



MEDIA RELEASE

The Monetary Policy Committee of the Bank of Mauritius cuts the Key Repo Rate by 50 basis points

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The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to cut the Key Repo Rate by 50 basis points to 3.50 per cent per annum at its meeting today.

The MPC noted that global economic activity maintained its momentum and the IMF July 2017 WEO Update projects a pick-up in global growth from 3.2 per cent in 2016 to 3.5 per cent in 2017 and further to 3.6 per cent in 2018. However, the growth outlook is subject to downside risks stemming mainly from policy uncertainty in advanced economies, financial sector vulnerabilities in some countries, and rise in protectionism. Amid easing oil prices, global inflationary pressures have subsided, especially in advanced economies where inflation remains at levels below central bank targets.

Inflation in Mauritius went up noticeably since the last MPC meeting, reflecting transient factors, including the impact of higher prices of alcoholic beverages, tobacco and Mogas and gas oil. Headline inflation rose from 1.3 per cent in March 2017 to 2.7 per cent in July 2017. Year-on-year inflation has been volatile and stood at 5.3 per cent in July 2017. Barring any major shock, headline inflation is forecast at about 4.0 per cent for calendar year 2017 and at about 3.8 per cent in 2018. The MPC took the view that inflation is unlikely to pick up significantly, as the base effects would taper off subsequently.

The domestic economy grew at 3.4 per cent year-on-year in 2017Q1 compared to 3.8 per cent in 2016Q1 and 4.2 per cent in 2016Q4. Overall, while investment spending firmed up, final consumption expenditure moderated and export of goods and services kept declining. The MPC took the view that there is a need to stimulate more investment into the productive sectors of the economy. Bank staff projects real GDP growth rate at market prices to be between 3.6-3.8 per cent for 2017 and 4.2 per cent in 2018.

The MPC took note of the Bank's efforts to deal with the excess liquidity situation.

The MPC weighed the risks to the growth and inflation outlook and decided to give a fillip to the growth momentum. Accordingly, the MPC decided to cut the Key Repo Rate by 50 basis points to 3.50 per cent per annum.

The MPC will issue the Minutes of its meeting on Wednesday 20 September 2017.