



**BANK OF MAURITIUS**

**Post – MPC Press Conference**

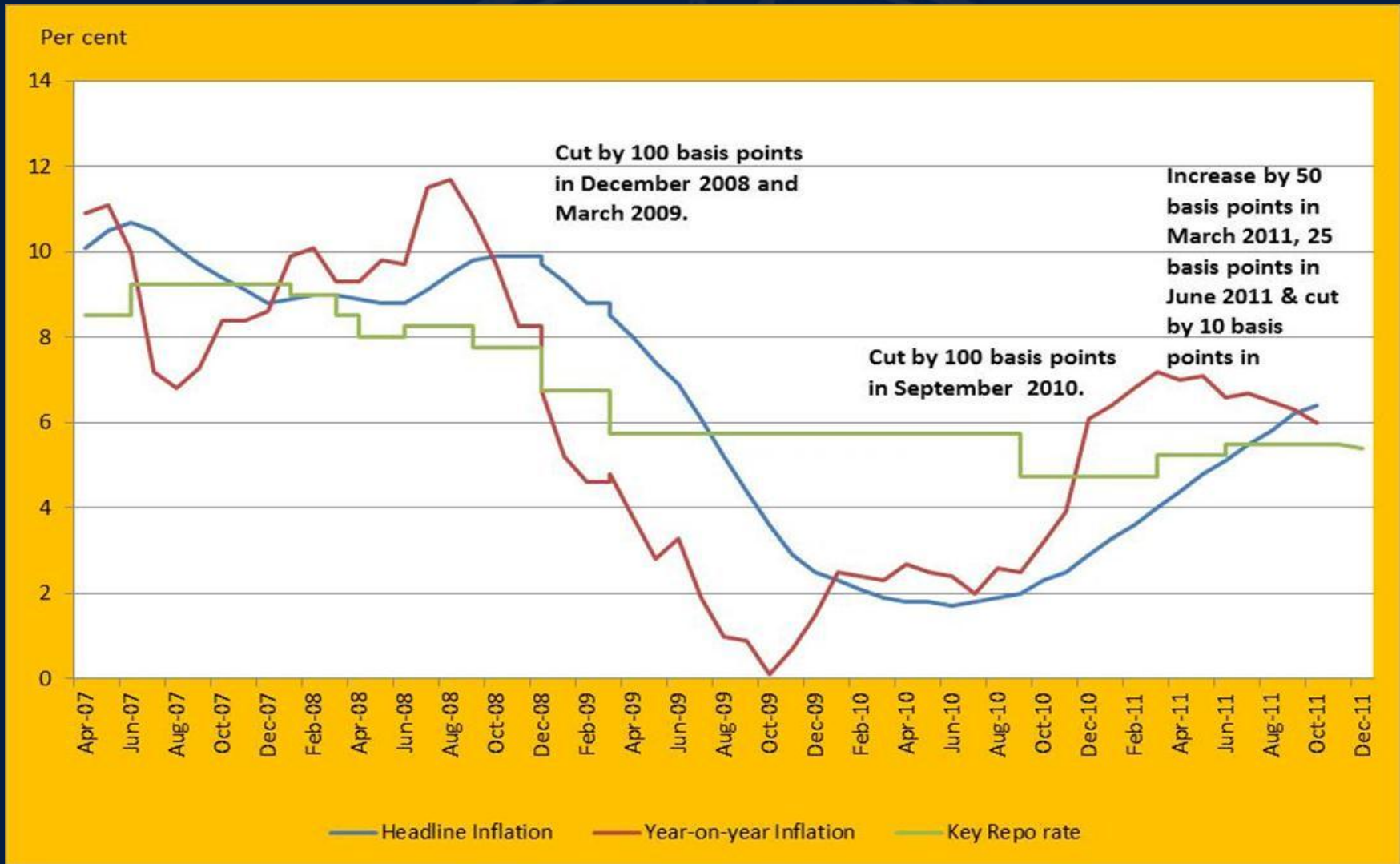
**06 December 2011**

# Background to MPC Decision

# December 2011 MPC Decision

- At the meeting of December 2011, the MPC members unanimously decided to cut the Key Repo Rate by 10 basis points.
- Intensification of euro sovereign debt crisis , raising fears of recession in the eurozone.
- Domestic economic activity has held up relatively well in the first semester of 2011, but outlook is increasingly clouded by continuing global uncertainty.
- Growth is now estimated at around 4 per cent in 2012, from 4.1 per cent in 2011.
- Decline in externally-generated inflationary pressures. On a no-policy change basis, headline inflation is projected to decline to around 5.5 per cent by June 2012 while year-on-year inflation is expected to reach 5.1 per cent.
- The cut in KRR signals concern of MPC about low level of business and consumer confidence.

# Changes in the Key Repo Rate



The background features a large, faint watermark of the Bank of Mauritius seal. The seal is circular and contains the text 'BANK OF MAURITIUS' around the top edge. In the center, there is a depiction of a bird, likely a dodo, standing on a branch. The seal is surrounded by decorative elements, including a banner at the bottom.

# MPC REFORMS

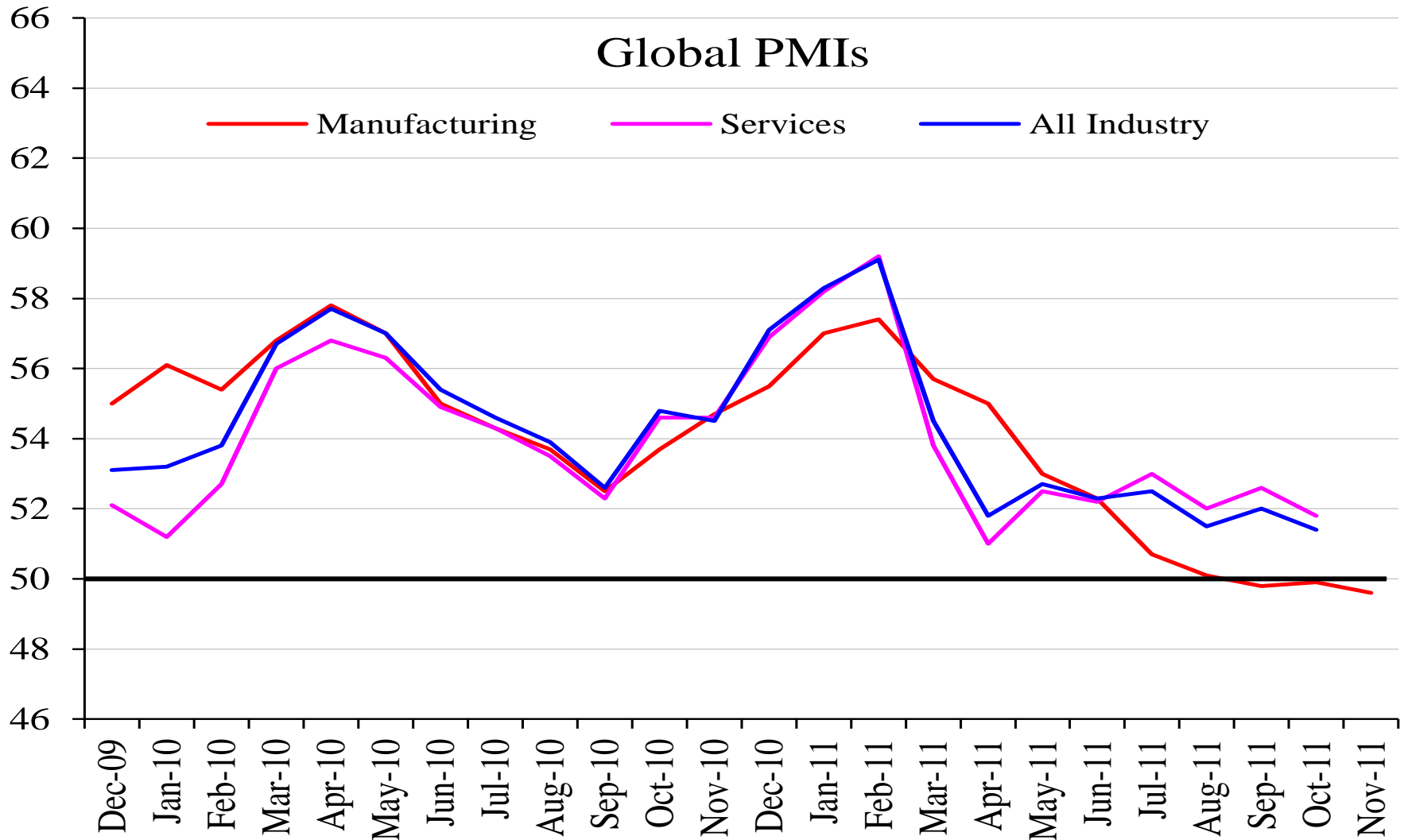
## MPC Reforms

- Since March 2009, there have been ten meetings of which:
  - Two had been attended by both foreign MPC members.
  - Seven had been attended by only one foreign MPC member.
- Mr S. Gerlach who was appointed as MPC member in September 2007, took office as Deputy Governor of Central Bank of Ireland on 1 September 2011.
- Mr M Blejer has resigned from the MPC as from December 2011.
- As announced at the last Post-MPC press conference the voting pattern of the MPC members has been disclosed yesterday, i.e. on the same day on which the MPC met and at 18.00 hours, at the time the Press Communiqué is released.
- There would be no issue of the Monetary Policy Statement (MPS). Instead, the MPC minutes will be published two weeks after the MPC meeting.
- The change in the KRR can now be in less than 25 basis points.
- Inflation forecast for next year is within our implicit target range.

The seal of the Bank of Mauritius is a circular emblem. It features a central figure of a bird, possibly a parrot, perched on a branch. The bird is surrounded by a wreath. The words "BANK OF MAURITIUS" are inscribed around the perimeter of the seal. The seal is rendered in a light blue color against a dark blue background.

