International Developments

In October 2009, the US dollar, on average, depreciated against the Japanese yen and euro but appreciated vis-à-vis the Pound sterling. The US dollar initially lost ground on the back of poor US data, notably weaker-than-expected payrolls report, Chicago Purchasers' Manufacturing Index and US September ISM manufacturing index. It was further pressured by ongoing concerns regarding its reserve status as it was reported that central banks' reserves were being shifted into euro or Japanese yen in the second quarter of 2009. The equity market rally in Europe in the second week of October also contributed to the dollar's woes. These were reinforced by soaring quarterly profits at JPMorgan Chase, which boosted market optimism and whetted investor appetite for higher-yielding currencies and assets. Furthermore, minutes from the Federal Reserve's last policy meeting showing officials did not consider inflation an imminent threat also pressured the dollar, as they suggested benchmark U.S. interest rates would remain low well into 2010.

The US dollar managed to recoup some of its losses on its safe-haven appeal in the fourth week of October, following renewed concerns about a sustained recovery and steep losses in stocks and commodity prices coupled with worse-than-expected U.S. jobless claims data, and falling U.S. consumer confidence and new home sales. The respite was, however, short-lived and the greenback ended the month back on its defensive mode after government data showed the U.S. economy expanded in the third quarter of 2009, its first quarterly growth in more than a year.

The euro traded at an average of US$1.4820 in October 2009 compared to an average of US$1.4547 in September 2009. The euro reached a high of US$1.5035 on 26 September 2009 as a Chinese report saying Beijing should increase its foreign reserves holdings of euros and yen led investors to sell the greenback. The European Central Bank left its refinancing rate at 1 per cent, as expected, stating that the economy was stabilizing although lending remained subdued.

The Pound sterling depreciated against the US dollar during October 2009, trading at an average of US$1.6184 compared to an average of US$1.6331 in September 2009. The Pound initially lost ground against the US dollar on the back of an unexpected fall in UK manufacturing output that raised doubts about the British economy's recovery prospects. Consumer prices rose by only 1.1 per cent in the year to September 2009, cementing the view that interest rates would stay near zero. Towards the middle of the month, the Pound rallied sharply to touch a high of US$1.6648 on 23 October 2009 on stronger-than-expected UK jobs data and Bank of England (BoE) policy meeting minutes showing that an extension of quantitative easing in November 2009 was less likely. The Pound sterling briefly pared back some gains against the US dollar after a surprise contraction in 2009Q3 GDP before rebounding in the final week of October supported by a stronger-than-expected increase in retail sales, another rise in UK house prices and improving consumer confidence. The BoE kept its key repo rate unchanged at 0.50 per cent in October, as widely expected and brought no changes to its asset-purchase plan of £175 billion.

International oil prices went up during the month of October 2009, mainly attributable to a weaker US dollar and hopes for higher demand for oil. Both IPE Brent and NYMEX reached their intra-month high at US$79.7 and US$81.3 a barrel, respectively, on 21 October 2009. The US Energy Information Administration (EIA) is expecting an increase in world oil consumption of 0.2 million barrels per day for the remainder of 2009, in large part due to an upward revision in Asian growth. EIA also projects additional world oil consumption of 1.1 million barrels per day in 2010, occurring mainly in non-OECD countries.

NYMEX WTI (West Texas Intermediate) crude oil averaged US$75.8 a barrel in October 2009, up from US$69.5 a barrel in September 2009. IPE Brent averaged US$73.9 a barrel in October 2009, up from US$68.1 in September 2009.

COMEX gold futures, on average, rose during the month of October 2009, trading in an intra-month closing range of US$1,000.7/Oz-1,065/Oz compared to US$956.5/Oz-1,020.2/Oz in September 2009. Gold prices reached a peak of US$1,065/Oz on 13 October 2009.

Domestic Developments

Gross tourism receipts declined by 9.0 per cent, from Rs2,798 million in September 2008 to Rs2,546 million in September 2009. On a cumulative basis, over the period January 2009 to September 2009, tourism receipts contracted by 16.6 per cent to reach Rs25,685 million compared to Rs30,801 million recorded over the corresponding period of the previous year.

