

OVERVIEW

International Developments

In November 2013, the US dollar appreciated against the euro and Japanese yen but depreciated marginally against the Pound sterling. Demand for the US dollar was initially bolstered as fears of the previous month's Government shutdown adversely affecting the US economy largely subsided following better-than-expected 2013Q3 GDP growth estimates. Strong non-farm payroll data, prompting speculation of a possible scale-back of the Federal Reserve's asset-buying program, further supported the dollar. Thereafter, the US currency weakened as dovish comments from Fed Chief Janet Yellen came to reassure investors that there was no foreseeable end to quantitative easing, with unemployment still high and inflation below target.

The euro weakened against the US dollar in November 2013, trading at an average of US\$1.3492 compared to an average of US\$1.3630 in October 2013. Early in the month, the euro tumbled as an extremely soft euro zone inflation outlook revealed more deflationary pressures building up in the region, with joblessness hitting an all-time high of 12.2 per cent and the European Central Bank (ECB) revising downward its 2014 economic growth forecasts. The single currency weakened further after the ECB unexpectedly cut its key refinancing rate by 25 basis points to a record low of 0.25 per cent on 7 November 2013. Subsequently, Standard & Poor's downgraded France's credit rating, from AA+ to AA, sending the euro to an intra-month low of US\$1.3358 on 11 November 2013. The euro then recovered some losses as business sentiment grew to its highest level since October 2009. Towards the end of the month, demand for the euro was further supported following comments by ECB Governor Draghi that curbed expectations that the ECB was on the verge of introducing negative interest rates on overnight deposits. The euro ended the month at an intra-month high of US\$1.3615.

The Pound sterling traded at an average of US\$1.6101 in November 2013 compared to an average of US\$1.6097 in October 2013. The Pound started the month on the upside with a sustained improvement in economic data. In a widely anticipated move, the Bank of England

(BoE) kept its Bank Rate unchanged at 0.5 per cent at its MPC meeting on 7 November 2013. The Pound sterling fell to an intra-month low of US\$1.5888 as inflation decelerated from 2.7 per cent to a 13-month low of 2.2 per cent, which was well below expectations of 2.5 per cent. From then on, the Pound sterling strengthened following BoE Governor Mark Carney's remark that "the recovery has taken hold". A hawkish BoE and upgraded economic projections prompted suggestions that rates could be hiked as early as 2015. The Pound sterling finished the month at a peak of US\$1.6355.

Global equity markets recorded mixed results for November 2013. Sustained economic recovery in the US and expectations that the Fed's quantitative easing program would remain unchanged for the foreseeable future boosted investors' confidence. The S&P 500, Dow Jones and NASDAQ rose by 2.8 per cent, 3.5 per cent and 3.6 per cent, respectively. The DAX gained 4.1 per cent while the FTSE 100 and CAC 40 dropped by 1.2 per cent and 0.1 per cent, respectively. Japan's Nikkei surged 9.3 per cent in November 2013 on expectations of more aggressive monetary easing. Among emerging markets, Shanghai Stock Exchange Composite index and Hang Seng gained 3.7 per cent and 2.9 per cent respectively, while JALSH and Bombay SENSEX lost 1.2 per cent and 1.8 per cent, respectively..

NYMEX WTI (West Texas Intermediate crude oil) averaged US\$94.0 a barrel in November 2013, down from US\$100.6 a barrel in October 2013. Likewise, ICE Brent Crude averaged US\$107.9 a barrel during the month of November, down from US\$109.4 a barrel in October 2013. NYMEX and ICE Brent Crude touched intra-month highs of US\$95.4 and US\$111.3 a barrel, respectively, on 21 November 2013 and 27 November 2013, respectively.

COMEX gold futures, on average, fell from US\$1,317.0/Oz in October 2013 to US\$1,275.2/Oz in November 2013 and traded in an intra-month closing range of US\$1,237.8/Oz - US\$1,317.8/Oz compared to US\$1,268.2/Oz - US\$1,352.5/Oz in the preceding month. Gold prices reached an intra-month high of US\$1,317.8/Oz on 6 November 2013.

Domestic Developments

October 2013 data on tourist arrivals showed an increase of 2.8 per cent to 92,520 from 89,994 a year earlier. Gross tourism receipts decreased by 16.7 per cent, from Rs3,751 million in October 2012 to Rs3,126 million in October 2013. For the period November 2012 to October 2013, tourist arrivals increased by 2.2 per cent to 986,826 from 965,221 recorded over the previous corresponding period. Tourism receipts for the period November 2012 to October 2013 decreased by 8.8 per cent to Rs40,904 million from Rs44,851 million in the corresponding period a year earlier.

The Consumer Price Index (CPI) increased from 103.9 in October 2013 to 105.0 in November 2013. The main contributors to the rise in the index between October 2013 and November 2013 were vegetables (+0.4 index point), alcoholic beverages (+0.3 index point), cigarettes (+0.3 index point) and motor vehicles (+0.1 index point). Division-wise, the largest contributor to the CPI increase was 'alcoholic beverages and tobacco', with a weighted contribution of 0.5 index point. 'Food and non alcoholic beverages' and 'transport' divisions contributed 0.4 index point and 0.2 index point, respectively, to the CPI increase while the remaining divisions made negligible contributions.

The rate of inflation for the twelve-month period ended November 2013 rose to 3.5 per cent from 3.4 per cent for the twelve-month period ended October 2013. Year-on-Year inflation rate rose from 3.4 per cent in October 2013 to 3.9 per cent in November 2013.