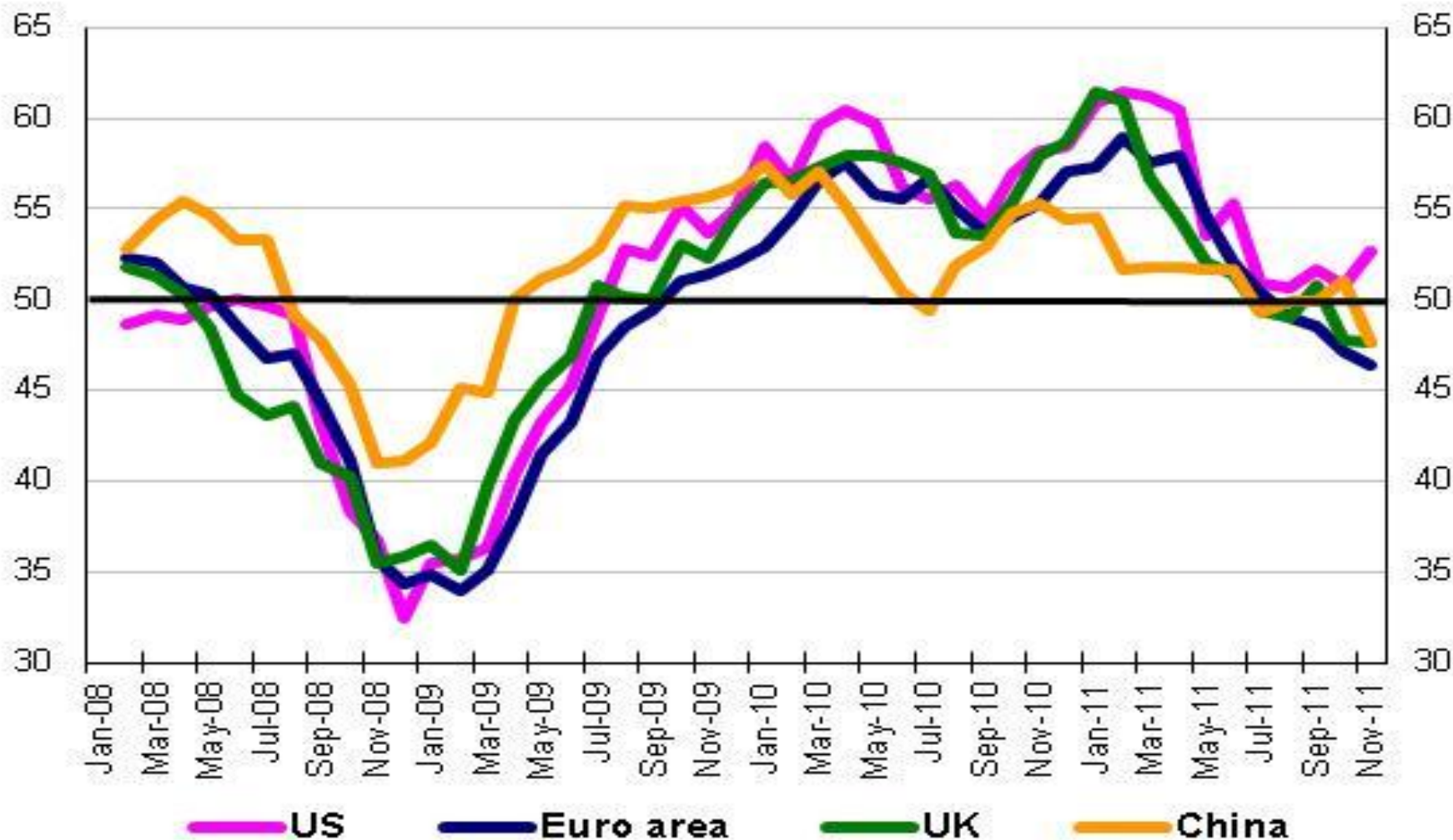
# INTERNATIONAL DEVELOPMENTS

# Global PMIs

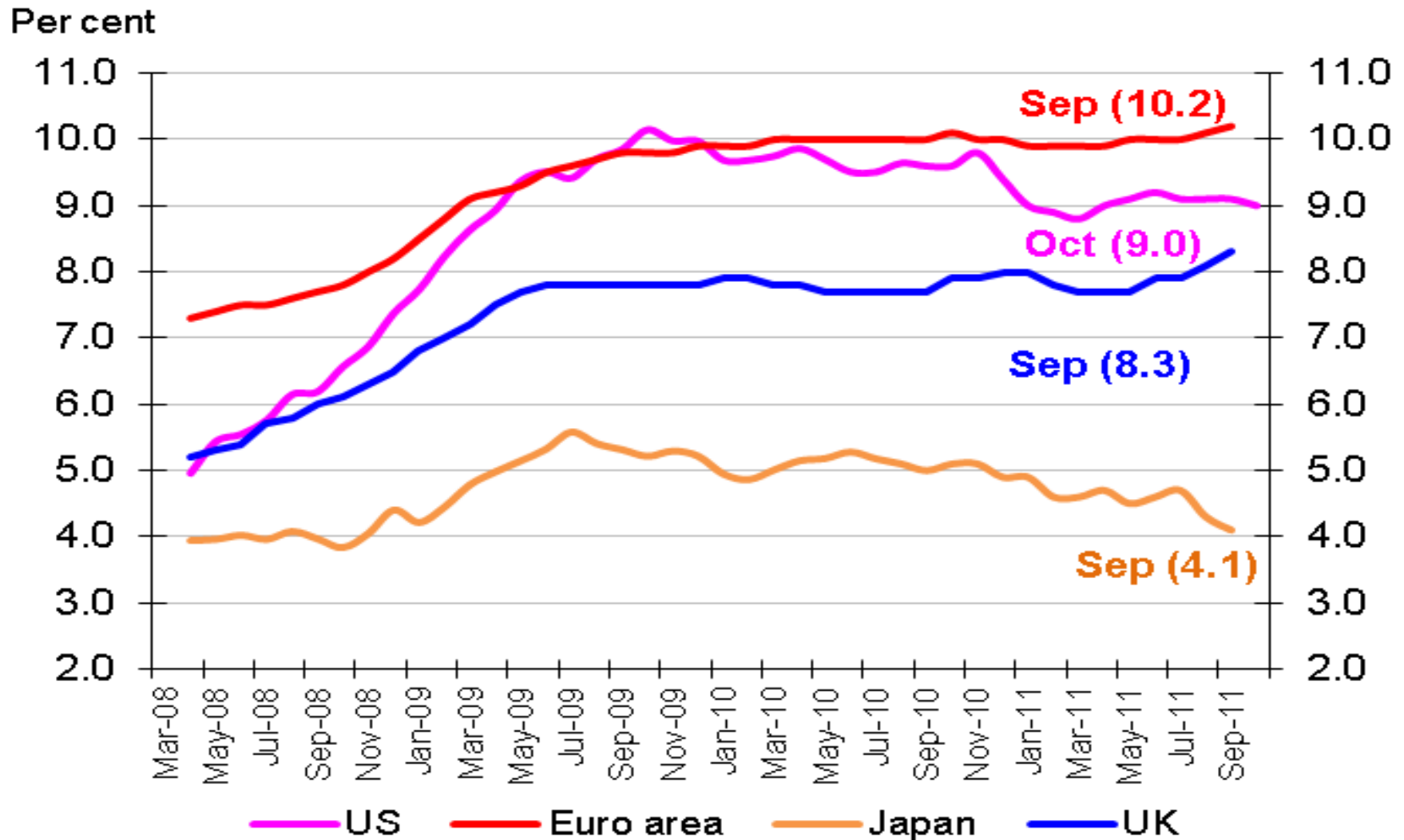




# Manufacturing PMIs

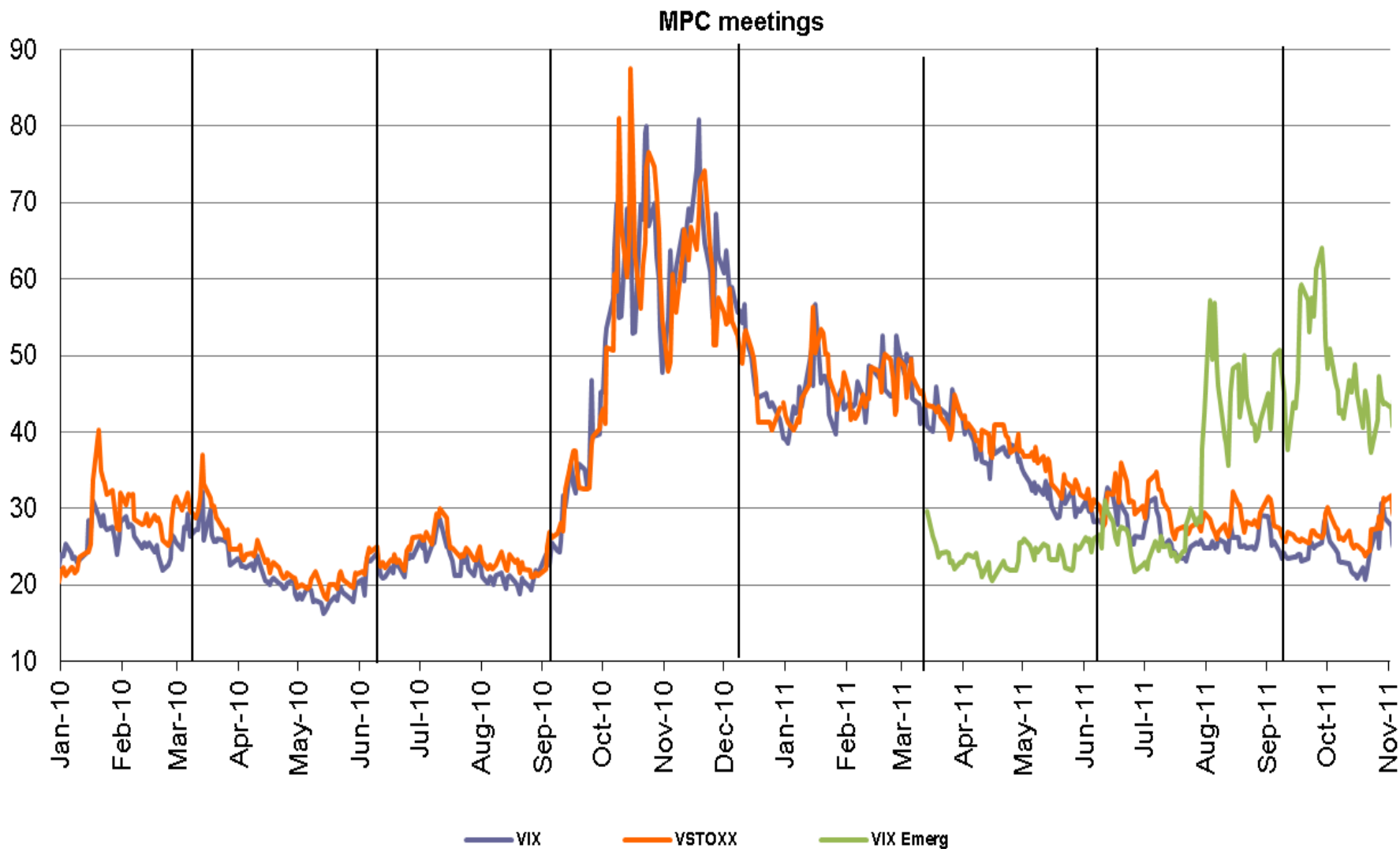


# Global Unemployment

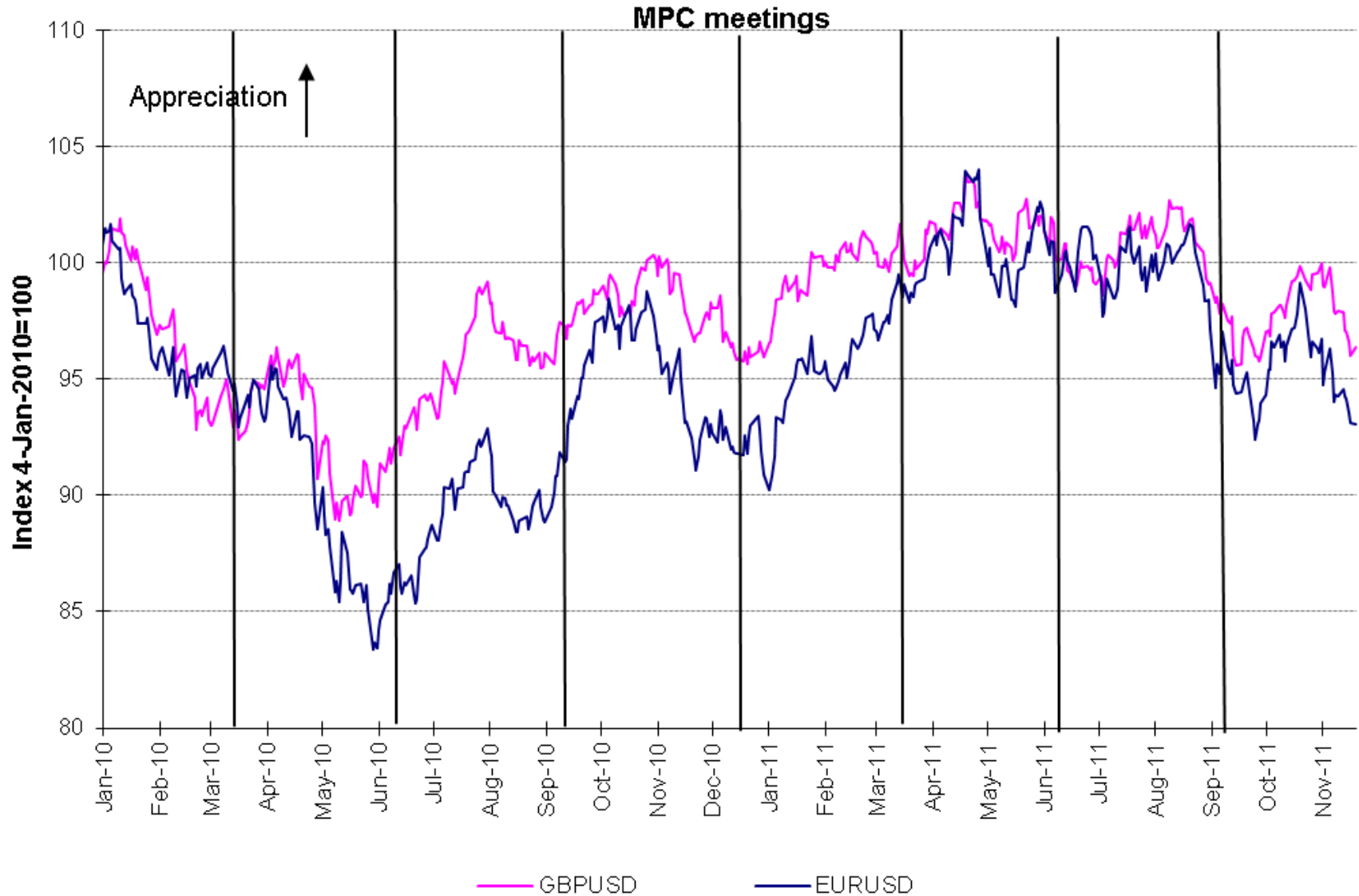


Sources: JP Morgan and Trading Economics

# Volatility Indices

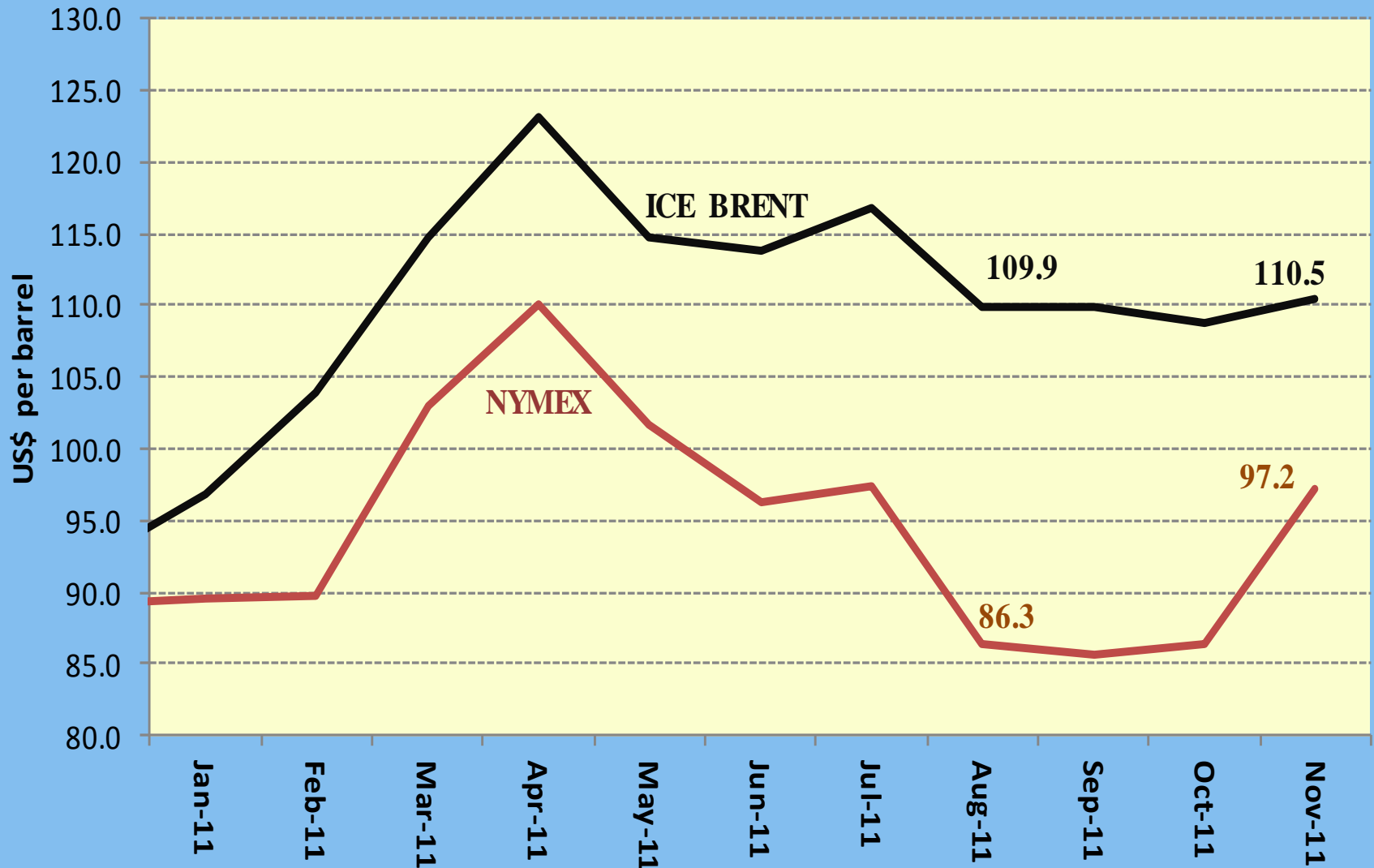


# EUR & GBP against US\$





# Oil Prices - Monthly Averages



# World - Inflation Rates

	Jun-10	Dec-10	Mar-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Australia	3.1	2.7	3.3	3.6			3.5	...
France	1.5	1.8	2.0	2.1	1.9	2.2	2.2	2.3
Germany	0.9	1.7	2.1	2.3	2.4	2.4	2.6	2.5
Italy	1.3	1.9	2.5	2.7	2.7	2.8	3.0	3.4
Japan	-0.7	0.0	-0.5	-0.4	0.2	0.2	0.0	-0.2
Korea	2.6	3.5	4.7	4.4	4.7	5.3	4.3	3.9
New Zealand	1.7	4.0	4.5	5.3			4.6	...
Canada	1.0	2.4	3.3	3.1	2.7	3.1	3.2	2.9
Sweden	0.9	2.3	2.9	3.1	3.3	3.4	3.2	2.9
Switzerland	0.5	0.5	1.0	0.6	0.5	0.2	0.5	-0.1
Turkey	8.4	6.4	4.0	6.2	6.3	6.7	6.2	7.7
United Kingdom	3.2	3.7	4.1	4.2	4.4	4.5	5.2	5.0
United States	1.1	1.5	2.7	3.6	3.6	3.8	3.9	3.5
OECD - Total	1.5	2.1	2.7	3.0	3.1	3.2	3.3	3.2
Brazil	4.8	5.9	6.3	6.7	6.9	7.2	7.3	7.0
China	2.7	4.6	5.4	6.4	6.5	6.2	6.1	5.5
India	13.7	9.7	8.8	8.6	8.4	9.0	10.1	n.a
Indonesia	5.0	7.0	6.7	5.5	4.6	4.8	4.6	4.4
South Africa	4.0	3.4	4.1	5.1	5.4	5.3	5.7	6.2

# Changes in Central Bank Policy Interest Rates

	Latest		Current interest rate (%)	Last change in Policy Rate	Expectations - Policy Rate
	GDP Growth (%)	Inflation (%)			
