



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 keep the Key Repo Rate (KRR) unchanged at 3.50 per cent per annum at its meeting today.

The MPC discussed global and domestic economic and financial developments. The global economy is maintaining its growth momentum. In its July 2018 World Economic Outlook Update, the IMF expected global growth to remain unchanged at 3.9 per cent for both 2018 and 2019. Risks to global growth have shifted to the downside, amidst higher uncertainty generated from rising trade frictions, mounting pressures on global financial markets, currency volatility and the outcome of Brexit. Global inflation is anticipated to rise slightly in 2018, reflecting past increases in energy prices, but would be unchanged in 2019.

Since the last MPC meeting, domestic inflation has declined after the adverse shocks to food prices subsided and downward adjustment in the prices of administered goods. Headline inflation dropped from a peak of 5.0 per cent in March and April 2018 to 4.0 per cent in July 2018 and is now projected at 3.5 per cent in 2018, instead of a previous estimate of 4.2 per cent. For 2019, it is forecast at 3.0 per cent.

The performance of the domestic economy was sustained due to the contribution of the services and construction sectors. Pro-growth budgetary measures, household consumption and capital spending on infrastructural projects have been supporting growth. Business and consumer confidence are rising. The outlook on the domestic economy remains quite upbeat, taking into account that the economy is operating with some spare capacity. The Bank projects real GDP growth at market prices at 4.0 per cent for both 2018 and 2019.

The MPC weighed the risks to the growth and inflation outlook and concluded that the current monetary policy stance was supporting growth in an environment where inflationary pressures were contained. The Bank's monetary policy operations have stabilised the short-term interest rates around the KRR.

After analysing various economic scenarios, members unanimously voted to keep the KRR unchanged at 3.50 per cent.

The MPC will issue the Minutes of its meeting on Monday 3 September 2018.