



MEDIA RELEASE

Annual Report for the Year ended 30 June 2016

30 November 2016

1. The Bank of Mauritius (Bank) has today released its Annual Report for the year ended 30 June 2016. The Report and Statistical Tables are accessible on the Bank's website at <https://www.bom.mu>.
2. In accordance with the provision of section 32(3) of the Bank of Mauritius Act 2004, the Governor has submitted to the Minister of Finance and Economic Development the forty-ninth Annual Report and audited accounts of the Bank for the year ended 30 June 2016.
3. As underlined in the Statement from the Governor, lingering uncertainties have hampered sustained recovery of the global economy, with monetary policy remaining divergent across different parts of the world. Against this backdrop, the domestic economy performed moderately well during fiscal year 2015-16, attributable mainly to household consumption and an acceleration of government spending although investment performance continued to be disappointing. Amid the pervasive low-inflation environment, the Bank steered monetary policy towards supporting the domestic economy and ensured a stable exchange rate with a view to promoting broad-based and sustainable growth.
4. The domestic economy was exposed to a few downside risks, including the fallouts of Brexit and prospects in the global business sector stemming from the revisions of the Double Taxation Avoidance Agreement with India. However, it was reassuring to note that domestic banks had already started diversifying their deposits base and asset exposures, notwithstanding the fact that banks dealing with the global business sector have comfortable capital buffers.
5. There is a need to consolidate the foundation underpinning the Mauritian financial sector and the importance of safeguarding its safety, soundness, attractiveness and resilience. The Bank has embarked on a multi-pronged strategy to improve the efficacy of monetary policy, to upgrade the regulatory and supervisory framework in view of keeping up with fast-evolving standards in the global financial industry, and modernising the domestic financial market infrastructure. In this context, major projects pertaining to the implementation of a National Payment Switch System and Deposit Insurance Scheme are ongoing.

Price Stability

6. The *Statement on Price Stability* published in the Annual Report provides an assessment of the factors that underpinned monetary policy decisions taken by the Bank. During financial year 2015-16, the Bank's monetary policy stance remained broadly accommodative to support investment and domestic growth against the backdrop of a moderate inflation outlook and well-anchored inflation expectations. Inflation declined to its lowest level over nearly three decades, on the back of weak inflationary impulses emanating from several factors that included weak global commodity prices, low exchange rate pass-through to the domestic CPI and subdued domestic demand conditions. The domestic economy continued to perform below its potential, being dragged down by adverse domestic and external demand shocks. The Bank pursued active open market operations to maintain excess liquidity within acceptable limits. The Bank also ensured that the rupee remained in line with its fundamental value, while supporting the domestic growth agenda and financial stability. Bank staff had forecast inflation to remain low and moderate in 2017.

Financial Stability

7. The *Statement on Financial Stability* issued in the Report provides an assessment of financial stability by the Bank over the financial year 2015-16. The domestic financial system is assessed to have remained resilient, sound and stable, while the payment system has performed optimally without any significant downtime.
8. Banks and non-bank deposit-taking institutions have maintained strong capital positions, despite a deterioration noted in some financial soundness indicators. Challenges facing the banking sector pertain to the rising level of NPL, large exposures and significant credit concentration in the banking sector, and potential spill-over effects from the deleveraging process by some major companies. Concurrently, factors from the external front have also given rise to heightened uncertainties, notably subdued global economic activity and the fallouts from UK's impending exit from the European Union. Notwithstanding these emergent risks, the Bank continued to strengthen and align the current regulatory framework in line with best international practices.
9. A review of the operations and achievements of the Bank, as well as an economic review for the year ended 30 June 2016 are provided in the Report.