



## MEDIA RELEASE

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

*Released at 15:30 hours on 5 May 2017*

The Monetary Policy Committee (MPC) of the Bank of Mauritius unanimously decided to leave the Key Repo Rate (KRR) unchanged at 4.00 per cent per annum at its meeting today.

The MPC noted that global economic recovery is gaining momentum. The IMF, in its April 2017 World Economic Outlook, is projecting that global growth would increase from 3.1 per cent in 2016 to 3.5 per cent in 2017, and to 3.6 per cent in 2018. Emerging market and developing economies are projected to contribute substantially to the higher global growth. Nonetheless, growth remains modest and subject to heightened political and policy uncertainties. Downside risks would stem principally from rising protectionism, tighter global financial conditions and deepening geopolitical tensions. Global inflation has increased lately due to higher commodity prices, in particular, energy prices. However, recent data point to some stabilisation in commodity prices.

Domestic headline inflation rate increased from 1.0 per cent in December 2016 to 1.3 per cent in March 2017, but remains low and stable. Year-on-year inflation dropped from 2.3 per cent in December 2016 to 1.3 per cent in March 2017, reflecting favourable base effects. The underlying inflationary pressures, as reflected in the Bank's core inflation measures, also remained relatively subdued. Bank staff is projecting headline inflation at around 2.0 per cent in 2017, barring any shocks.

Recent macroeconomic performance in Mauritius is showing signs of an economic recovery. Real GDP growth was higher in 2016Q4 at 4.1 per cent, compared to 3.7 per cent in 2016Q3 and 3.8 per cent in 2015Q4. A reversal of the declining trend in the construction sector and the sustained good performance of the key services sectors, in particular tourism, supported domestic output. The Bank's growth forecast for 2017 is little changed from its previous assessment of 3.8 to 4.0 per cent. This forecast is conditional on the timely implementation of key public sector investment projects and the continued accommodative monetary conditions.

The MPC took note of the decline in the share of the export sector to GDP and its implications for the current account balance.

In spite of the Bank's effort to mop up excess liquidity, the MPC views with concern that the level of excess liquidity remains high.

In view of recent global and domestic economic conditions and prospects, the MPC decided to maintain the KRR at its current level of 4.0 per cent per annum.

The MPC will issue the Minutes of its meeting on Friday 19 May 2017.