<b>US</b>	1.5 Q3	3.5 (Oct)	0.125	Cut in Dec 2008	On hold
<b>UK</b>	0.5 Q3	5.0 (Oct)	0.50	Cut in March 2009	On hold
<b>Euro zone</b>	1.4 Q3	3.0 (Nov)	1.25	Cut in Nov 2011	Cut in Dec 2011
<b>Canada</b>	2.4 Q3	2.9 (Oct)	1.00	Hike in Sep 2010	On hold
<b>Korea</b>	3.4 Q3	3.9 (Oct)	3.25	Hike in June 2011	On hold
<b>Australia</b>	1.4 Q2	3.5 (Q3)	4.50	Cut in Nov 2011	Cut in Dec 2011
<b>China</b>	9.1 Q3	5.5 (Oct)	6.56	Hike in July 2011	Hike in Q4 2012
<b>India</b>	6.9 Q3	9.4 (Oct)	8.50	Hike in Oct 2011	On hold
<b>Turkey</b>	8.8 Q2	7.7 (Oct)	5.75	Cut in August 2011	Hike in Oct 2012
<b>Brazil</b>	3.1 Q2	7.0 (Oct)	11.50	Cut in Oct 2011	Cut in Nov 2011
<b>Thailand</b>	3.5 Q3	4.2 (Nov)	3.25	Cut in Nov 2011	On hold
<b>South Africa</b>	3.1 Q3	6.0 (Oct)	5.50	Cut in Nov 2010	Cut in Q2 2012

Source: *The Economist and J.P. Morgan*



# Global Growth Outlook

- Downbeat growth outlook - rests heavily on policy decisions in US and EU
- Increased downside risks:
  - Intensification of sovereign and banking risks from the EU – global spillovers
  - Fiscal austerity in EU and US
  - Retreat of business and consumer confidence in several countries
  - Unemployment likely to stay high in advanced countries
- Break up of euro zone?
  - Increased risk: as long as no sustainable solution found
  - Implications:
    - *Deep recession in exiting countries and world economy (OECD)*
    - *Negative repercussions for credit standing of all euro area and EU sovereigns*
    - *Global impact*

