

OVERVIEW

Monetary Developments

Net foreign assets of the banking system remained on their ascending trend, rising by Rs321 million or 1.0 per cent, from Rs32,532 million at the end of August 2001 to Rs32,853 million at the end of September 2001. Net foreign assets of Bank of Mauritius went up by Rs424 million or 1.8 per cent, from Rs23,296 million to Rs23,720 million. Net foreign assets of commercial banks dropped by Rs103 million or 1.1 per cent, from Rs9,236 million to Rs9,133 million.

Domestic credit rose by Rs578 million or 0.6 per cent, from Rs94,224 million at the end of August 2001 to Rs94,802 million at the end of September 2001, reflecting increases in both net credit to Government and commercial banks' credit to the private sector.

Net credit to Government increased by Rs511 million or 2.8 per cent, from Rs17,996 million at the end of August 2001 to Rs18,507 million at the end of September 2001. Net credit to Government from Bank of Mauritius rose by Rs205 million or 11.6 per cent, from Rs1,773 million to Rs1,978 million and net credit to Government from commercial banks went up by Rs306 million or 1.9 per cent, from Rs16,223 million to Rs16,529 million.

Credit to the private sector from commercial banks edged up by Rs76 million or 0.1 per

cent, from Rs75,686 million at the end of August 2001 to Rs75,762 million at the end of September 2001. Additional credit was directed to "Tourism" sector (Rs217 million), "Manufacturing" sector (Rs114 million) and "Financial and Business Services" sector (Rs97 million). A reduction in credit was noted to "Agriculture & Fishing" sector (Rs277 million) and "Statutory & Parastatal Bodies" (Rs133 million).

Money supply M2 increased by Rs587 million or 0.6 per cent, from Rs100,632 million at the end of August 2001 to Rs101,219 million at the end of September 2001. Narrow money supply M1 went up by Rs577 million or 4.5 per cent, from Rs12,797 million to Rs13,374 million. Quasi-money edged up marginally, from Rs87,835 million to Rs87,845 million.

The level of reserve money rose by Rs650 million or 6.0 per cent, from Rs10,892 million at the end of August 2001 to Rs11,542 million at the end of September 2001.

Taking into consideration liquidity conditions in the market, the Bank carried out in October 2001, for periods varying from 1 to 5 days, three variable-yield repo transactions and one fixed-yield repo transaction with commercial banks. The lowest yield accepted for the variable repo transactions was 7.25 per cent, which was

also the yield at which the fixed-yield repo transaction was carried out.

Mauritius Automated Clearing and Settlement System (MACSS)

The number of transactions routed through the Mauritius Automated Clearing and Settlement System (MACSS) in October 2001 was 3,485, involving a total amount of Rs34,685 million, compared to 2,963 transactions for a total amount of Rs26,963 million in September 2001.

On an average basis, the number of transactions routed daily through the MACSS increased from 148 in September 2001 to 152 in October 2001 while the daily value of transactions rose from Rs1,348 million in September 2001 to Rs1,508 million in October 2001.

Electronic Banking Transactions

Between end-August 2001 and end-September 2001, the number of Automated Teller Machines (ATMs) in operation in Mauritius increased by 1, from 239 to 240, and the number of cardholders (that is to say the number of cards in circulation) went up by 4,598 from 706,894 to 711,492.

The number of transactions involving the use of credit cards, debit cards, ATMs and Merchant Points of Sale decreased from 1.699 million in August 2001 to 1.593 million in September 2001. The value of such

transactions decreased from Rs2,589 million to Rs2,406 million over that period.

Outstanding advances on credit cards rose from Rs688 million at the end of August 2001 to Rs694 million at the end of September 2001.

International and Domestic Foreign Exchange Markets

On the international foreign exchange market, during October 2001, the US dollar, on average, appreciated against all the major currencies. Despite signs of further deterioration of the US economy, the US dollar benefited from market belief that the foreign exchange markets were not willing to take aggressive bets against the US currency given that all major economies were suffering from a global slump. On 2 October 2001, the Federal Reserve at its regular FOMC meeting reduced its key federal funds rate by 50 basis points, the ninth cut for this year, to 2.50 per cent, its lowest level in nearly 40 years. In a statement explaining the move, the Federal Reserve said that the September 11th attacks had significantly heightened uncertainty in the already weakened US economy and that it remained poised to act again to avert a US recession.

