International Developments

In November 2009, the US dollar, on average, depreciated against the Japanese Yen, euro and the Pound Sterling. The US dollar initially gained some ground as weak financial sector sentiment in Europe pressured the euro and on account of profit-taking on higher-yielding currencies. However, it quickly retreated as the Federal Reserve left benchmark overnight interest rates steady between 0 to 0.25 per cent, as expected, and pledged to keep rates low for an extended period. The dollar was also weighed by continued risk rally in the wake of fairly positive economic data releases and the surge in major stock markets in the second week of November. After a short period of range-trading, the US dollar continued on its defensive mode, and reached a low of US$1.5109 against the euro on 26 November 2009 as data indicated stabilization in the U.S. labor and housing markets and Federal Reserve officials indicated the greenback's decline was orderly. However, investor appetite for higher-yielding currencies and assets was strongly questioned following the news of Dubai World's intention to restructure its external liabilities, which allowed the greenback to recoup some of its losses. This was, however, short-lived and the dollar ended the month on a negative tone as the central bank of the United Arab Emirates pledged to provide emergency support to Dubai's banks.

The Euro traded at an average of US$1.4931 in November 2009 compared to an average of US$1.4820 in October 2009. The European Central Bank left its refinancing rate at 1 per cent, as expected, and President Jean-Claude Trichet sounded optimistic about recovery in 2010 while hinting at a slow-motion exit strategy from the emergency stimulus measures.

The Pound sterling traded at an average of US$1.6618 compared to an average of US$1.6184 in October 2009. The Pound sterling appreciated against the US dollar in the first half of the month and reached a high of US$1.6830 on 17 November 2009 as PMI surveys for October showed an acceleration in activity in services and manufacturing in the fourth quarter and house prices began to rise while a jump in UK inflation suggested that the quantitative easing (QE) programme may be close to ending. Earlier, the Pound sterling was also supported by the lesser than expected increase of £25 billion in the QE programme, while the Bank rate was left unchanged at 0.50 per cent in October, as widely expected.

Thereafter, the Pound sterling fell against majors after BoE minutes indicated policymakers would maintain UK's ultra-loose monetary policy for the foreseeable future and UK borrowing data underlined Britain's deteriorating finances despite a rise in retail sales. Revised data showing the British economy shrinking by 0.3 per cent in the third quarter compared with the initial estimate of a 0.4 per cent contraction briefly boosted the Pound sterling before worries about British banks' potential exposure to debt problems in Dubai weighed on the currency.

In global equity markets, the near-zero interest rate monetary policy stance in most advanced economies prolonged the appetite for risk. The weaker dollar, comments from Federal Reserve Chairman that interest rates would stay low to spur growth and data pointing out to stabilization in the labor and housing markets resulted into FTSE, Nasdaq and Dow Jones Industrial Average reaching fresh highs in November 2009. In the last week of November, most international stock markets were temporarily dragged down by concerns over Dubai World's debt problems but they recovered as risk aversion cooled down on hopes that the possible fallout for international banks would be contained. Among the developed stock markets, Nasdaq and Dow Jones Industrial Average rose by 4.7 per cent and 5.7 per cent, respectively, while NIKKEI underperformed by 4.7 per cent on the back of a stronger yen. Among emerging stock markets, BSE emerged as the top performer with a return of 6.5 per cent based on a myriad of factors, notably cheaper non-bank financing, significant capital inflows and better than expected earnings results from IT companies.

International oil prices rose during November 2009 mainly on account of a weaker dollar and expectations of an economic recovery in the U.S. IPE Brent hit its intra-month high of US$79.5 a barrel on 18 November 2009 while NYMEX reached a peak of US$80.4 a barrel on 4 November 2009. The US Energy Information Administration (EIA) projects total U.S crude oil production to increase to an average of 5.46 million barrel per day in 2010.

NYMEX WTI (West Texas Intermediate crude oil) averaged US$78.1 a barrel in November 2009, up from US$75.8 a barrel in October 2009 and IPE Brent averaged US$77.6 a barrel compared to US$73.9 in October 2009.