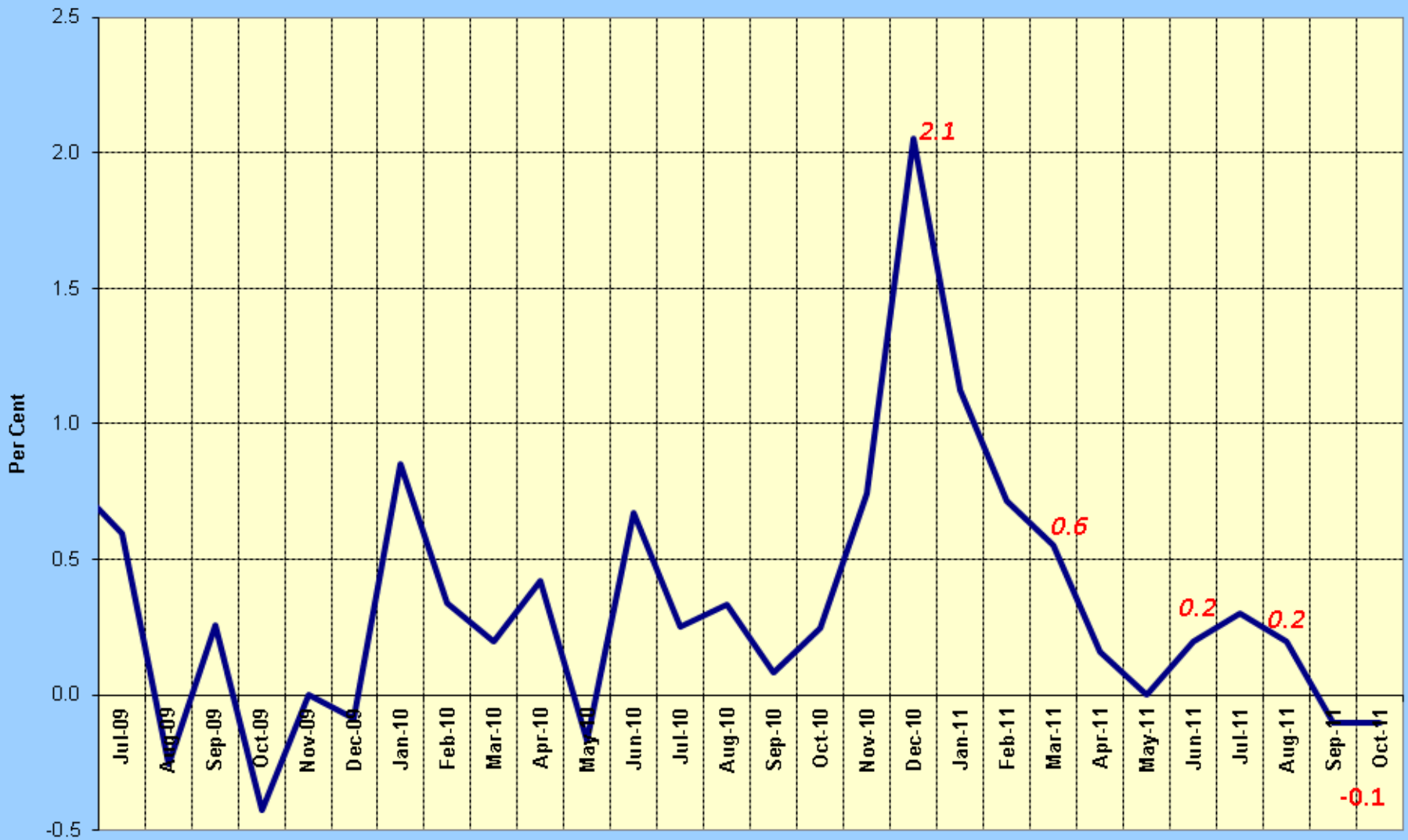
# Growth Projections

	US				Euro zone				UK			
	Q3 11	Q4 11	2011	2012	Q3 11	Q4 11	2011	2012	Q3 11	Q4 11	2011	2012
IMF WEO June 2011	-	-	2.5	2.7	-	-	2.0	1.7	-	-	1.5	2.3
IMF WEO September 2011	-	-	1.5	1.8	-	-	1.6	1.1	-	-	1.1	1.6
Reuters Poll August 2011	2.7	-	1.9	2.5	0.5	0.4	2.0	1.6	0.6	0.5	1.2	1.9
Reuters Poll November 2011	2.5	2.2	1.8	2.0	0.2	-0.1	1.6	0.5	0.5	0.0	0.9	1.0
JP Morgan August 2011	1.0	1.0	1.5	1.3	0.0	0.5	1.6	0.9	1.5	1.0	1.0	1.4
JP Morgan November 2011	2.5	2.5	1.8	1.7	1.2	-1.0	1.6	-0.6	2.0	1.0	1.0	0.8

The background features a large, faint watermark of the Bank of Mauritius logo. The logo is circular and contains a central figure of a bird, likely a dodo, standing on a branch. The words "BANK OF MAURITIUS" are written in a circular path around the central figure. The watermark is semi-transparent and serves as a background for the main text.