The euro, which started the month trading above the 92 cents dollar level, lost ground against the US dollar to close the month trading around US\$0.9068. The single currency weakened amid continued pessimism over the euro zone's economic

prospects and over ECB's reluctance to reduce its key interest rates to boost growth at its two governing council meetings held during October.

The Pound sterling, which was trading around US\$1.4790 at the start of October, eased against the US dollar to attain an intra-month low of US\$1.4250, as the market reassessed its sentiment about the UK economy. However, the release of higher-than-expected third quarter UK growth data provided support to the Pound which recovered against the US dollar to close the month trading around US\$1.4529. At its monthly Monetary Policy Committee meeting held on 4 October 2001, the Bank of England reduced its key repo rate by 25 basis points to a 37-year low of 4.50 per cent – its sixth cut for this year.

The Japanese yen came under downward pressure vis-à-vis the US dollar, undermined by concerns that Japan was within view of its fourth recession in a decade.

Direct sales of foreign currencies by the Mauritius Sugar Syndicate (MSS) to the banking sector during October 2001 amounted to an equivalent of US\$41.8 million. The Bank of Mauritius intervened on the interbank foreign exchange market selling a total amount of US\$2.0 million in October 2001.

Reflecting international trends and local market conditions, the rupee, on average, depreciated between September 2001 and October 2001 against the Pound sterling, euro, and US dollar by 0.4 per cent, 0.6 per cent, and 1.1 per cent, respectively but

appreciated vis-à-vis the Japanese yen by 0.9 per cent. The rupee eased against the Pound sterling to trade at an average rate of Rs43.846 in October 2001 as against an average rate of Rs43.667 in September 2001. The rupee lost ground vis-à-vis the single currency to trade at an average rate of Rs27.366 in October 2001 compared with an average rate of Rs27.210 in September 2001. The Mauritian rupee also weakened against the US dollar to trade at an average rate of Rs30.179 in October 2001 compared with an average rate of Rs29.841 in September 2001. The rupee, however, appreciated vis-à-vis the Japanese yen to trade at an average rate of Rs24.964 per 100 Yen in October 2001 compared with an average rate of Rs25.188 per 100 Yen in September 2001.

On an average basis, between January 1999 and October 2001, the Thailand baht, Mauritian rupee, Indonesian rupiah, Korean won, Singapore dollar, Taiwan dollar and Hong Kong dollar appreciated against the euro by 4.5 per cent, 5.9 per cent, 8.9 per cent, 15.2 per cent, 18.6 per cent, 19.2 per cent and 26.8 per cent, respectively. The Philippines peso and the South African rand, however, depreciated vis-à-vis the euro by 5.4 per cent and 16.9 per cent, respectively.

The foreign exchange reserves of the Bank of Mauritius increased by Rs806 million, from Rs23,720 million at the end of September 2001 to Rs24,526 million at the end of October 2001.

Net International Reserves

The net international reserves of the country, made up of the net foreign assets of the banking system, the foreign assets of the Government and the country's Reserve Position in the International Monetary Fund (IMF), increased by Rs323 million, from Rs33,085 million at the end of August 2001 to Rs33,408 million at the end of September 2001. Based on the value of the import bill for fiscal year 2000-01, the end-September 2001 level of net international reserves of the country represented 30.8 weeks of imports, up from 30.5 weeks at the end of August 2001.

Offshore Banking Sector Developments

Total resources of offshore banks declined by US\$ 38 million or by 1.0 per cent, from US\$ 3,733 million at the end of August 2001 to US\$ 3,695 million at the end of September 2001. The decrease in total resources is mainly attributable to a reduction in the capital of one offshore bank.

Non-bank deposits mobilised by offshore banks dropped by US\$ 8 million, from US\$ 1,617 million to US\$ 1,609 million. Borrowings from banks decreased marginally by US\$ 1 million or by 0.1 per cent from US\$ 1,650 million at the end of August 2001 to US\$ 1,649 million at the end of September 2001.

The total funds were mainly deployed by way of placements with banks abroad and

loans and advances extended to non-residents as well as residents in Mauritius.

Offshore banks' cash in hand and placements with banks abroad increased by US\$ 4 million, from US\$ 2,134 million at the end of August 2001 to US\$ 2,138 million at the end of September 2001. Loans and advances (inclusive of bills purchased and discounted) extended by offshore banks registered a decrease of US\$ 48 million, from US\$ 1,327 million to US\$ 1,279 million.