



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 unanimously decided to keep the Key Repo Rate unchanged at 4.00 per cent per annum at its meeting today.

Growth in major advanced economies is likely to strengthen in 2017. The IMF's World Economic Outlook Update released in January 2017 projects world growth to increase from 3.1 per cent in 2016 to 3.4 per cent in 2017 and further to 3.6 per cent in 2018. Growth in both advanced economies and emerging market and developing economies are also expected to gather pace in 2017 and 2018. However, the MPC noted that there may be downside risks to global growth as the external environment continues to be characterised by increasing risks and uncertainties. Global inflationary pressures are expected to be relatively stronger in 2017, partly due to the on-going accommodative monetary policy stances and recent increases in commodity prices.

Real GDP for Mauritius grew by 4.0 per cent in 2016Q3, supported by strong domestic demand conditions, marking a significant pick-up over the 2.5 per cent and 2.8 per cent growth recorded in 2016Q2 and 2015Q3, respectively. Growth, in the same quarter, was reinforced by the continued strong performance of key services sector and the rebound in the construction sector. Rising business confidence and higher public investment are expected to provide support to domestic output in 2017. The MPC, however, noted with concern the recent adverse performance of exports of goods. Bank staff maintains its projections for real GDP growth between 3.8 – 4.0 per cent for 2017.

Headline inflation ticked up slightly since the last MPC meeting, while year-on-year inflation showed some volatility due to base effects. The underlying measures of inflation remained stable at below 3 per cent. Current domestic and external economic conditions are expected to contribute to headline inflation in the near term. Bank staff projects headline inflation at about 2.5 per cent for calendar year 2017. The uptick in international commodity prices, especially energy prices, if persistent, would remain the key upside risk to domestic inflation.

The MPC viewed that holding the Key Repo Rate unchanged is consistent with economic conditions in the foreseeable future.

The Bank has sterilised excess liquidity to the tune of Rs59 billion as at 17 February 2017. The MPC took the view that the Bank should continue its efforts to achieve the necessary conditions prior to the implementation of the new monetary policy framework and for an effective transmission to the real sector.

The MPC will issue the Minutes of its meeting on Monday 6 March 2017.