The Consumer Price Index (CPI) edged down from 117.8 in September 2009 to 117.3 in October 2009. The main contributors to the fall in the index between September 2009 and October 2009 were gasoline which registered a decline of 0.3 index point and diesel oil, vegetables and other food products, each registering a drop of 0.1 index point. A rise of 0.1 index point for other goods and services was noted. The largest contraction of 2.3 per cent was noted in the Division “Transport” followed by “Food and non alcoholic beverages” (-0.4 per cent) and “Furnishings, household equipment and routine household maintenance” (-0.1 per cent). The Divisions “Health”, “Restaurants and hotels” and “Miscellaneous goods and services” recorded increases of 0.7 per cent, 0.2 per cent and 0.1 per cent respectively, while “ Alcoholic beverages and tobacco”, Clothing and footwear”, “Housing, water, electricity, gas and other fuels”, “Communication”, “ Recreation and culture” and “Education” recorded no change in their indices. The rate of inflation for the twelve-month period ended October 2009 dropped to 3.6 per cent, from 4.4 per cent for the twelve-month period ended September 2009. Year-on-Year inflation rate stood at 0.1 per cent in October 2009, down from 0.9 per cent in September 2009.

CORE1 and CORE2 inflation continued to decline in October 2009. CORE1 inflation fell from 3.9 per cent in September 2009 to 3.2 per cent in October 2009. CORE2 inflation dropped to 4.5 per cent in October 2009, from 4.8 per cent for the twelve-month period ended September 2009. TRIM10 inflation stood at 2.7 per cent for the twelve-month period ended October 2009, unchanged from the previous month.

Net foreign assets of depository corporations went down by Rs3,298 million, or 3.4 per cent, from Rs96,569 million at the end of August 2009 to Rs93,271 million at the end of September 2009, reflecting decreases in both net foreign assets of the Bank of Mauritius and of other depository corporations. Net foreign assets of other depository corporations declined by Rs1,571 million, or 4.7 per cent, to Rs31,732 million while those of the Bank of Mauritius decreased by Rs1,727 million, or 2.7 per cent, to Rs61,539 million.

Domestic claims of depository corporations, excluding claims on GBL holders, contracted by Rs4,391 million, or 1.6 per cent, from Rs277,859 million at the end of August 2009 to Rs273,468 million at the end of September 2009. Net claims on budgetary central Government decreased by Rs1,292 million, or 2.5 per cent, from Rs51,349 million at the end of August 2009 to Rs50,057 million at the end of September 2009. Claims on other sectors, that is, credit to the private sector dropped by Rs3,099 million, or 1.4 per cent, to Rs223,411 million in September 2009.

Net claims on budgetary central Government from the Bank of Mauritius edged up by Rs1,432 million, or 14.1 per cent, from negative Rs10,144 million at the end of August 2009 to negative Rs8,711 million at the end of September 2009. Net claims on budgetary central Government from other depository corporations edged down by Rs2,725 million, or 4.4 per cent, from Rs61,493 million to Rs58,768 million.

Claims on Other Sectors from the Bank of Mauritius contracted marginally by Rs0.1 million to Rs134 million at the end of September 2009 while claims on Other Sectors from other depository corporations went down by Rs3,099 million, or 1.4 per cent, from Rs226,376 million to Rs223,278 million.

Broad Money Liabilities (BML) dropped by Rs2,754 million, or 1.0 per cent, from Rs284,142 million at the end of August 2009 to Rs281,388 million at the end of September 2009. Of the components of BML, currency with public declined by Rs106 million, or 0.7 per cent, to Rs15,013 million while transferable deposits decreased by Rs1,269 million, or 2.0 per cent, to Rs62,555 million. Savings deposits went up by Rs911 million, or 1.1 per cent, to Rs82,571 million while time deposits fell by Rs1,446 million, or 1.2 per cent, to Rs120,506 million. Securities other than shares included in broad money dropped by Rs844 million, or 53.2 per cent, to Rs742 million.