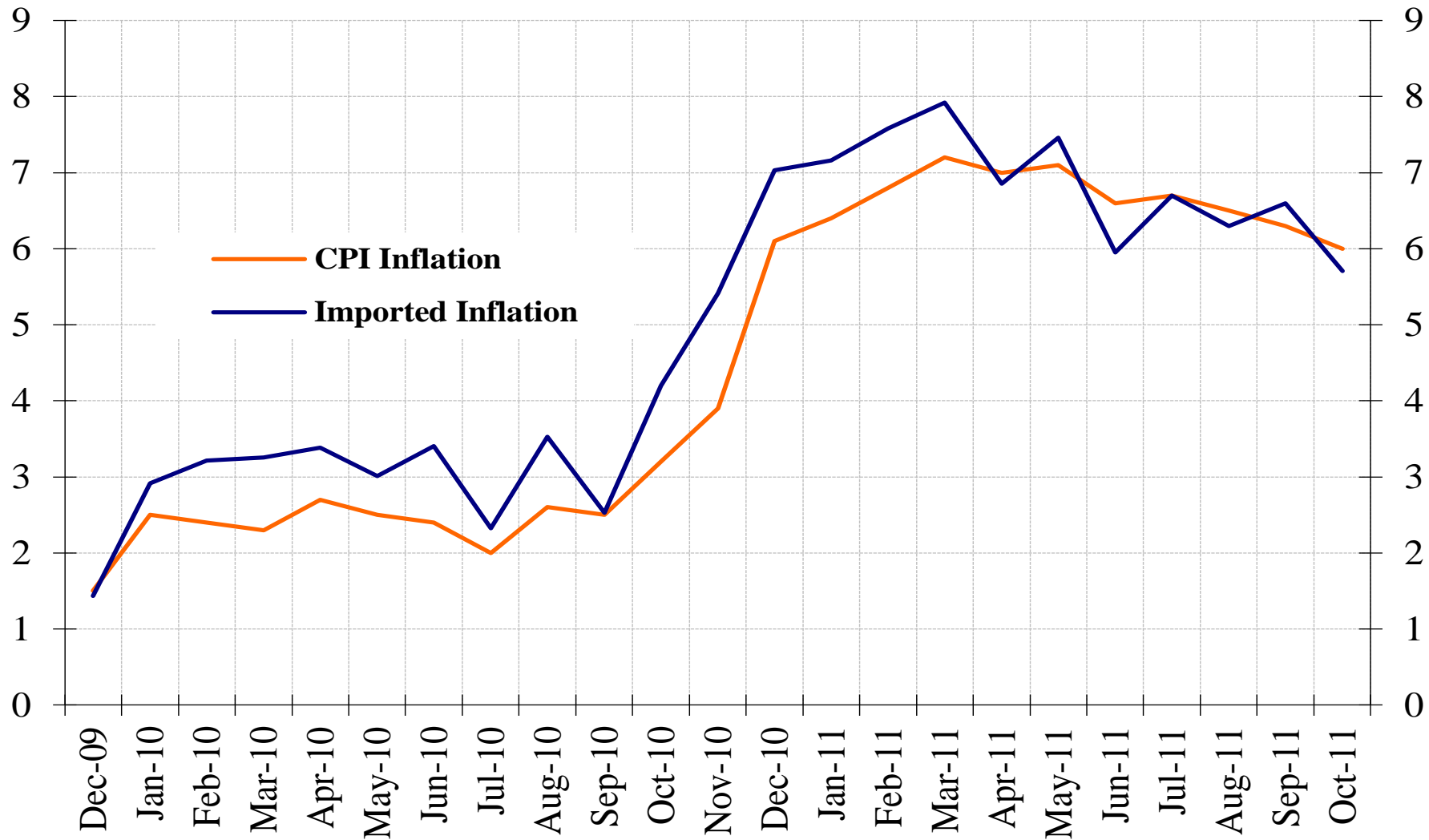
# Domestic Developments

# Monthly CPI Changes (*per cent*)



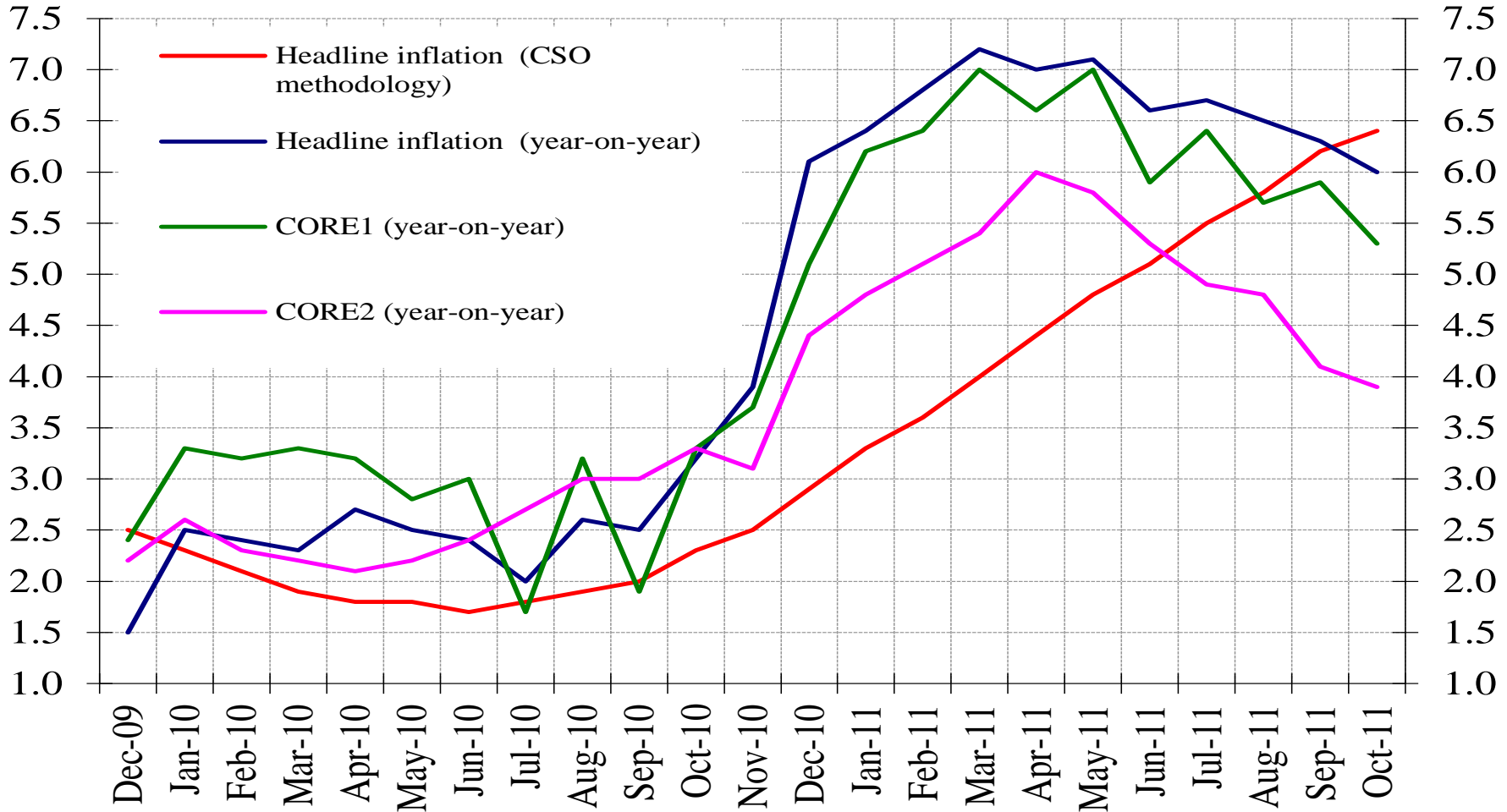
# Inflation Developments

Per cent



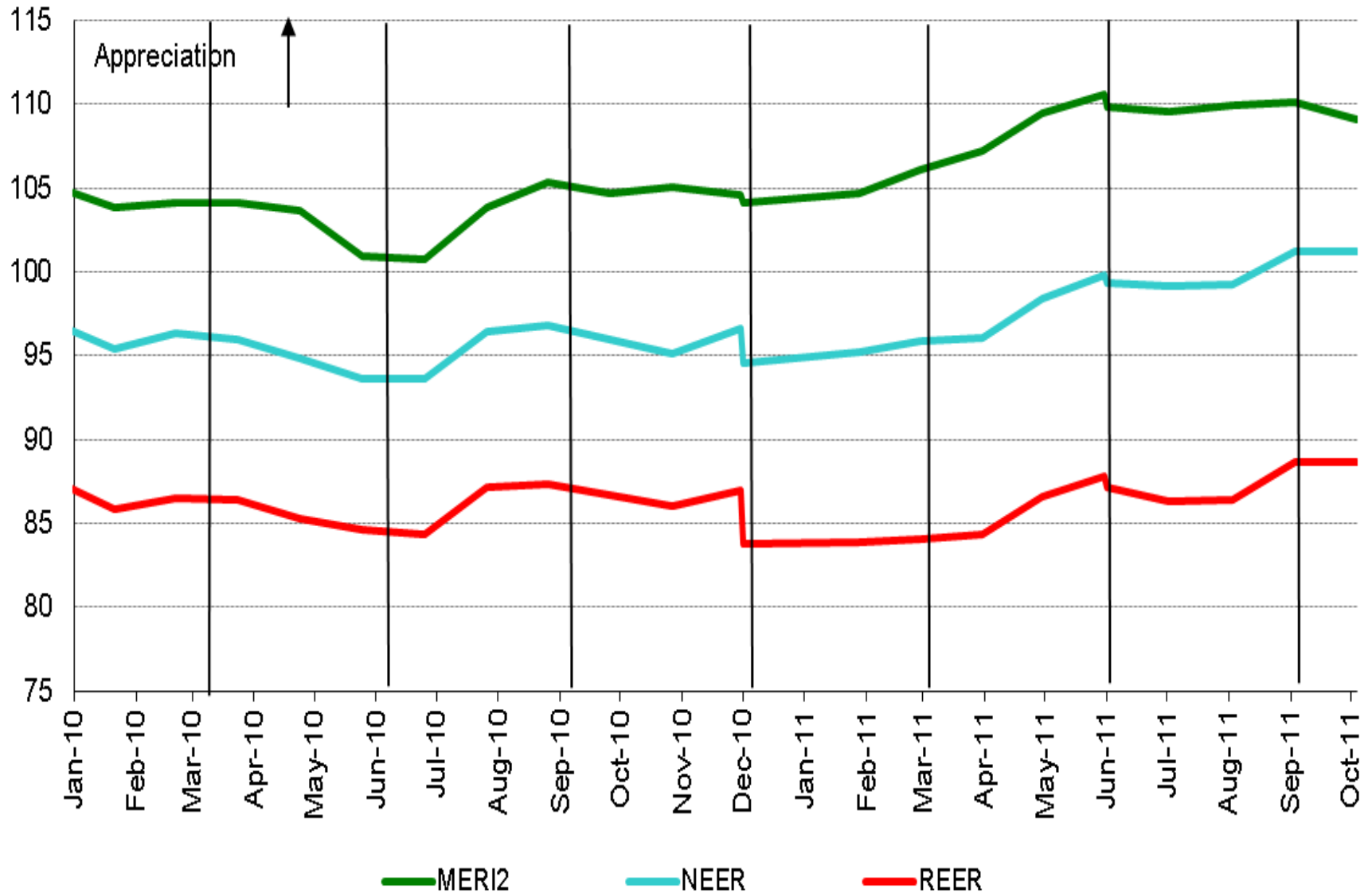
# Inflation Developments

*Per cent*



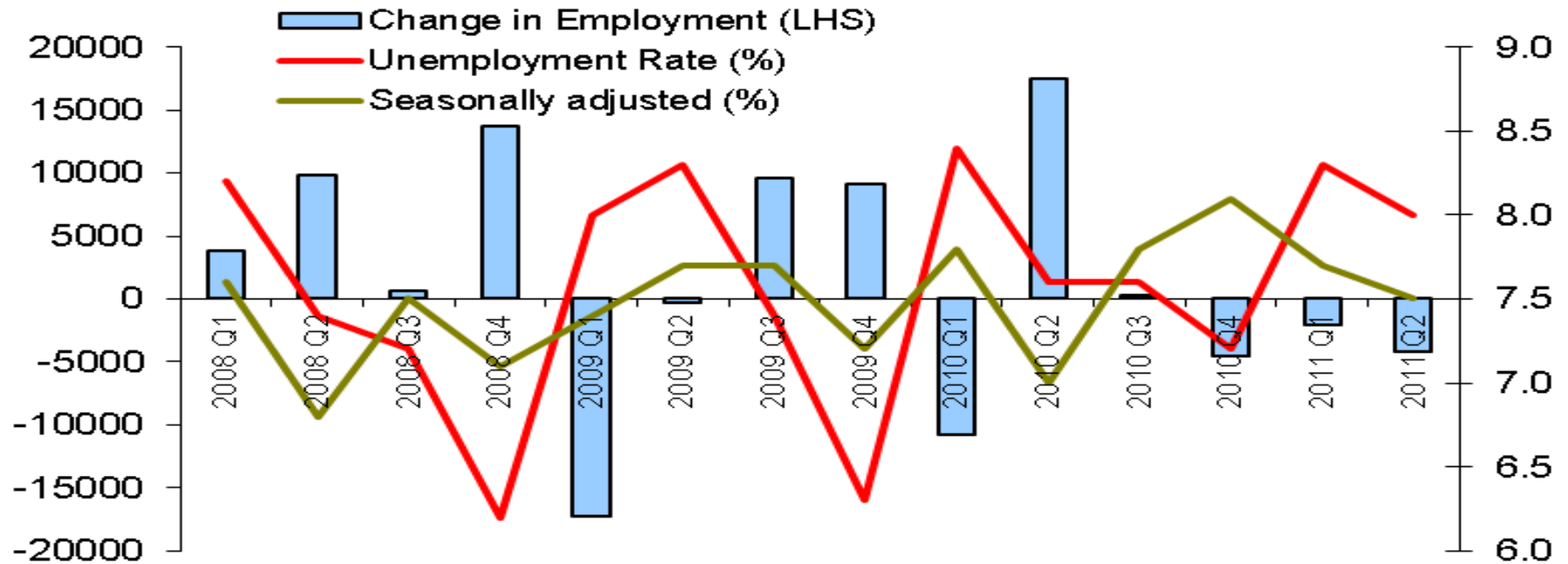
# MERI2, NEER and REER

MPC meetings



# Labour Market

## Unemployment Rate and Change in Employment



	2010Q4	2011Q1	2011Q2
<b>Unemployment rate (%)</b>	<b>7.2</b>	<b>8.3</b>	<b>8.0</b>
<b>Unemployment rate SA (%)</b>	<b>8.1</b>	<b>7.7</b>	<b>7.5</b>

