International Developments

In July 2009, the US dollar, on average, depreciated against the euro, Pound sterling and Japanese yen. It initially gained ground against the euro, moving from US$1.4118 on 2 July to US$1.3902 on 9 July on the back of deterioration in U.S. jobs data and an erosion in global risk appetite as hopes for a quick recovery petered out. However, the US dollar thereafter lost some of its safe haven appeal and started to depreciate against the euro on improved risk appetite following better U.S. housing market data and strong quarterly results from some large banks, which sparked a rally in U.S. stocks. The semi-annual testimony of the Federal Reserve Chairman Ben Bernanke on 22 July, where he gave a cautious assessment on the U.S. economy and warned on possible high unemployment up to 2011 as well as continued weak consumer confidence, provided a brief respite to the dollar. However, the latter quickly resumed its downtrend against the euro as the release of positive leading indicators refuelled hopes that the recession might be coming to an end. Towards the end of the month, the release of Federal Reserve Beige Book survey highlighting moderation of the U.S. recession although activity continued to contract allowed the US dollar to recover some ground against the euro although more weakness is expected in future as investors' risk aversion continues to subside.

The euro traded at an average of US$1.4077 in July 2009 compared to an average of US$1.4024 in June 2009. The European Central Bank left its refinancing rate at 1 per cent, as expected, and stated that there was no need for any further unconventional measures.

The Pound sterling was mostly rangebound against the US dollar during July 2009, trading at an average of US$1.6363 compared to an average of US$1.6357 in June 2009. In the second week of July, the Pound fell somewhat against the US dollar after the June Halifax house prices index fell unexpectedly but it recovered thereafter on improved risk appetite and stronger-than-expected UK retail data for June, which raised hopes for the British economy. The Bank of England kept its key repo rate at 0.5 per cent in July, as expected, and refrained to extend its 125 billion Pounds of quantitative easing.

International oil prices witnessed a decline during July 2009, mainly due to worries about the pace of economic recovery and continued weak oil demand amid swollen inventories. Both IPE Brent and NYMEX reached their intra-month high of US$71.7 a barrel and US$69.5 a barrel on 31 July 2009. According to the Organization of the Petroleum Exporting Countries (OPEC), world oil demand is expected to turn positive in 2010. After two years of negative growth, global demand is projected to show a moderate increase of 0.5 million of barrels per day next year.

NYMEX WTI (West Texas Intermediate crude oil) averaged US$64.3 a barrel in July 2009, down from US$69.7 a barrel in June 2009. IPE Brent averaged US$65.8 a barrel during the month under review, down from US$69.3 in June 2009.

COMEX gold futures, on average, moved down during the month of July 2009, trading in an intra-month closing range of US$909.3/Oz-955.8/Oz compared to US$921.0/Oz-984.4/Oz in June 2009. Gold prices reached a peak of US$955.8/Oz on 31 July 2009, as the dollar slid to its lowest level in 2009 amid improved U.S. second quarter 2009 GDP.

Domestic Developments

Tourists arrivals declined by 12.8 per cent, from 53,722 in June 2008 to 46,866 in June 2009, while gross tourism receipts declined by 12.5 per cent, from Rs2,949 million in June 2008 to Rs2,580 in June 2009. On a cumulative basis, over the fiscal year 2008-09, tourist arrivals reached 888,202 representing a decrease of 4.6 per cent over 930,616 arrivals recorded in 2007-08. Tourism receipts for the fiscal year 2008-09 contracted by 13.5 per cent to reach Rs37,292 million compared to Rs43,105 million over 2007-08.

The Consumer Price Index (CPI) increased from 117.1 in June 2009 to 117.8 in July 2009. The main contributors to the rise in the index between June 2009 and July 2009 were gasoline which registered an increase of 0.3 index point, other goods and services which rose by 0.2 index point and sugar, diesel oil and air tickets, each registering an increase of 0.1 index point. A decrease of 0.1 index point for motor vehicles was noted. The largest rise of 2.4 per cent was noted in the Division "Transport" followed by "Communication" (+1.1 per cent), "Clothing and footwear" (+0.6 per cent), "Furnishings, household equipment and routine household maintenance" (+0.5 per cent), "Miscellaneous goods and services" (+0.5 per cent), "Restaurants and hotels" (+0.4 per cent), "Housing, water, electricity, gas and other fuels" (+0.3 per cent), "Health" (+0.3 per cent), "Food and non alcoholic beverages" (+0.2 per cent). The divisions "Alcoholic beverages and tobacco", "Recreation and culture" and "Education" recorded no change in their indices.

The rate of inflation for the twelve-month period ended July 2009 dropped to 6.1 per cent, from 6.9 per cent for the twelve month period ended June 2009. Year-on-Year inflation rate dropped to 1.9 per cent in July 2009, from 3.3 per cent in June 2009. CORE1 and CORE2 inflation maintained their downward paths in July 2009. CORE1 inflation fell from 6.1 per cent in June 2009 to 5.5 per cent in July 2009. CORE2 inflation dropped to 5.4 per cent in July 2009, from 5.5 per cent for the twelve month period ended June 2009. TRIM10 inflation stood at 2.8 per cent in July 2009, unchanged from the previous month.

