



MEDIA RELEASE

The Monetary Policy Committee of the Bank of Mauritius keeps the Key Repo Rate unchanged

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The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to maintain the Key Repo Rate at 3.50 per cent per annum at its meeting today.

The MPC noted that global economic activity has continued to strengthen in the second half of 2017 amid improved growth performance of some major economies, including Japan, China, and the Euro area as well as major commodity-exporting countries. The IMF, in its October 2017 Report on World Economic Outlook, has upgraded slightly its global growth forecasts to 3.6 per cent for 2017 and 3.7 per cent for 2018. Inflation has gained some traction globally in the second half of 2017 due to the pick-up in energy prices. Nonetheless, global inflation would remain moderate. Major central banks, with the exception of the Bank of the England, kept their policy rates unchanged but were moving prudently towards reducing their monetary stimulus packages in line with global economic recovery.

Headline inflation in Mauritius rose from 2.7 per cent in July 2017 to 3.4 per cent in October 2017. In contrast, year-on-year inflation decelerated from 5.3 per cent in July 2017 to 3.5 per cent in October 2017. Bank staff projects headline inflation at 3.6 per cent in 2017 and around 3.5 per cent in 2018, barring major shocks.

The domestic economy recorded stronger growth of 4.1 per cent in 2017Q2 compared to 3.4 per cent and 2.6 per cent, respectively, in 2017Q1 and 2016Q2. Investment spending increased significantly while export of goods continued to contract. Real GDP growth momentum is expected to be sustained on the back of accommodative monetary conditions, upbeat business confidence, and implementation of major public and private investment projects. Bank staff maintained forecasts of real GDP growth at market prices at 3.8 per cent in 2017 and 4.2 per cent in 2018, subject to the effective implementation of infrastructural projects.

The MPC members discussed lengthily on the implications of the introduction of the minimum wage policy and negative income tax in Mauritius. Members recognized that these initiatives are a major stride towards reforming the labour market.

The MPC decided to maintain the Key Repo Rate at 3.50 per cent with a view to continuing to support economic growth. The Committee will continue to exercise vigilance should there be a resurgence of inflationary pressures in the economy.

The MPC will issue the Minutes of its meeting on Wednesday 13 December 2017.