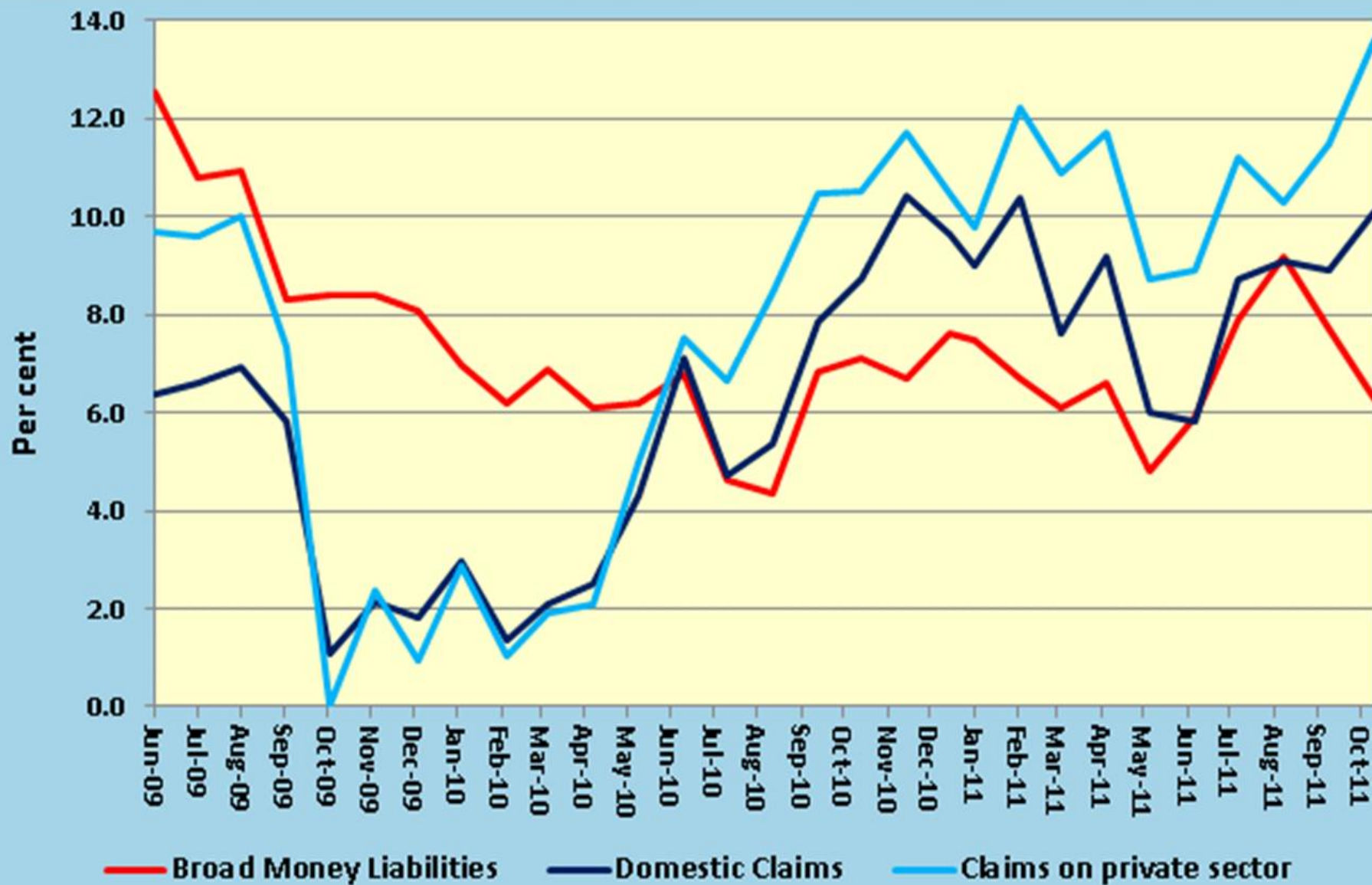


# Tourist Arrivals by Country

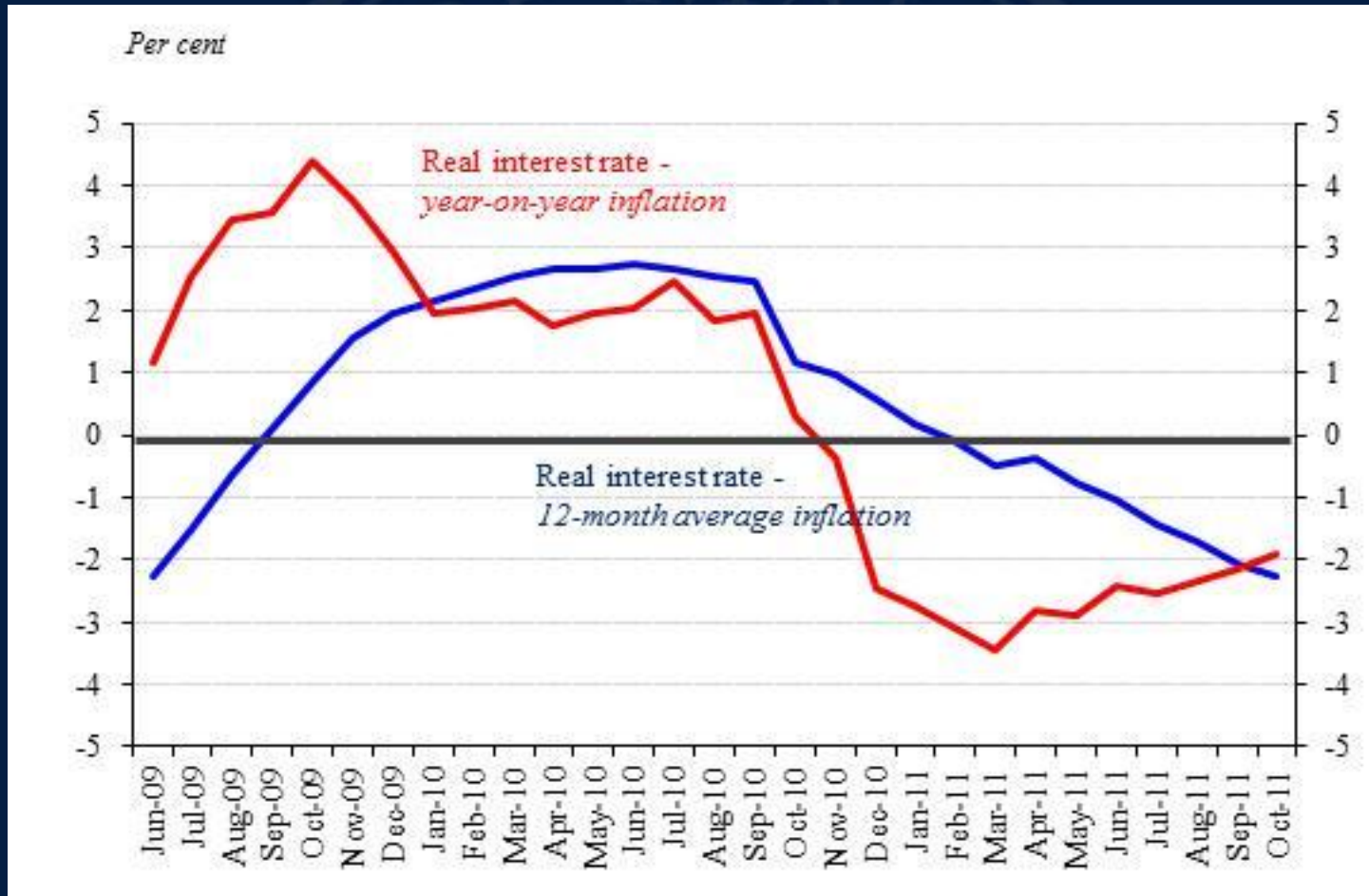
	October			January - October		
	2010	2011 <sup>1</sup>	% change	2010	2011	% change
<b>EUROPE</b>	<b>58,279</b>	<b>59,206</b>	<b>1.6</b>	<b>473,066</b>	<b>480,266</b>	<b>1.5</b>
France	29,584	27,778	-6	229,735	231,271	0.7
Germany	5,062	6,553	29	41,597	45,706	9.9
Italy	4,086	4,051	-1	45,413	43,488	-4.2
United Kingdom	9,904	8,766	-11	82,123	73,986	-9.9
<b>AFRICA</b>	<b>20,397</b>	<b>21,172</b>	<b>3.8</b>	<b>178,620</b>	<b>184,195</b>	<b>3.1</b>
Reunion	12,182	11,300	-7	93,234	92,315	-1.0
South Africa	5,881	7,350	25	62,471	66,859	7.0
<b>ASIA</b>	<b>5,849</b>	<b>7,172</b>	<b>22.6</b>	<b>60,939</b>	<b>74,122</b>	<b>21.6</b>
India	3,706	3,885	5	39,961	44,094	10.3
China	543	1,418	161	6,352	12,571	97.9
<b>TOTAL</b>	<b>87,340</b>	<b>90,616</b>	<b>3.8</b>	<b>733,996</b>	<b>764,999</b>	<b>4.2</b>

	2008	2009	2010	Jan - Oct 2011	Growth y/y
<b>Tourist Arrivals</b>	930,456	871,356	934,827	764,999	4.2%
<b>Tourism Earnings (Rs mn)</b>	41,213	35,693	39,457	33,571	9.6%

# Monetary Developments



# Real Interest Rates



Real Interest Rates= Nominal savings rate adjusted for inflation rate

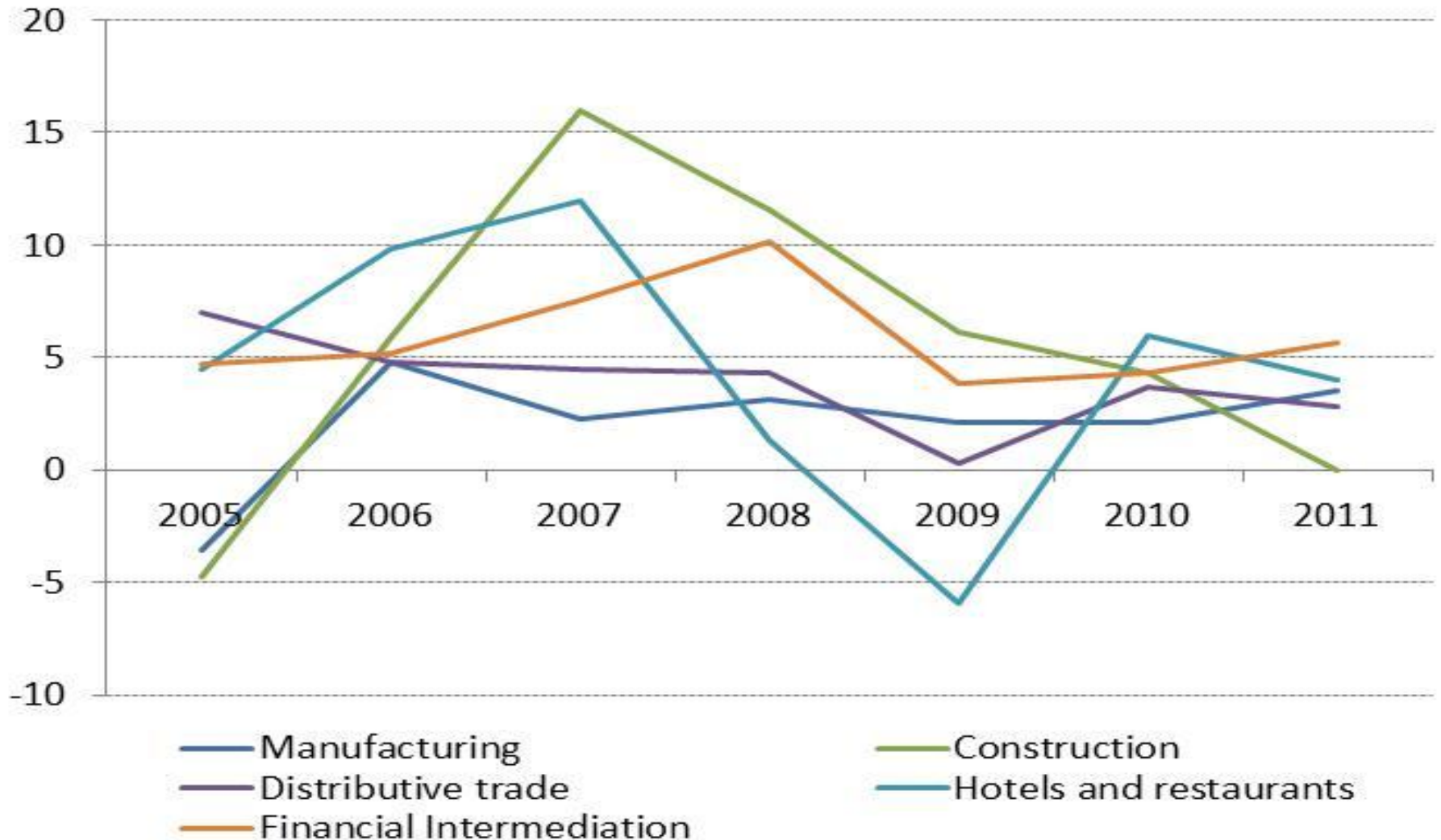
# Domestic Economic Developments



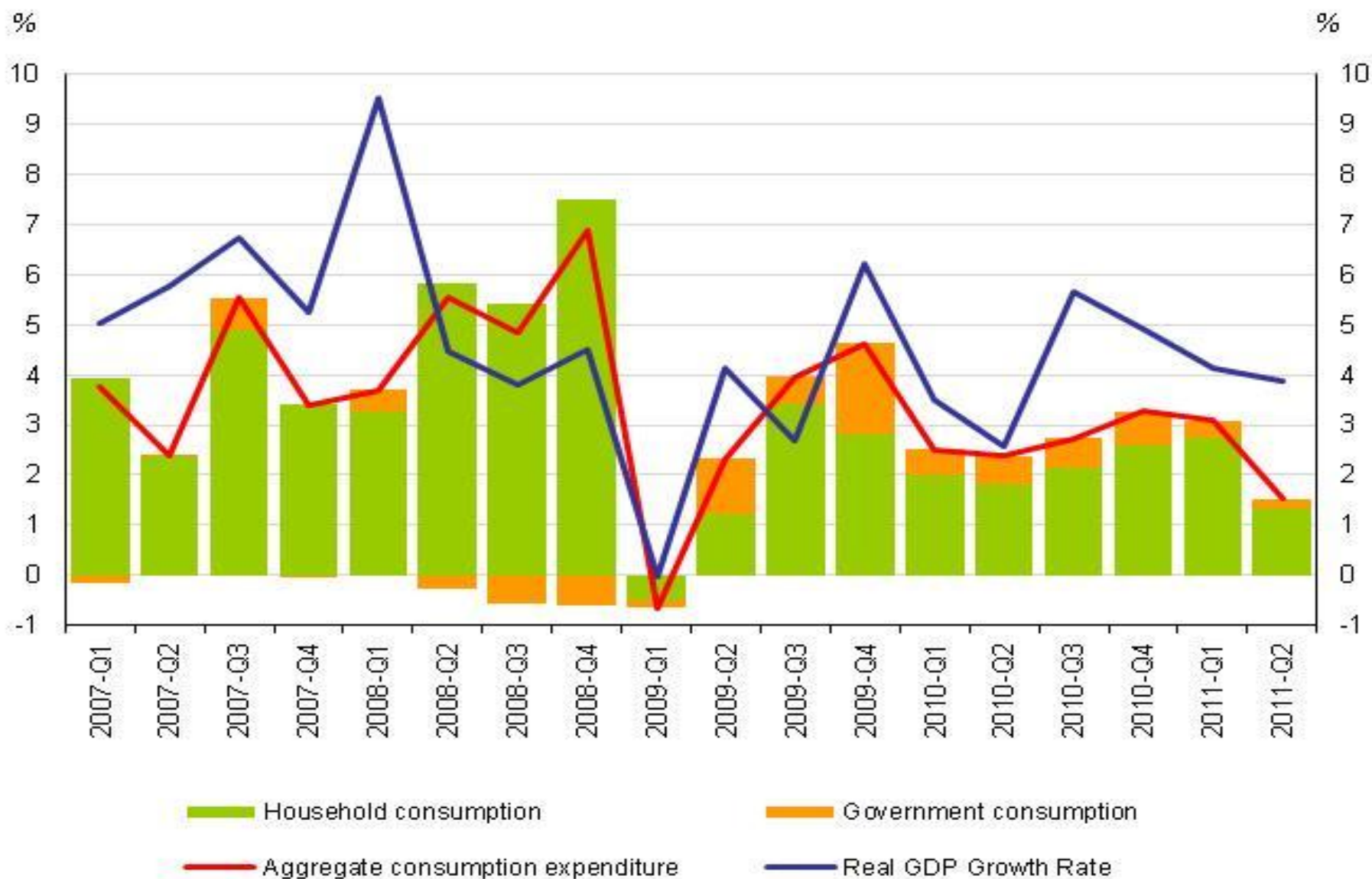
- 2011Q2 q/q s.a. growth of 0.2%
- 2011Q2 y/y growth of 3.9%

