



Post – MPC Press Conference

35th Monetary Policy Committee

28 October 2014



Basis for the October MPC decision

- The July 2014 MPC decision gave the direction of future monetary policy stance on account of:
 - stable global and domestic inflationary pressures
 - the need to reduce uncertainty among economic operators
- No major developments during the last three months
- Signs of comfort with improving domestic economic conditions



Key macroeconomic variables have broadly moved in line with the Bank's expectations ...

Encouraging trajectory of:

- Growth estimate in 2014:
 - Statistics Mauritius (SM): 3.5%
 - BoM: 3.4 – 3.6%
- Inflation estimate in 2014 :
 - Year-on-year forecast around 3% for December 2014
- Unemployment in 2014:
 - SM estimates unemployment at 7.8%, down from 8% in 2013.



Growth bounces back in 2014Q2...

	Annual growth rate		2013 ¹				2014	
	2012	2013	Q1	Q2	Q3	Q4	Q1 ²	Q2 ²
Agriculture, forestry and fishing	-0.2	+0.4	-4.6	-0.1	+4.5	+0.2	+8.4	+7.2
Manufacturing	+2.2	+4.4	+6.0	+4.8	+3.4	+3.8	-1.9	+4.1
Construction	-3.0	-9.4	-2.0	3.1	-11.3	-19.1	-4.7	-6.2
Wholesale & retail trade; repair of motor vehicles and motorcycles	+3.9	+3.1	+3.7	+3.1	+2.6	+2.8	+3.2	+3.1
Transportation and storage	+2.1	+2.0	+2.8	-1.0	+1.6	+4.2	+2.7	+2.6
Accommodation and food service activities	+0.0	+2.5	+1.4	+0.3	+6.8	+1.6	-1.0	+10.0
Information and communication	+8.6	+6.9	+7.2	+8.1	+7.2	+5.4	+6.0	+6.9
Financial and insurance activities	+5.7	+5.4	+5.1	+5.3	+5.7	+5.2	+5.7	+5.5
Real estate activities	+2.8	+2.9	+2.9	+3.0	+2.9	+2.8	+2.6	+2.9
Gross Domestic Product at market prices	+3.2	+3.2	+3.3	+3.5	+3.4	+2.8	+2.7	+4.6
Export Oriented Enterprises	+1.4	-3.0	-2.2	-0.7	-6.5	-2.1	-2.6	+4.6

1/ revised estimates 2/ first estimates

Source: Statistics Mauritius

Mauritius benefiting from contained global commodity prices so far ...

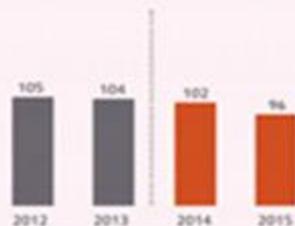
COMMODITY FORECASTS



CRUDE OIL

Prices are expected to decline in 2014.

ACTUAL FORECAST



From 2013 to 2014:

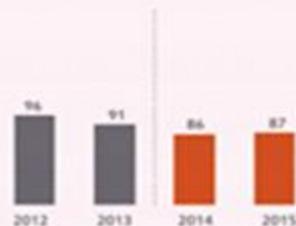
-2.5% ↓



METALS

Prices are expected to decline modestly in 2014.

ACTUAL FORECAST



From 2013 to 2014:

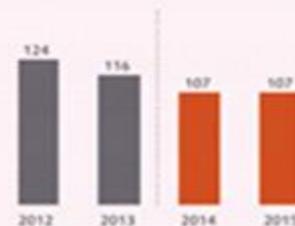
-5.4% ↓



FOOD

Prices are expected to decline further in 2014.

ACTUAL FORECAST



From 2013 to 2014:

-7.0% ↓



FERTILIZERS

Prices are expected to decline considerably in 2014.

