



MEDIA RELEASE

The Monetary Policy Committee of the Bank of Mauritius keeps the Key Repo Rate unchanged

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The Monetary Policy Committee (MPC) of the Bank of Mauritius has decided to leave the Key Repo Rate (KRR) unchanged at 3.50 per cent per annum at its meeting today.

The MPC noted that global growth has strengthened. The International Monetary Fund, in its January 2018 World Economic Outlook Update, has revised up its global growth estimate to 3.9 per cent for 2018, from its previous October 2017 estimate of 3.7 per cent. It noted that economic recovery was becoming more synchronized. Upside and downside risks to the global growth forecasts remained broadly balanced in the near term. Global inflation has increased in 2017 but has remained contained despite higher energy prices.

Domestic inflation has risen since the last MPC meeting, largely due to transitory supply-side shocks. In particular, there was a surge in the prices of fresh vegetables in January 2018, due to adverse weather conditions. In addition, there was an increase in domestic petroleum prices in December 2017. Headline inflation rose to 4.0 per cent in January 2018, while year-on-year inflation increased to 6.2 per cent. However, the core measures of inflation remained subdued. The Bank's baseline projection for headline inflation is around 4.0 per cent in 2018 and 3.7 per cent in 2019.

The domestic economy grew by 3.6 per cent in 2017Q3, following a growth of 4.2 per cent in 2017Q2 and 3.7 per cent in 2016Q3. The performance of the domestic economy was supported by an expansion of investment activity and relatively stable final consumption expenditure. The MPC expects that the economic recovery would be sustained in 2018. The Bank's baseline projection for real GDP growth is 4.0 per cent in 2018.

The MPC took note that since mid-December 2017 the Bank has been actively conducting open market operations to mop up the excess liquidity and address the disconnect between money market rates and the KRR. As a result, the overnight interbank rate rose from below 1.0 per cent to 3.05 per cent, and is within the corridor of the monetary policy framework. The Bank continues to pursue sterilized foreign exchange market intervention.

After considering the different economic scenarios and policy options, the MPC decided, by majority vote, to keep the KRR unchanged at 3.50 per cent.

The MPC will issue the Minutes of its meeting on Wednesday 14 March 2018.