



BANK OF MAURITIUS

Media Release

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The Bank of Mauritius closely monitors the potential impact of the Brexit

1. The Bank of Mauritius (Bank) has taken note of the results of the referendum on the United Kingdom membership in the European Union. A majority of 52 per cent of voters is in favour of leaving the European Union.
2. The outcome of the referendum has resulted in high volatility in global financial markets today. Equity markets across Europe, Asia and emerging market economies have fallen considerably. The Pound sterling plunged to a record level against the US dollar since 1985. The Euro has depreciated significantly against the US dollar, among other currencies. Consequently, the price of gold has gone up. Economies of the UK and of the euro zone could undergo major economic adjustments in the forthcoming months.
3. At this juncture, it is difficult to make an assessment of the extent and duration of the uncertainty and of the impact of Brexit on the global economy. The global economy could face a prolonged period of uncertainty. Central banks of major advanced economies already have currency-swap lines in place to provide liquidity, the aim of which is to avert any breakdown in financial market liquidity.
4. The Bank has been, over the past two months, actively and closely monitoring developments in international financial markets – in particular, the volatility in foreign exchange, bond and equity markets sparked by speculation on the possible outcome of the referendum in the United Kingdom. The Bank took a strong view that the pro-Brexit tendency could be gaining momentum. In view of the potential implications of a Brexit, the Bank took a number of measures to protect the foreign exchange reserves of the country. Having had the foresight, the Bank had recently raised the proportion of gold and US dollar in the foreign exchange reserves and concurrently reduced exposures to the Pound sterling.
5. The Bank is keeping a close watch on developments in international financial markets and their potential impact on the economies of the main trading partner countries of Mauritius. The Bank is also in touch with several other central banks in order to keep itself abreast with countervailing measures being undertaken to minimise risk of financial market instability. Should the need arise, the Bank stands ready to take measures as appropriate to protect the best economic interests of Mauritius in the circumstance.