



MEDIA RELEASE

The Monetary Policy Committee of the Bank of Mauritius raises the Key Repo Rate by 75 basis points

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The Monetary Policy Committee (MPC) of the Bank of Mauritius (Bank) unanimously decided to raise the Key Repo Rate (KRR) by 75 basis points to 3.00 per cent per annum at its meeting held today.

High inflation has become a major concern globally, driven mostly by rising commodity prices and supply chain disruptions. Consequently, central banks are tightening monetary policy. The world economy continues to be characterised by uncertainties – mostly due to the ongoing Russia-Ukraine war and recurring COVID-19 disruptions in China – such that major international organisations are downgrading their global growth forecasts for 2022 and 2023. In its latest World Economic Outlook of July 2022, the IMF has projected global growth at 3.2 per cent instead of 3.6 per cent as in its April projection.

The domestic economy continued to recover in 2022Q1 and is estimated to have registered higher growth in 2022Q2, underpinned by greater dynamism across key sectors of the economy. The full re-opening of national borders has helped to revive the tourism sector and is already having positive spillover effects on other sectors of the economy. With economic conditions gaining sustained momentum, the Bank projects real growth for 2022 at 7.4 per cent, which lies within its previous projection range of 7-8 per cent.

The Bank is setting the stage for the introduction of the new monetary policy framework. It started the issuance of 7-Day Bank of Mauritius Bills on a weekly basis as from 4 August 2022 through auction conducted with all banks. A Five-Year Emerald Jubilee Bond bearing interest rate of 4 per cent was also launched. The Bank continues to manage the level of rupee excess liquidity in the banking system and short-term yields have remained within the interest rate corridor.

The MPC noted that the banking sector is assessed to be sound and resilient.

Inflation in Mauritius remains at elevated levels largely reflecting supply-related factors, such as rising imported food and commodity prices and entrenched supply and logistics disturbances. Accordingly, the Bank has revised upwards its inflation projection to 10.6 per cent for 2022, with the trajectory largely conditional on the ongoing geopolitical tensions.

In light of these developments, the MPC has decided to pursue with normalization of monetary policy and unanimously decided to raise the KRR by 75 basis points to 3.00 per cent per annum.

The Minutes of today's meeting will be released on Wednesday 12 October 2022.