



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 is showing resilience, with growth stronger than expected, amidst robust consumer and government spending. The IMF, in its January 2024 World Economic Outlook Update, projects global growth at 3.1 per cent in 2024. In addition, the global disinflation process has also been faster than expected, signalling a switch towards a dovish stance by central banks in 2024.

The domestic economy grew solidly at 7.3 per cent in 2023Q4, on the back of ongoing major infrastructural projects and robust tourist arrivals. Labour market dynamics have strengthened further in 2023Q4, with a gradual decline in the unemployment rate to 6.1 per cent. The momentum in domestic economic activity is projected to persist, with the tourism sector continuing to benefit from strong demand for holiday travel globally, improved flight connectivity and ongoing efforts to diversify the tourism base. The construction sector is expected to be buoyed by several large-scale infrastructure projects. Domestic demand will also remain supported by strong household and government consumption and investment. As such, real GDP growth is projected at around 6.5 per cent in 2024.

Short-term yields continue to evolve within the interest rate corridor. Conditions on the foreign exchange market are normalizing further. The current account deficit is projected to improve to 4.0 per cent of GDP in 2024 as robust tourism earnings and higher income earned on external assets of residents would outweigh the widening trade deficit. Gross Official International Reserves of the country remained comfortable at US\$7.2 billion as at end-March 2024, representing more than 11 months of imports, thus providing adequate buffer against external shocks. The banking sector remains resilient with adequate capital and liquidity buffers.

Headline inflation in Mauritius eased further in February 2024 and is projected to maintain its downward trend in 2024 to reach around 4.9 per cent by December 2024, supported by favourable global commodity price movements. Core measures of inflation, which indicate underlying inflationary pressures, have softened. However, year-on-year inflation, which subsided progressively throughout 2023, increased to 6.2 per cent in February 2024 as a result of heightened volatility in food prices amidst adverse weather conditions.

Members have analysed the current economic situation and were of the view that past interest rate hikes are still working through the economy. The MPC assessed that the current monetary policy stance continues to uphold the price stability and orderly economic development mandate of the Bank.

As a result, the MPC has unanimously decided to leave the Key Rate unchanged at 4.50 per cent per annum.

In view of the uncertainties prevailing in the global economy, the MPC continues to monitor the situation closely.

The Minutes of today's meeting shall be released on 17 April 2024.