



BANK OF MAURITIUS

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Inflation Report of the Bank of Mauritius – Sixth Issue

In compliance with section 33(2)(b) of the Bank of Mauritius Act 2004, the Bank has today released the sixth issue of the bi-annual *Inflation Report*. The Report reviews developments underpinning the monetary policy stance in the second semester of 2010 and concludes with the inflation outlook.

During the second half of 2010, the global economy continued to consolidate, with better-than-expected growth in advanced economies and continued buoyant growth in emerging economies while forward-looking indicators in manufacturing and services improved gradually. However, concerns about the global economy have increased lately on heightened tensions in the Middle East and North Africa and the recent events in Japan.

Global inflation started to rise in the second half of 2010 on account of higher food, energy and other commodity prices. Inflation in advanced economies remained modest but is firming while inflation in emerging economies is already at high levels as real economic activity has been expanding rapidly. Recent geopolitical disturbances have increased the risks to the inflation outlook.

The domestic economy progressed at a faster pace than expected in 2010, with GDP growth estimated at 4.4 per cent compared to 3.1 per cent in 2009. Sectors that drove growth in the second semester of 2010 include *manufacturing, hotels and restaurants, construction, real estate, renting and business activities, financial intermediation and transport, storage and communication*. Final consumption expenditure grew by 2.7 per cent while investment, exclusive of aircraft and marine vessel, expanded by 3.7 per cent in 2010.

While domestic inflation remained tame in the third quarter of 2010, it picked up noticeably in the fourth quarter, mainly as a result of higher food and energy prices on international markets. Headline inflation, which had steadily declined for more than two years and reached a trough of 1.7 per cent in June 2010, accelerated to 2.9 per cent in December 2010. Latest developments with regard to international food and energy prices indicate inflation risks in the domestic economy will remain on the upside in 2011.

The Report is available in PDF format on the website of the Bank at <http://bom.intnet.mu> under the menu item *Research and Publications/Inflation Report*.

Bank of Mauritius
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