Net foreign assets of depository corporations went up by Rs13,518 million, or 16.2 per cent, from Rs83,628 million at the end of June 2008 to Rs97,146 million at the end of June 2009, largely on account of increases in net foreign assets of other depository corporations and the Bank of Mauritius. Net foreign assets of other depository corporations rose by Rs7,263 million, or 27.3 per cent, to Rs33,864 million while those of the Bank of Mauritius increased by Rs6,255 million, or 11.0 per cent, to Rs63,282 million.

Domestic claims of depository corporations, excluding claims on GBL holders, rose by Rs16,520 million, or 6.4 per cent, from Rs258,704 million at the end of June 2008 to Rs275,224 million at the end of June 2009. Net claims on budgetary central Government fell by Rs3,386 million, or 6.4 per cent, from Rs53,171 million at the end of June 2008 to Rs49,785 million at the end of June 2009. Claims on other sectors, that is, credit to the private sector grew by Rs19,906 million, or 9.7 per cent, to Rs225,439 million in June 2009.

Net claims on budgetary central Government from the Bank of Mauritius went down by Rs5,813 million, or 133.3 per cent, from negative Rs4,362 million at the end of June 2008 to negative Rs10,175 million at the end of June 2009. Net claims on budgetary central Government from other depository corporations edged up by Rs 2,426 million, or 4.2 per cent, from Rs57,533 million to Rs59,959 million.

Claims on Other Sectors from the Bank of Mauritius contracted by Rs1.2 million, or 0.9 per cent to Rs133 million at the end of June 2009 while claims on Other Sectors from other depository corporations expanded by Rs19,907 million, or 9.7 per cent, from Rs205,398 million to Rs225,305 million.

Broad Money Liabilities (BML) grew by Rs31,603 million, or 12.5 per cent, from Rs252,175 million at the end of June 2008 to Rs283,778 million at the end of June 2009. Of the components of BML, currency with public rose by Rs1,934 million, or 15.0 per cent, to Rs14,848 million while transferable deposits rose by Rs11,972 million, or 22.4 per cent, to Rs65,369 million. Savings deposits rose by Rs8,035 million, or 10.9 per cent, to Rs81,933 million while time deposits went up by Rs9,645 million, or 8.7 per cent, to Rs120,072 million. Securities other than shares included in broad money rose by Rs16.3 million, or 1.1 per cent, to Rs1,556 million.

The monetary base rose by Rs2,705 million, or 9.9 per cent, from Rs27,328 million at the end of June 2008 to Rs30,033 million at the end of June 2009. Currency in circulation grew by Rs2,097 million, or 14.0 per cent, from Rs15,008 million to Rs17,105 million while liabilities to other depository corporations rose by Rs815 million, or 6.8 per cent, from Rs11,933 million to Rs12,748 million.

Broad Money Liabilities multiplier went up from 9.2 at the end of June 2008 to 9.4 at the end of June 2009, reflecting a greater expansion of Broad Money Liabilities as compared to Monetary Base.

In July 2009, the Bank issued Government of Mauritius Treasury Bills for a total nominal amount of Rs4,000 million through the weekly Primary Auctions. Between end-June and end-July 2009, the weighted average yields on the 91-day Bills, 182-day Bills and 364-day Bills decreased from 4.65 per cent to 4.45 per cent, from 4.69 per cent to 4.50 per cent and from 5.14 per cent to 4.84 per cent. The overall weighted yield during July 2009 fell to 4.66 per cent from 4.72 per cent for the previous month. During July 2009, the market preference remained skewed towards the 91-day Bills.

Transactions on the interbank money market in July 2009 totalled Rs10,376 million with a daily average of Rs335 million, a high of Rs865 million and a trough of Rs5 million. The weighted average overnight interbank rate for July 2009 decreased to 4.01 per cent from 4.21 per cent for the previous month.

A total amount of Rs46.50 million Treasury Bills/Treasury Notes was sold over the counter at the Bank to members of the public for individual amounts ranging from the minimum of Rs50,000 to the maximum amount of Rs2 million. Bills traded by primary dealers amounted to Rs208.6 million. No Bills were traded on the Stock Exchange of Mauritius.

At the monthly auction of Treasury Notes held in July 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 5.60, 5.85 and 6.10 per cent per annum, respectively, was put on tender. Bids received for the three maturities totalled Rs1,330.0 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 6.57, 6.98 and 7.37 per cent per annum, respectively. The market preference of bids received for Treasury Notes was evenly distributed.

Between June and July 2009, the rupee, on average appreciated vis-à-vis the US dollar, Pound sterling and euro, but depreciated against the Japanese yen.

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 June and July 2009, the rupee, on average, appreciated against the US dollar, euro and the Pound sterling.

At the end of June 2009, the net international reserves of the country stood at Rs97,802 million. The end-June 2009 level of net international reserves of the country, based on the value of import bill for the calendar year 2008, exclusive of the purchase of marine vessel, represented 38.5 weeks of imports, up from 37.2 weeks of imports at the end of May 2009. The gross foreign exchange reserves of the Bank of Mauritius increased from Rs63,301 million as at end-June 2009 to Rs63,344 million at the end of July 2009.

Provisional estimates for the first half of 2009 indicate that gross Foreign Direct Investment (FDI) inflows in Mauritius stood at Rs3,440 million. Investment was mainly directed to the ‘Hotels and restaurants’ sector (Rs1,335 million), and the main sources of FDI inflows were France (Rs969 million) followed by USA (Rs333 million). Outward FDI flows are estimated at Rs541 million for the first semester of 2009 and were mainly channeled to the ‘Hotels and restaurants’ sector.