



## MEDIA RELEASE

### Monetary Policy and Financial Stability Report - May 2017

12 July 2017

1. The Bank of Mauritius (Bank) releases today its second edition of the *Monetary Policy and Financial Stability Report* (Report). The Report can be viewed on the Bank's website at <https://www.bom.mu> under the menu item Publications and Statistics.
2. In compliance with Section 33(2) of the Bank of Mauritius Act 2004, the Bank has to publish twice a year a "Statement on Price Stability" and a "Statement on the Stability and Soundness of the Financial System". These two statements are being published in the Monetary Policy and Financial Stability Report. The Report presents an assessment of monetary and financial stability, recent and expected inflation trends as well as inherent and potential risks to price and financial stability. It also provides insights into the potential resilience of the domestic financial system to recent domestic and international developments.

#### Price Stability

3. The Statement on Price Stability published in the Monetary Policy and Financial Stability Report specifies that the Bank's monetary policy stance has remained accommodative and supportive of economic activity, amidst a low inflation environment and anchored inflation expectations. Inflationary impulses have, so far, remained stable and contained at desirable levels in the economy reflecting tame external and domestic pressures. The domestic economy is expected to perform better in 2017 compared to 2016. A projected revival in investment expenditure in the second half of 2016 is expected to sustain the domestic growth momentum.
4. Liquidity conditions have remained adequate, while relatively low and stable retail interest rates offered the necessary support to private sector financing. The Bank maintains vigilance on the unfolding of economic developments, both at home and abroad, so as to ensure an enabling monetary and financial environment required to sustain the country's growth momentum, while safeguarding price stability.

## Financial Stability

5. In the Statement on Financial Stability, the Bank assesses that the financial system was resilient during 2016 and financial intermediaries continued to operate in a sound environment. The banking sector was supported by strong capital positions and remained profitable.
6. The payment system has operated efficiently during 2016 and transactions have been settled without delay or loss. It is expected that the upcoming National Payment Switch project which will serve as a platform for routing all electronic payments for authorisation and settlement, will help enhance efficiency of the market infrastructure for transactions and contribute towards effectiveness of financial intermediation in Mauritius.
7. The Bank continues its surveillance of the five Domestic Systemically Important Banks (D-SIBs) for better traction on financial stability. Projects in the pipeline - such as establishment of a crisis resolution regime, an asset management company, a deposit insurance scheme - will also strengthen the repertoire of measures aimed at safeguarding financial stability. In parallel, the supervisory approach at the Bank is in the process of being overhauled with onset of effective consolidated supervision, conglomerate supervision, and risk-based supervision, with the benefit of technical assistance from international institutions.

**Note to Editors:** *Unless otherwise stated, the Monetary Policy and Financial Stability Report relies on information and financial data available up to the end of April 2017.*