ACTUAL FORECAST

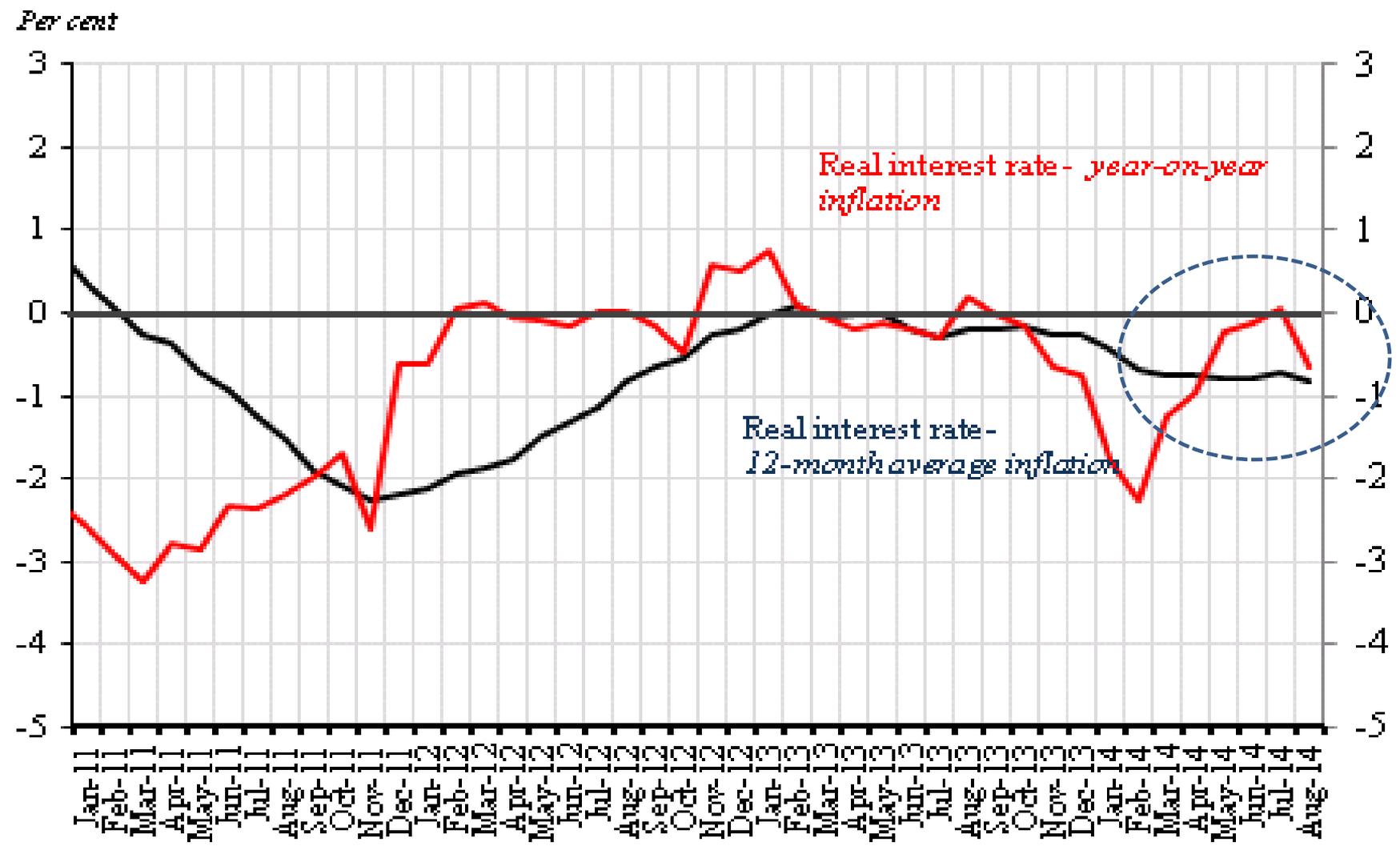


From 2013 to 2014:

