



## MEDIA RELEASE

### **The Monetary Policy Committee of the Bank of Mauritius raises the Key Repo Rate by 50 basis points**

*Released at 11:30 hours on 14 December 2022*

The Monetary Policy Committee (MPC) of the Bank has unanimously decided to pursue the normalization process which it has embarked on since the beginning of the year and raised the Key Repo Rate (KRR) by 50 basis points to 4.50 per cent per annum at its meeting held today.

Inflation continues to remain elevated across many countries although the factors that were pushing prices up during 2022 have begun to subside. However, the latest leading economic indicators, such as the Purchasing Managers Indices (PMIs), are pointing towards a slowdown in global economic activity at the turn of the new year.

The recovery process of the domestic economy is well entrenched and broad-based, underpinned by greater dynamism across major sectors of the economy, including tourism. The Bank projects real GDP growth at above 7.0 per cent for 2022 and at around 5.0 per cent for 2023.

Inflation in Mauritius is projected at 10.6 per cent for 2022. With major central banks pursuing their tightening stances, yield differentials may persist and, if unaddressed through appropriate policy locally, may fuel inflation through the exchange rate channel.

The MPC is of view that the normalization process should be pursued since the macroeconomic costs associated with inflation expectations, if not properly anchored, are high. The MPC deliberated that the positive growth performance so far continues to provide leeway for a normalization to anchor inflation expectations and bring inflation in 2023 down to below 6.0 per cent.

Consequentially, the MPC opted for a less aggressive rate hike of 50 basis points which would help close yield differentials with other countries, contain FX volatility and inflation pressures, whilst not undermining growth.

The Minutes of today's meeting will be released on Wednesday 28 December 2022.