



MEDIA RELEASE

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

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The Monetary Policy Committee (MPC) of the Bank has unanimously decided to keep the Key Rate (KR) unchanged at 4.50 per cent per annum.

The global economy continues to recover, despite divergent growth paths across countries. The IMF has, in its October 2023 World Economic Outlook report, projected global growth at 3.0 per cent for 2023 and 2.9 per cent for 2024. Inflation is decelerating in most countries as a result of the continued decline in commodity prices and easing supply chain conditions. Softer headline and core inflation readings are signaling a probable end to policy tightening by central banks worldwide.

On the domestic front, the economy registered commendable growth in 2023Q2. Labour market conditions have improved during the year and unemployment has maintained a downward trajectory. The growth momentum is projected to be broad-based and to persist through 2023 to 2024. Tourist arrivals are expected to bounce back to pre-pandemic levels with one of the highest earnings so far. The current account deficit is projected to narrow down significantly from 11.5 per cent in 2022 to reach 5.6 per cent in 2023. The construction sector will be supported by several private and public infrastructure projects. Household consumption spending will also improve with a recovery in real wages and policy support by Government. Real GDP growth is projected at above 7.0 per cent in 2023.

Short-term yields continue to evolve within the interest rate corridor. Conditions on the foreign exchange market are normalizing with the exchange rate reflecting domestic economic fundamentals and international market conditions. Investment flows from abroad are sustained and the Gross Official International Reserves (GOIR) remain at a comfortable level at 10 months of imports cover. The banking sector remains resilient with adequate capital and liquidity buffers.

Inflation in Mauritius eased further in October 2023, supported by the normalisation of global supply chains and easing of global commodity prices. Underlying inflationary pressures, as gauged by Core inflation measures, have also moderated. With year-on-year inflation already below 5 per cent, inflationary dynamics provide concrete signs that headline inflation is gradually converging towards the Bank's target range for inflation. Headline inflation is now projected to close the year at around 7.0 per cent and reach 4.0 per cent by end-2024.

Members agreed that the lagged effects of past monetary actions are still being transmitted to the real economy through the different channels. The MPC estimated that the current monetary policy stance remained supportive of price stability and of orderly economic development.

Accordingly, the MPC has unanimously decided to maintain the Key Rate at 4.50 per cent per annum.

The Minutes of today's meeting shall be released on Tuesday 12 December 2023.