# Sectoral Growth Rates (Y-o-Y)

## Sectoral Growth Rate

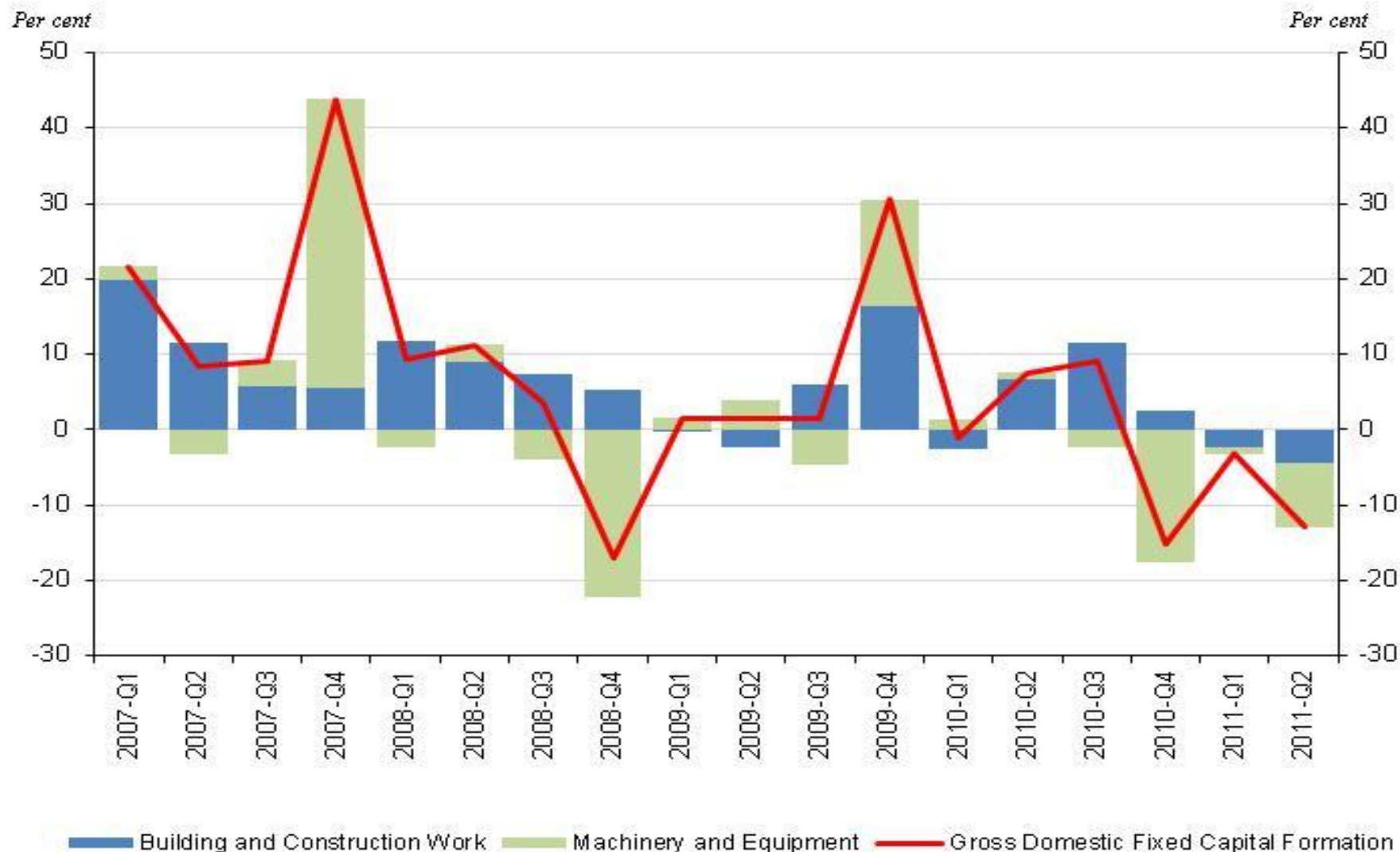


# Consumption



# GDFCF

*(exclusive of aircraft and marine vessel)*



# Imports and Exports

<b>Nominal Growth Rate (%)</b>	<b>Jan-Sep 2011 relative to Jan-Sep 2010</b>	<b>2010 relative to 2009</b>	<b>2009 relative to 2008</b>
Exports	+14.6	+12.8	-9.3
Imports	+10.0	+14.3	-10.4

