



MEDIA RELEASE

The Monetary Policy Committee of the Bank of Mauritius raises the Key Repo Rate by 25 basis points

Released at 11:30 hours on 03 June 2022

The Monetary Policy Committee (MPC) of the Bank of Mauritius (Bank) unanimously decided to raise the Key Repo Rate (KRR) by 25 basis points to 2.25 per cent per annum at its meeting held today.

Global inflation has risen sharply due to the Russia-Ukraine war which has added to the pandemic-related supply-side strains, leading to a significant deterioration in the global economic outlook. Prices of most commodities in particular, energy (oil and gas), food and pharmaceutical products have soared and are expected to remain high. In April 2022, the IMF has reviewed downwards its projection for global growth to 3.6 per cent in both 2022 and 2023 – a 0.8 and 0.2 percentage point downgrade, respectively, from the previous forecasts published in January 2022. Global inflation is forecast to rise from 4.7 per cent in 2021 to 7.4 per cent in 2022.

The domestic economy continues to recover, spurred by sustained policy support and the lifting of travel restrictions. The full re-opening of national borders rekindled activity in the tourism sector, with positive ripple effects on related sectors, including agriculture, transportation, trade, and innovative industries, amongst others. Accordingly, the projection for real GDP growth for 2022 is maintained between 7 to 8 per cent. There remain downside risks to the growth outlook.

The Bank has been managing liquidity in line with its monetary policy stance. Short-term yields continue to evolve within the interest rate corridor. Conditions on the foreign exchange (FX) market are stabilising. The banking sector remains resilient with adequate buffers.

Inflation in Mauritius has continued to increase, largely driven by supply-side factors including surging imported food and energy prices, lingering supply-chain disturbances and higher freight costs. Inflationary pressures are expected to persist through 2022. The Bank is revising upwards its inflation projection to around 8.6 per cent for 2022, with the outlook remaining subject to the evolving geopolitical situation and its impact on global commodity prices.

In the light of these developments, the MPC assessed the current situation in Mauritius and unanimously decided to raise the KRR by 25 basis points to 2.25 per cent per annum.

The MPC will issue the Minutes of its meeting on Friday 17 June 2022.