CORE1 inflation for the twelve month period ended November 2013 stood unchanged at 2.6 per cent relative to the twelve-month period ended October 2013, while CORE2 inflation edged down from 2.6 per cent in the twelve-month period ended October 2013 to 2.5 per cent in November 2013. TRIM10 inflation, which trims 5% of the most volatile items in the CPI on both sides of the distribution, edged up from 2.7 per cent in October 2013 to 2.8 per cent in November 2013.

Net foreign assets of depository corporations decreased by Rs9,472 million, or 2.5 per cent, from Rs381,998 million at the end of September 2013 to Rs372,526 million at the end of October 2013. Net foreign assets of the Bank of Mauritius dropped by Rs704 million to Rs100,229 million at the end of October 2013 while the net foreign assets of the other depository corporations fell by Rs8,767 million to Rs272,297 million at the end of October 2013.

Domestic claims of depository corporations, including claims on GBL holders, decreased by Rs5,961 million, or 1.4 per cent, from Rs438,732 million at the end of September 2013 to Rs432,771 million at the end of October 2013. Net claims on central Government increased by Rs560 million, or 1.9 per cent, from Rs28,879 million at the end of September 2013 to Rs29,439 million at the end of October 2013. Claims on other sectors declined by Rs6,521 million, or 1.6 per cent, to Rs403,332 million in October 2013.

Broad Money Liabilities (BML) dropped by Rs688 million, or 0.2 per cent, from Rs350,499 million at the end of September 2013 to Rs349,811 million at the end of October 2013.

The monetary base increased by Rs1,793 million, or 3.6 per cent, from Rs50,185 million at the end of September 2013 to Rs51,978 million at the end of October 2013. Currency in circulation rose by Rs609 million, or 2.4 per cent, from Rs24,906 million to Rs25,515 million whereas liabilities to other depository corporations increased by Rs1,252 million, or 5.0 per cent, from Rs25,114 million to Rs26,366 million.

During the month of November 2013, the Bank issued Government of Mauritius Treasury Bills (GMTBs) for a total nominal amount of Rs1,632 million through the auctions of single maturity instruments. During the month, there was a net redemption of Treasury Bills to the tune of Rs774 million compared to Rs1,250 million in October 2013.

All auctions of the GMTBs were oversubscribed with the bid cover ratio ranging between 1.39 and 3.13. Four auctions, one for each of 91-Day, 182-Day, 273-Day and 364-Day GMTBs were held during the month of November 2013.

On a point-to-point basis, the weighted yields of the 182-Day, 273-Day and 364-Day GMTBs increased by 42, 10 and 31 basis points, respectively, at the last auction held in November 2013 compared with the last auction held in October 2013. The weighted yield of the 91-Day GMTB increased by 60 basis points at the last auction held in November 2013 compared to the last auction held in September 2013. The weighted yields of the 91-Day, 182-Day, 273-Day and 364-Day GMTBs stood at 3.11 per cent, 3.46 per cent, 3.64 per cent and 3.86 per cent, respectively, in November 2013. The overall weighted yield on GMTBs increased from 3.29 per cent in October 2013 to 3.52 per cent in November 2013.

The 3.75% Three-Year Government of Mauritius Treasury Notes due 20 September 2016, was re-opened for a nominal amount of Rs1,300.0 million, through an auction held on Wednesday 20 November 2013 for settlement on Friday 22 November 2013. The auction was undersubscribed with bid yields ranging from 4.25 per cent to 5.00 per cent. All bids received for a nominal amount of Rs750.0 million were accepted at a weighted yield of 4.25 per cent.

Ten-Year Government of Mauritius Bonds maturing on 29 November 2023 were issued through an auction held on Wednesday 27 November 2013 for an amount of Rs1,200.0 million for settlement on Friday 29 November 2013. A total number of 26 bids for a nominal value of Rs918.1 million were accepted at the weighted yield of 6.71 per cent. The coupon rate, which was market determined, was set at 6.25 per cent.

During the month under review, the amount transacted by primary dealers on the secondary market increased from Rs1.1 million in October 2013 to Rs339.8 million in November 2013. An amount of Rs2.0 million nominal Government of Mauritius Treasury Notes was sold over the counter at the Bank to members of the public.

Transactions on the overnight interbank money market in November 2013 totalled Rs26,637 million compared to Rs26,960 million in October 2013. The daily average amount transacted increased to Rs888 million in November 2013 from a daily average of Rs870 million in October 2013. Transactions with a high of Rs2,700 million and a trough of Rs175 million were recorded in November 2013. The weighted average overnight interbank rate rose to 3.43 per cent in November 2013 from 2.35 per cent in October 2013.

In November 2013, the Bank intervened on the domestic foreign exchange market and purchased an equivalent amount of US\$159.0 million whilst it sold US\$36.3 million to its customers.

Under the Special Line of Credit to Small and Medium Planters the total amount disbursed in November 2013 stood at Rs119.2 million, bringing the total amount of disbursements to-date to Rs984.9 million. An amount of US\$0.65 million was disbursed under the Special Line of Credit in Foreign Currency and the total amount disbursed as at end of November 2013 stood at EUR40.3 million and US\$0.65 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 and Pound sterling but appreciated against the Euro between October and November 2013.

At the end of November 2013, the gross foreign exchange reserves of the Bank of Mauritius decreased to Rs99,026 million, from Rs100,016 million as at end-October 2013. The end-November 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 5.3 months of imports, compared to 5.4 months as at end October 2013.