COMEX gold futures, on average, increased during November 2009, trading in an intra-month closing range of US$1,054.0/Oz-1,187.0/Oz compared to US$1,000.7/Oz-1,065/Oz in October 2009. Gold prices reached a peak of US$1,187/Oz on 25 November 2009 after a batch of data indicated that the U.S economic recovery was strengthening.

Domestic Developments

Tourist arrivals declined by 4.0 per cent, from 83,524 in October 2008 to 80,197 in October 2009, while gross tourism receipts declined by 3.5 per cent, from Rs2,996 million in October 2008 to Rs2,892 million in October 2009. On a cumulative basis, over the period January 2009 to October 2009, tourist arrivals reached 689,082, representing a decrease of 9.1 per cent over the 757,688 arrivals recorded in the corresponding period of the previous year. Tourism receipts for the period January 2009 to October 2009 contracted by 15.4 per cent to reach Rs28,577 million compared to Rs33,797 million recorded in the corresponding period of the previous year.

The Consumer Price Index (CPI) remained unchanged at 117.3 in November 2009. Increases of 0.2 index point for 'food products' and 0.1 index point for 'ready-made clothing' and 'other goods and services' were fully offset by decreases of 0.3 index point for gasoline and 0.1 index point for air tickets. The largest rise of 1.4 per cent was noted in the division "Clothing and footwear" followed by "Restaurants and hotels" (+1.0 per cent), "Furnishings, household equipment and routine household maintenance" (+0.5 per cent), "Food and non alcoholic beverages" (+0.4 per cent), "Health" (+0.4 per cent), "Alcoholic beverages and tobacco" (+0.3 per cent) and "Miscellaneous goods and services" (+0.3 per cent). The Divisions "Transport", "Communication" and "Recreation and culture" registered declines of 2.0 per cent, 0.2 per cent and 0.8 per cent, respectively while "Housing, water, electricity, gas and other fuels" and "Education" recorded no change in their indices. The rate of inflation for the twelve-month period ended November 2009 declined to 2.9 per cent, from 3.6 per cent for the twelve month period ended October 2009. Year-on-Year inflation rate stood at 0.7 per cent in November 2009, up from 0.1 per cent in October 2009.

CORE1 and CORE2 inflation maintained their downward paths in November 2009. CORE1 inflation fell from 3.2 per cent in October 2009 to 2.7 per cent in November 2009. CORE2 inflation dropped to 4.1 per cent in November 2009, from 4.5 per cent in October 2009. TRIM10 inflation stood at 2.7 per cent for the twelve-month period ended November 2009, unchanged from the previous month.

Net foreign assets of depository corporations went up by Rs2,246 million, or 2.4 per cent, from Rs93,271 million at the end of September 2009 to Rs95,517 million at the end of October 2009, driven by increases in both net foreign assets of the Bank of Mauritius and those of other depository corporations. Net foreign assets of other depository corporations (ODCs) rose by Rs1,406 million, or 4.4 per cent, to Rs33,138 million while those of the Bank of Mauritius increased by Rs841 million, or 1.4 per cent, to Rs62,380 million.

Domestic claims of depository corporations, excluding claims on GBL holders, increased by Rs923 million, or 0.3 per cent, from Rs273,468 million at the end of September 2009 to Rs274,391 million at the end of October 2009. Net claims on budgetary central Government declined by Rs364 million, or 0.7 per cent, from Rs50,057 million at the end of September 2009 to Rs49,693 million at the end of October 2009. Claims on other sectors, that is, credit to the private sector edged up by Rs1,288 million, or 0.6 per cent, to Rs224,699 million in October 2009.

Net claims on budgetary central Government from the Bank of Mauritius fell by Rs2,808 million, or 32.2 per cent, from negative Rs8,711 million at the end of September 2009 to negative Rs11,519 million at the end of October 2009. On the other hand, net claims on budgetary central Government from ODCs rose by Rs2,444 million, or 4.2 per cent, from Rs58,768 million to Rs61,212 million.

Claims on Other Sectors from the Bank of Mauritius increased by Rs3 million or 2.5 per cent to Rs137 million at the end of October 2009 while claims on Other Sectors from ODCs went up by Rs1,284 million, or 0.6 per cent, from Rs223,278 million to Rs224,562 million.

