



MEDIA RELEASE

The Monetary Policy Committee of the Bank of Mauritius Keeps the Key Repo Rate Unchanged

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At its meeting today, the Monetary Policy Committee (MPC) of the Bank of Mauritius (Bank) unanimously decided to keep the Key Repo Rate (KRR) unchanged at 1.85 per cent per annum.

The global economy continues to recover. The Organisation for Economic Co-operation and Development (OECD) has, in its December 2021 Economic Outlook Report, forecast global growth at 5.6 per cent for 2021 and 4.5 per cent for 2022, assuming that current travel restrictions are completely withdrawn by end 2022, and that monetary policy remains accommodative in advanced economies.

On the domestic front, the full re-opening of borders and the on-going vaccination campaign, including deployment of booster doses, are improving confidence and strengthening economic recovery. Credit growth to households and corporates has been accelerating in the third quarter of the year. The solvency and liquidity positions of banks remain strong. However, the onset of the Omicron variant has brought some uncertainty to the tourism sector. The Bank has revised its growth rate projection for 2021 to around 5.0 per cent.

The Bank continues to manage excess rupee liquidity in line with its monetary policy stance. Short-term yields have remained within the interest rate corridor. FX interventions have been conducted on a regular basis to address undue exchange rate volatility and to ensure adequate supply of foreign exchange to the market.

Supply-based disruptions and resurgent demand for commodities continue to impact on global inflation. Domestic inflation remains influenced by supply shocks stemming from outside, in particular higher freight costs, as well as higher food and other commodity prices. These supply-side influences are expected to subside in the medium term. In the absence of any further exogenous shocks, the Bank is projecting headline inflation at about 4.0 per cent for 2021, which remains within an acceptable range as per historical data.

The MPC has weighed the risks to the growth and inflation outlook and considers that the current monetary policy stance is appropriate and supportive of economic recovery. Accordingly, the MPC has decided to maintain the KRR at 1.85 per cent per annum.

The MPC will issue the Minutes of its meeting on Wednesday 29 December 2021.

The MPC will continue to monitor the economic situation closely and stands ready to meet in between its regular meetings, if the need arises.