5,405 million, or 1.4 per cent, from Rs383,805 million at the end of September 2012 to Rs389,210 million at the end of October 2012. Net claims on budgetary central Government increased by Rs516 million, or 1.2 per cent, from Rs43,507 million at the end of September 2012 to Rs44,023 million at the end of October 2012. Claims on other sectors, that is, credit to the private sector went up by Rs4,890 million, or 1.4 per cent, to Rs345,188 million at end-October 2012.

Broad Money Liabilities (BML) witnessed a rise of Rs3,705 million, or 1.1 per cent, from Rs344,131 million at the end of September 2012 to Rs347,836 million at the end of October 2012.

The monetary base decreased by Rs851 million, or 1.8 per cent, from Rs47,385 million at the end of September 2012 to Rs46,534 million at the end of October 2012. Currency in circulation went up by Rs580 million, or 2.6 per cent, from Rs22,453 million to Rs23,033 million and liabilities to other depository corporations fell by

Rs1,424 million, or 5.8 per cent, from Rs24,592 million to Rs23,168 million over the same period.

In November 2012, the Bank issued Government of Mauritius Treasury Bills (GMTB) for a total nominal amount of Rs3,790 million against a total tender amount of Rs4,000 million through the auctions of single maturity instruments. There was a net issue of Treasury Bills for Rs1,730 million in November 2012 compared to Rs885 million in October 2012. Given the comfortable liquidity level in the banking system, all auctions of GMTB were oversubscribed with the bid cover ratio ranging between 1.43 and 2.40. One auction for 91-Day GMTB and 182-Day each, four auctions of 273-Day GMTB and two auctions of 364-Day GMTB were held during the month. 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, compared to the last auctions held in October 2012, the weighted yields of the 91 Day, 182 Day, 273 Day and 364-Day GMTB went down by 17 basis points, 8 basis points, 22 basis points and 13 basis points, respectively, to 2.80 per cent, 2.96 per cent, 3.00 per cent and 3.17 per cent.

The overall weighted yield for November 2012 stood at 3.09 per cent, down from 3.23 per cent for October 2012.

The Three-Year Government of Mauritius Treasury Notes (GMTN) issued on 12 October 2012 and bearing a coupon rate of 4.90 per cent, was re-opened at an auction held on 21 November 2012 for issue on 23 November 2012. Out of the 31 bids received for a total nominal amount of Rs2,905 million at the auction, 11 bids for a total nominal amount of Rs863.5 million were accepted. The lowest yield received and the highest yield accepted stood at 4.25 per cent and 4.70 per cent, respectively, whilst the weighted yield on accepted bids was 4.57 per cent.

Ten-Year Government of Mauritius Bonds due on 16 November 2022 was issued through an auction held on Wednesday 14 November 2012 for an amount of Rs1,000 million for settlement on Friday 16 November 2012. Out of the 53 bids received for a total nominal amount of Rs2,504.1 million at the auction, 12 bids for a total nominal

amount of Rs1,000 million were accepted. The lowest yield received and the highest yield accepted stood at 7.00 per cent and 7.20 per cent, respectively, whilst the weighted yield was 7.06 per cent. The coupon rate, which was market determined, was set at 7.00 per cent.

On 7 November 2012, an auction of Fifteen Year Inflation Indexed Government of Mauritius Bonds was held. An amount of Rs1,000 million was put on tender and bids received amounted to Rs1,653.7 million. An amount of Rs795.7 million was accepted and the weighted bid margin stood at 2.85 per cent.

During the month under review, Government Securities for an amount of Rs3 million were sold over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers decreased from Rs217.4 million in October 2012 to Rs62.4 million in November 2012.

Transactions on the overnight interbank money market in November 2012 totalled Rs37,795 million compared to Rs12,570 million in October 2012. The daily average amount transacted stood at Rs1,260 million in November 2012 compared to a daily average of Rs433 million in October 2012. Transactions with a high of Rs2,180 million and a trough of Rs415 million were recorded in November 2012. The weighted average overnight interbank rate declined from 1.57 per cent in October 2012 to 1.53 per cent in November 2012.

During the period under review, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of USD22 million whilst it sold USD55 million to its customers.

Under the Special Line of Credit made available to Small and Medium Planters, disbursement amounted to Rs166.1 million during the month under review and an amount of Rs938.2 million was outstanding as at end of November 2012. For the Special Line of Credit in Foreign Currency, the total amount disbursed and outstanding, as at end November 2012, stood at EUR8.9 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, forex dealers and Bank of Mauritius, depreciated, on average, against the US dollar but appreciated against the Euro and the Pound sterling between October and November 2012.

At the end of November 2012, the gross foreign exchange reserves of the Bank of Mauritius increased to Rs90,363 million from Rs87,972 million as at end-October 2012. The end-November 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 5.2 months of imports, compared to 5.1 months as at end of October 2012.

Excluding cross-border transactions of GBC1s, provisional estimates for the first nine months of 2012 indicate that gross Foreign Direct Investment (FDI) inflows in Mauritius stood at Rs6,179 million. Investment was mainly directed to the “Real estate activities” sector (Rs3,756 million), of which the IRS/RES/IHS accounted for Rs3,088 million, the “Construction” sector (Rs1,224 million), the “Financial and insurance activities” sector (Rs459 million) and the “Accommodation and food service activities” sector (Rs371 million). The main sources of FDI inflows were South Africa followed by France. Outward direct investment, excluding cross-border transactions of GBC1s, is estimated at Rs1,853 million for the first nine months of 2012 with significant investment channelled to the “Financial and insurance activities” sector (Rs619 million) followed by the “Accommodation and food service activities” sector (Rs595 million).