Broad Money Liabilities (BML) increased by Rs3,463 million, or 1.2 per cent, from Rs281,388 million at the end of September 2009 to Rs284,851 million at the end of October 2009. Of the components of BML, currency with public increased by Rs404 million, or 2.7 per cent, to Rs15,417 million while transferable deposits increased by Rs1,079 million, or 1.7 per cent, to Rs63,634 million. Savings deposits went up by Rs818 million, or 1.0 per cent, to Rs83,388 million while time deposits rose by Rs1,158 million, or 1.0 per cent, to Rs121,664 million. Securities other than shares included in broad money increased by Rs6 million, or 0.8 per cent, to Rs748 million.

The monetary base rose by Rs37 million, or 0.1 per cent, from Rs30,068 million at the end of September 2009 to Rs30,105 million at the end of October 2009. Currency in circulation went up by Rs440 million, or 2.5 per cent, from Rs17,285 million to Rs17,725 million while liabilities to ODCs fell by Rs380 million, or 3.0 per cent, from Rs12,584 million to Rs12,204 million.

Broad Money Liabilities multiplier went up from 9.4 at the end of September 2009 to 9.5 at the end of October 2009.

In November 2009, the Bank issued Government of Mauritius Treasury Bills for a total nominal amount of Rs4,600 million through the weekly Primary Auctions. Between end-October and end-November 2009, the weighted average yields on the 91-day Bills, 182-day Bills and 364-day Bills decreased from 4.58 per cent to 4.38 per cent, from 4.66 per cent to 4.50 per cent and from 4.74 per cent to 4.67 per cent respectively. The overall weighted yield during November 2009 decreased to 4.49 per cent from 4.71 per cent for the previous month. During November 2009, the market preference remained skewed towards the 91-day Bills.

Transactions on the interbank money market in November 2009 totalled Rs13,796 million with a daily average of Rs460 million, a high of Rs895 million and a trough of Rs55 million. The weighted average overnight interbank rate for November 2009 decreased slightly to 3.97 per cent from 4.00 per cent for the previous month.

A total amount of Rs10.95 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 Rs256.5 million. No Bills were traded on the Stock Exchange of Mauritius.

At the auction of Treasury Notes held in November 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 Rs2,973.5 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 6.36, 7.15 and 7.50 per cent per annum, respectively. The market preference of bids received for Treasury Notes was skewed towards the 2-year maturity.

The second issue of Five-Year Government of Mauritius Bonds for the period July to December 2009 was undertaken on 13 November 2009 through an auction held on 11 November 2009. Bids for a total nominal amount of Rs2,565.9 million were received against a tender amount of Rs2,100 million. The amount accepted was Rs1,742.8 million and the coupon rate was set at 8.08 per cent per annum and the weighted average yield on bids accepted was 8.73 per cent per annum.

Between November and October 2009, the rupee, on average, appreciated vis-à-vis the US dollar, euro and Japanese Yen but depreciated against the Pound Sterling.

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 October and November 2009, the rupee, on average, appreciated against the US dollar and the euro but depreciated against the Pound sterling.

At the end of October 2009, the net international reserves of the country stood at Rs96,151 million. The end-October 2009 level of net international reserves of the country, based on the value of import bill for the fiscal year 2008-09 exclusive of the purchase of marine vessel, represented 40.7 weeks of imports, up from 39.8 weeks of imports at the end of September 2009. The gross foreign exchange reserves of the Bank of Mauritius increased from Rs66,395 million as at end-October 2009 to Rs67,980 million at the end of November 2009.

Provisional estimates for the third quarter 2009 indicate that the current account of the balance of payments posted a lower deficit of Rs5,505 million compared to Rs8,198 million registered in the third quarter of 2008. The reduction of the current account deficit mostly came from the merchandise trade deficit which narrowed to Rs11,033 million from Rs14,466 million recorded in the third quarter of 2008. The capital and financial account, inclusive of reserve assets, recorded lower net inflows of Rs1,752 million in the third quarter 2009 compared to Rs5,760 million in the third quarter 2008. The overall balance of payments for the third quarter 2009, measured as the change in reserve assets excluding valuation changes, registered a surplus of Rs3,875 million.