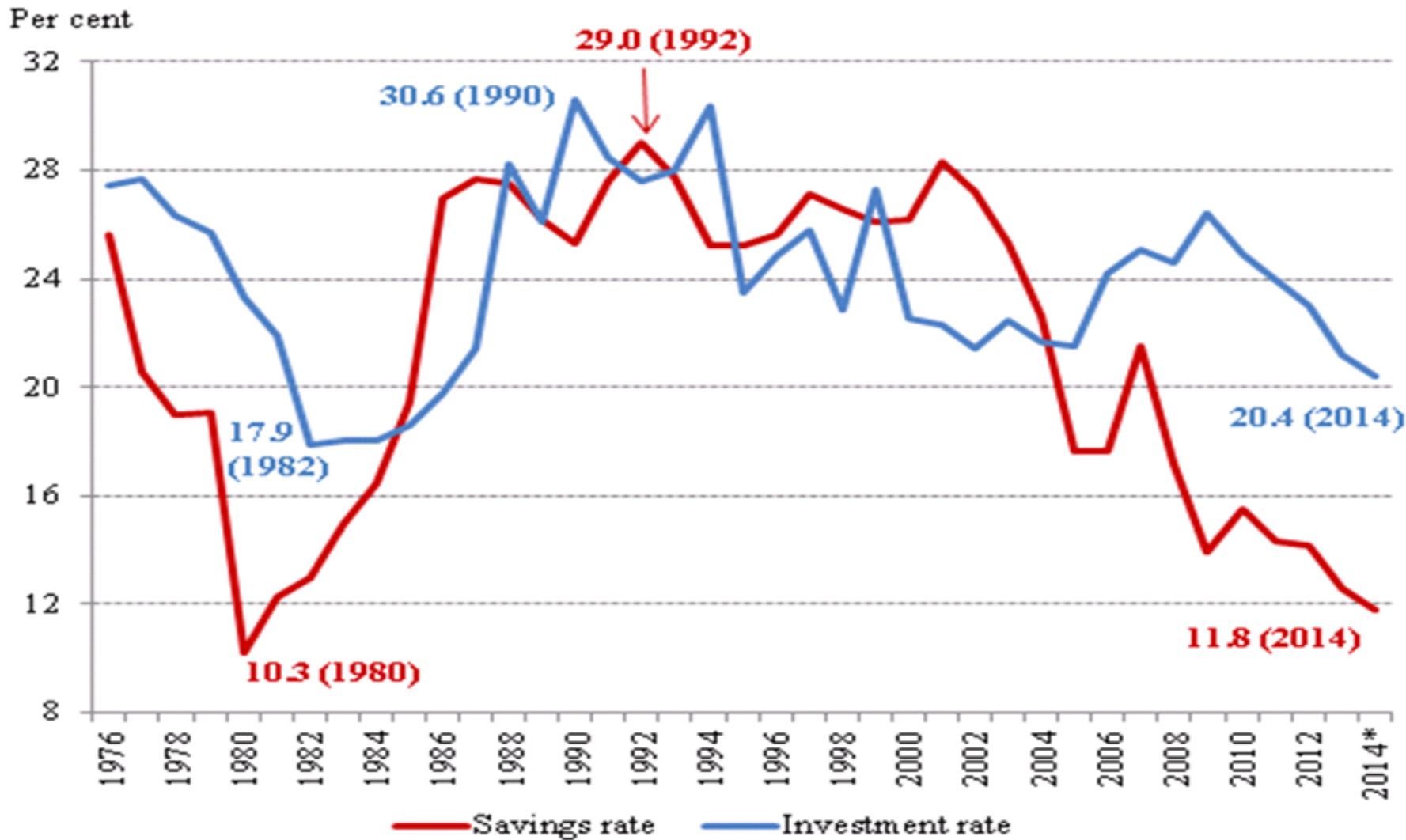
-11.5% ↓

Source: World Bank Commodity Markets Outlook

Negative Real Rates of Interest on Savings Deposits persist ...



Concerns over the declining Investment and Savings Rates remain ...



Enhanced coordination between BoM and MOFED



- Arranging for prepayment of some foreign loans
- Front-loading of Government of Mauritius (GoM) securities
- Issue of new instruments targeting individuals:
 - July 2014: Five-Year GoM Savings Bonds
 - September 2014: Three-Year GoM Savings Notes
- Forthcoming:
 - One-year securities for individuals
 - Removal of ceiling on the Five-Year GoM securities

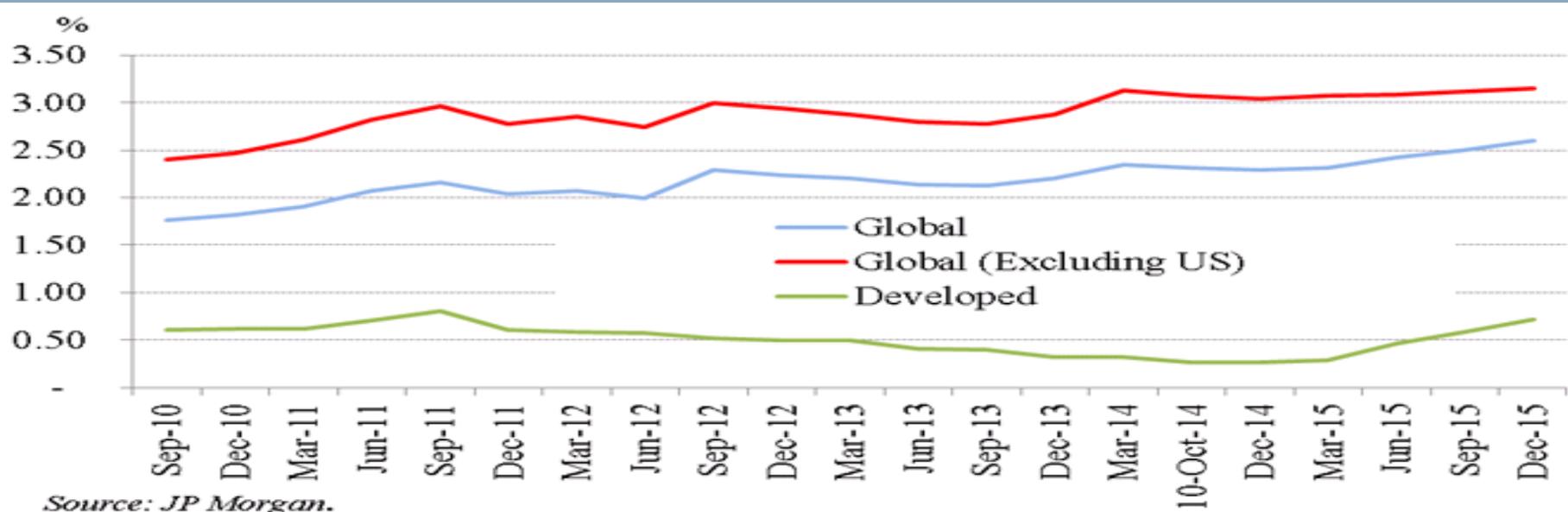
Globally, interest rate normalisation continues ...