The monetary base fell by Rs496 million, or 1.6 per cent, from Rs30,564 million at the end of August 2009 to Rs30,068 million at the end of September 2009. Currency in circulation declined by Rs207 million, or 1.2 per cent, from Rs17,492 million to Rs17,285 million while liabilities to other depository corporations fell by Rs313 million, or 2.4 per cent, from Rs12,897 million to Rs12,584 million.

Broad Money Liabilities multiplier went up from 9.3 at the end of August 2009 to 9.4 at the end of September 2009.

In October 2009, the Bank issued Government of Mauritius Treasury Bills for a total nominal amount of Rs6,000 million through the weekly Primary Auctions. Between end-September and end-October 2009, the weighted average yield on the 91-day Bills increased from 4.56 per cent to 4.58 per cent while the weighted average yields on the 182-day Bills and 364-day Bills decreased from 4.82 per cent to 4.66 per cent and from 4.86 per cent to 4.74 per cent respectively. The overall weighted yield during October 2009 increased to 4.71 per cent from 4.45 per cent for the previous month. During October 2009, the market preference remained skewed towards the 91-day Bills.

Transactions on the interbank money market in October 2009 totalled Rs14,700 million with a daily average of Rs474 million, a high of Rs1,255 million and a trough of Rs175 million. The weighted average overnight interbank rate for October 2009 decreased slightly to 4.00 per cent from 4.01 per cent for the previous month.

A total amount of Rs9.05 million Treasury Bills/Treasury Notes was sold over the counter at the Bank to members of the public for individual amounts ranging from minimum of Rs50,000 to the maximum amount of Rs2 million. Bills traded by primary dealers amounted to Rs91.7 million. No bills were traded on the Stock Exchange of Mauritius.

At the auction of Treasury Notes held in October 2009, a total nominal amount of Rs1,000 million of Treasury Notes with maturities of 2, 3 and 4 years with interest payable semi-annually at the rates of 5.50, 5.75 and 6.00 per cent per annum, respectively, was put on tender. Bids received for the three maturities totalled Rs2,505.7 million and the amount accepted was Rs1,000.0 million. The weighted average yields on bids accepted for the 2-year, 3-year and 4-year maturities were 6.58, 7.06 and 7.50 per cent per annum, respectively. The market preference of bids received for Treasury Notes was skewed towards the 2-year maturity.

Based on the consolidated indicative selling rates of banks, the rupee, on average appreciated vis-à-vis the US dollar, Japanese yen, Pound sterling and the euro, between September and October 2009.

The weighted average dealt selling rates of the rupee against the US dollar, euro and Pound sterling, which are calculated on the basis of transactions of US$30,000 and above, or the equivalent in other foreign currencies reported by banks, showed that between September and October 2009, the rupee, on average, appreciated against the US dollar and the Pound sterling but depreciated against the euro.

At the end of September 2009, the net international reserves of the country stood at Rs93,908 million. Based on the value of import bill for the fiscal year 2008-09 exclusive of the purchase of marine vessel, this represented 39.8 weeks of imports, down from 41.2 weeks of imports applicable at the end of August 2009. The gross foreign exchange reserves of the Bank of Mauritius increased from Rs65,555 million as at end September 2009 to Rs66,395 million at the end of October 2009.

Provisional estimates for the period January to September 2009 indicate that gross foreign direct investment (FDI) inflows into Mauritius stood at Rs6,332 million. Investment was mainly directed to the ‘Hotels and restaurants’ sector (Rs2,889 million) and the ‘Real estate, renting and business activities’ sector (Rs1,767 million), and the main sources of FDI inflows were France (Rs1,843 million) followed by United Kingdom (Rs1,199 million). Outward FDI flows are estimated at Rs1,047 million during the period under review and were mainly channelled to the ‘Hotels and restaurants sector’ (Rs565 million).