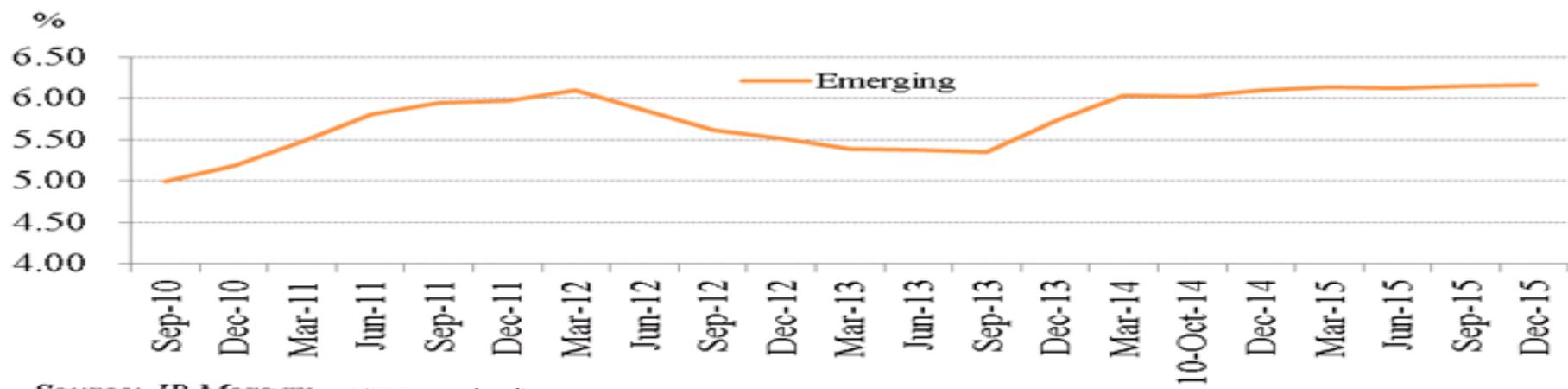
Date of last increase	COUNTRY	Cumulative Rate Hikes (bps) since June 2013 (No. of hikes)	Policy Rate	Latest Inflation Rate
	MAURITIUS	0(0)	4.65%	2.9%
DEVELOPED ECONOMIES				
24-Jul-14	New Zealand	75 (3)	3.50%	1.6%
24-Apr-14	Denmark	15 (1)	0.05%	0.5%
EMERGING MARKET ECONOMIES				
26-Sep-14	Trinidad & Tobago	25(1)	3.00%	7.4%
11-Sep-14	Phillipines	50(2)	4.00%	4.4%
29-Aug-14	Colombia	125 (5)	4.50%	2.9%
20-Aug-14	Namibia	25 (2)	6.00%	7.4%
25-Jul-14	Russia	250 (3)	8.00%	8.0%
17-Jul-14	Egypt	100(1)	9.25%	11.1%
17-Jul-14	South Africa	75 (2)	5.75%	5.9%
10-Jul-14	Malaysia	25(1)	3.25%	2.6%
25-Jun-14	Tunisia	75 (2)	4.75%	5.6%
02-Apr-14	Brazil	300 (7)	11.00%	6.8%
28-Jan-14	Turkey	550 (1)	8.25%	8.9%
28-Jan-14	India	75 (3)	8.00%	6.5%
14-Nov-13	Indonesia	175 (5)	7.50%	4.5%
13-Nov-13	Pakistan	100 (2)	10.00%	7.7%
FRONTIER ECONOMIES				
16-Jul-14	Ukraine	600 (2)	12.50%	17.5%
09-Jul-14	Ghana	300 (2)	19.00%	16.5%

Source: <http://www.tradingeconomics.com/>; <http://www.cbrates.com/>; The Economist.

Policy Interest Rates on track to rise globally in 2015 ...



Source: JP Morgan.



Source: JP Morgan. (GDP weighted)



Key Take Aways

- On track to normalise rates
 - Following July 2014 MPC decision
 - Encouraging trajectory of growth, inflation and unemployment
- Import cover has exceeded the target of 6 months
- Long-standing concern on low savings and investment
- Enhanced coordination between MOFED and BOM
- Moving towards formal Inflation Targeting regime



Thank You