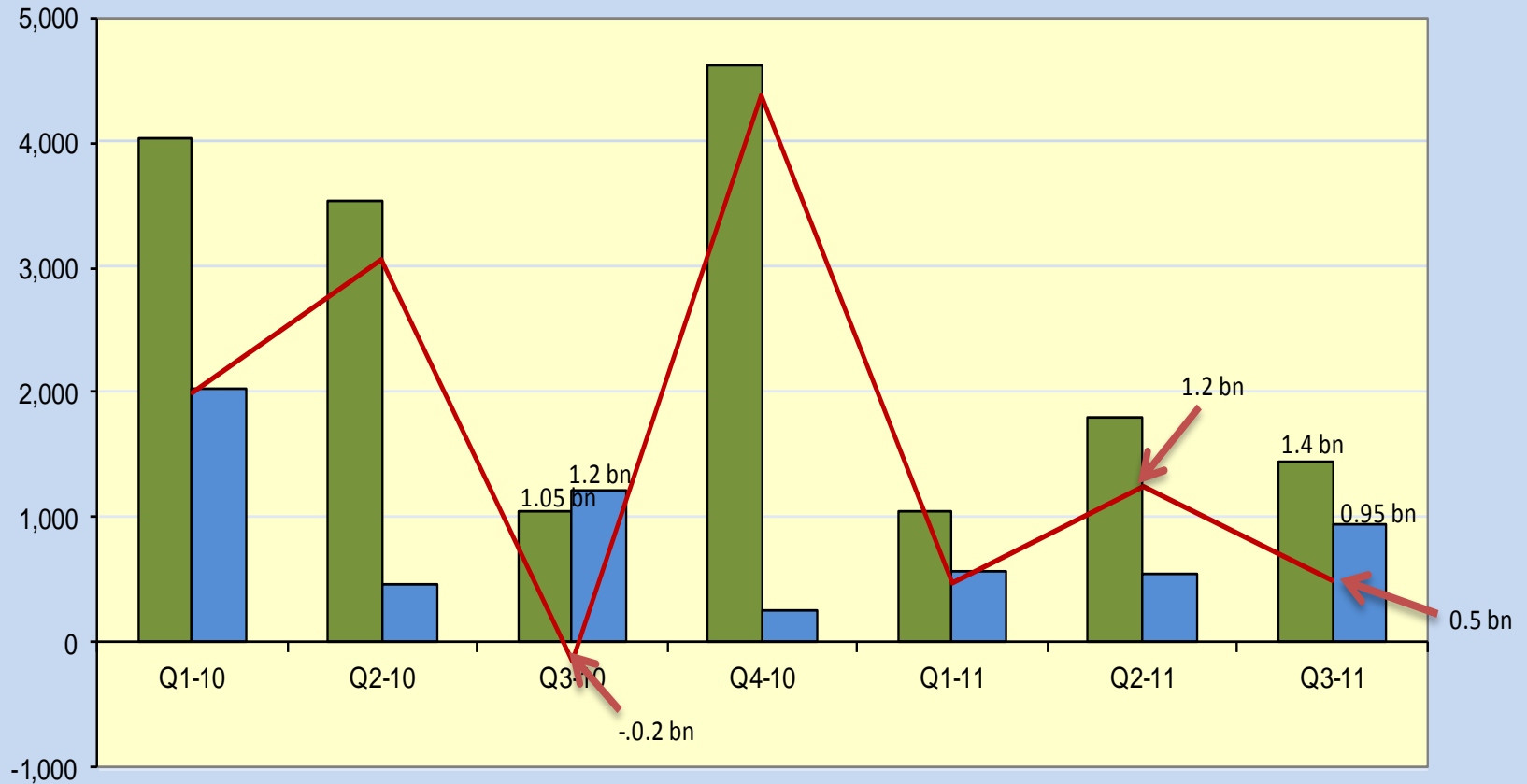


# Merchandise Account

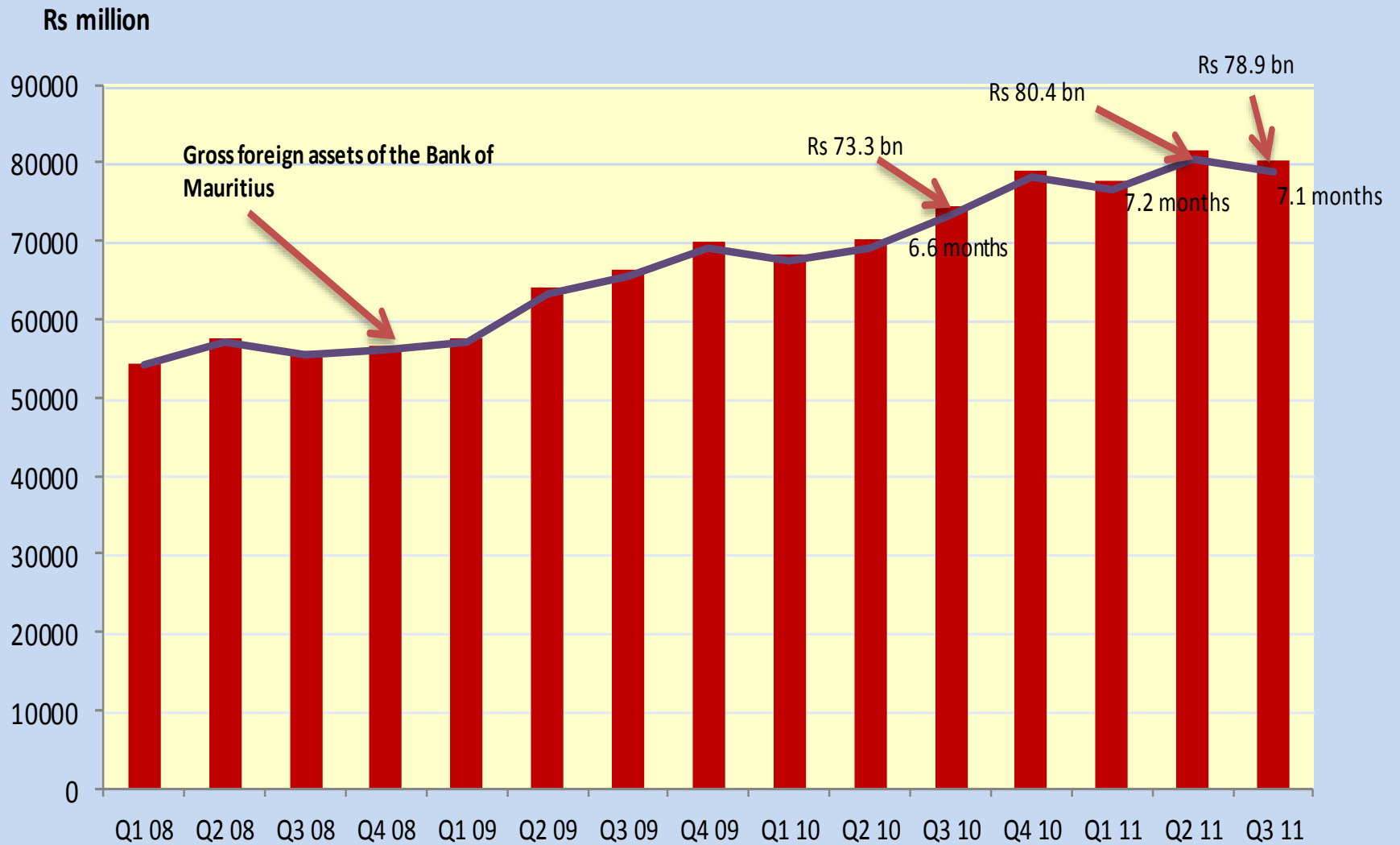


# Direct Investment

Rs million



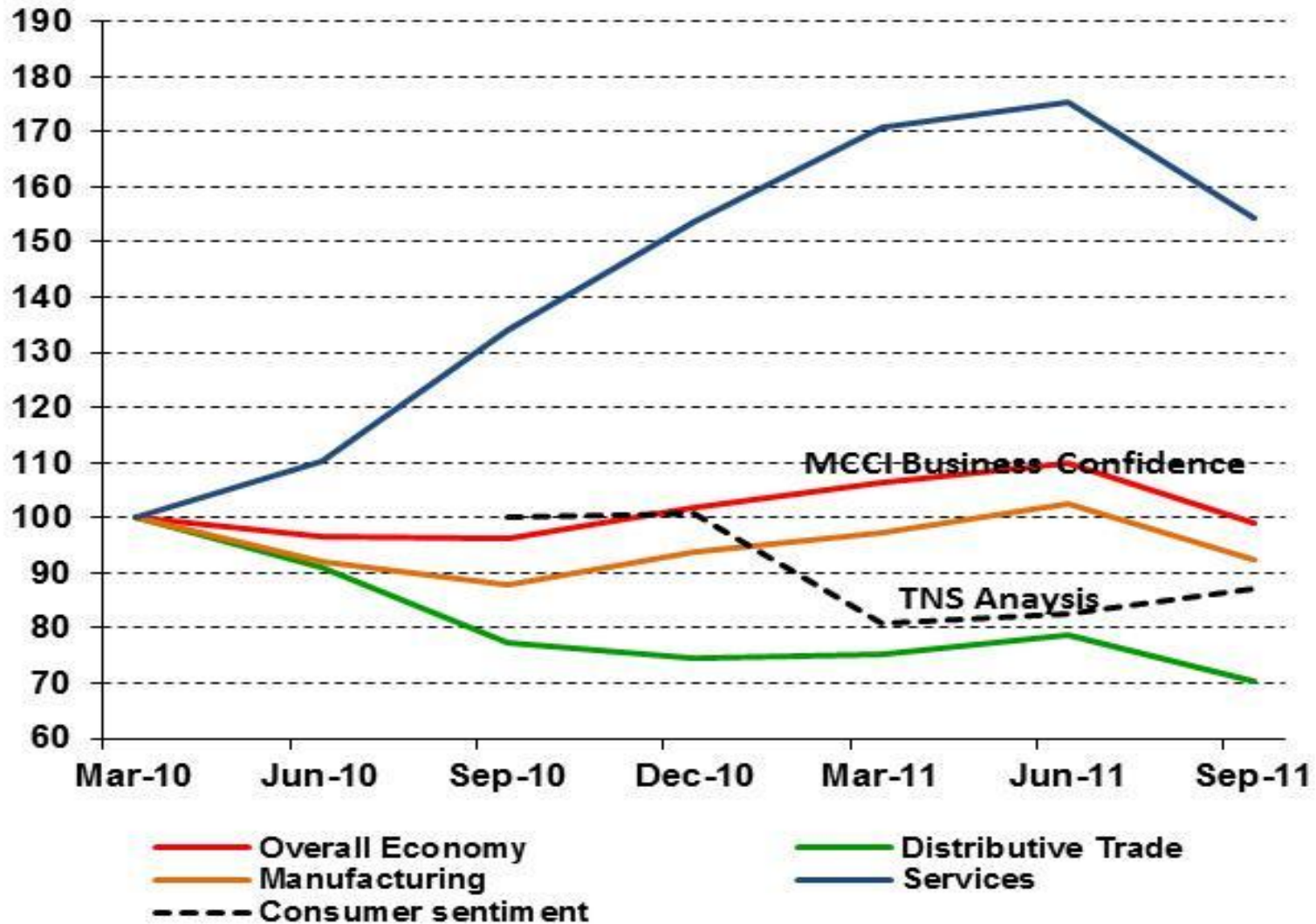
# Gross Official International Reserves





**CONFIDENCE**

# Business and Consumer Confidence

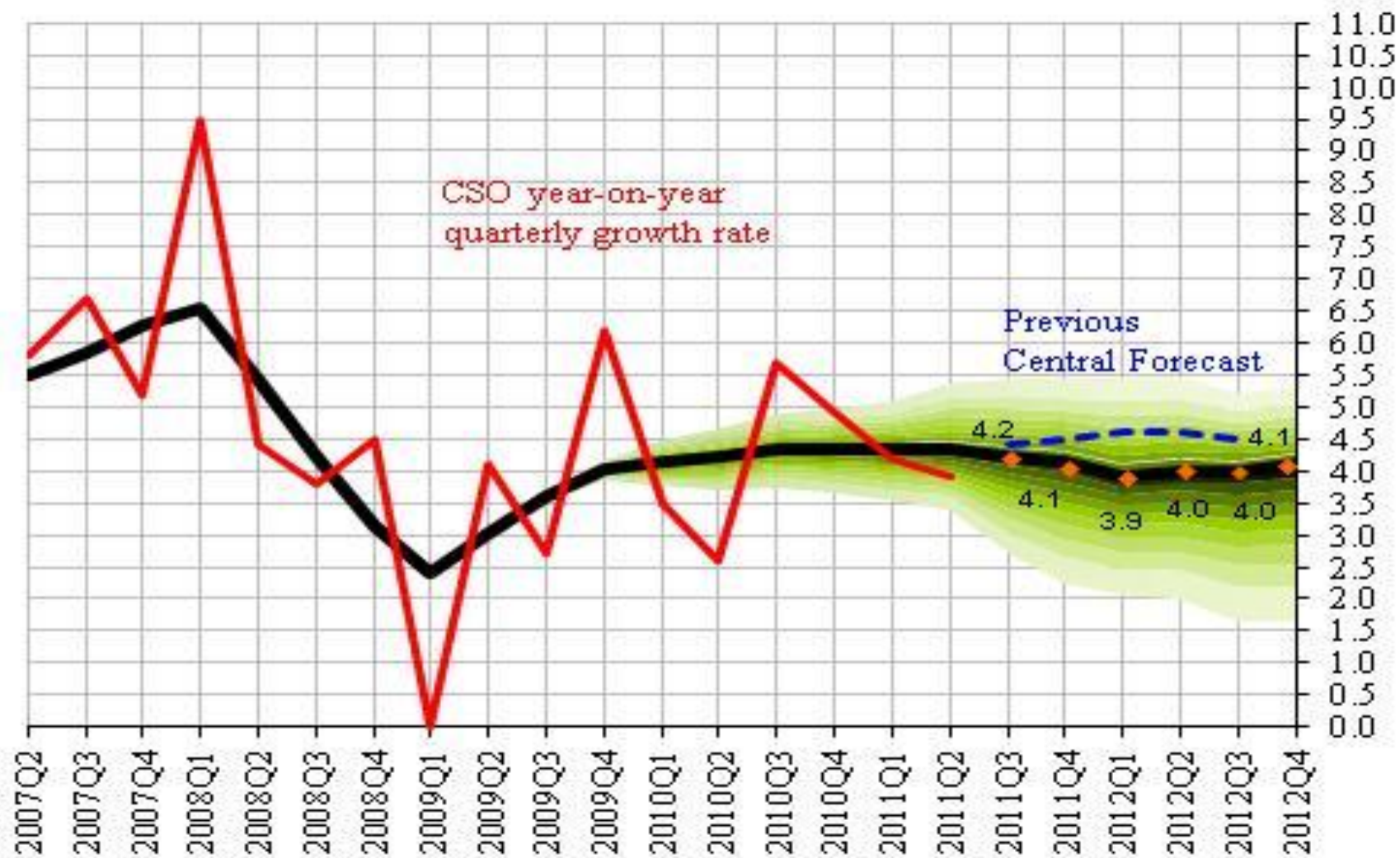




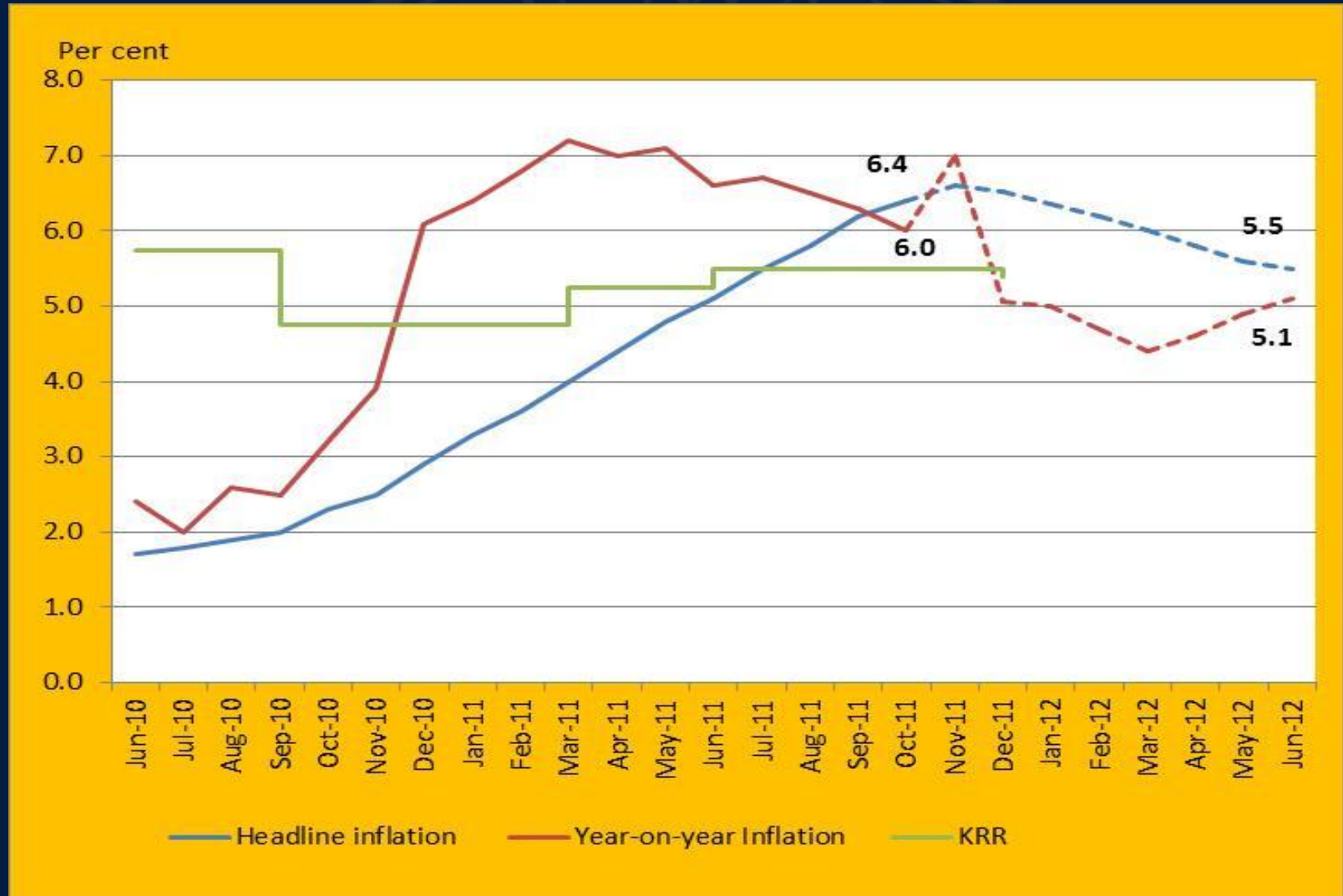
# FORECASTS

# Real GDP

Per cent



# Inflation Forecasts





The background features a large, faint watermark of the Bank of Mauritius logo. The logo is circular and contains the text 'BANK OF MAURITIUS' around the top edge. In the center, there is a stylized bird, likely a dodo, perched on a branch. The background is a solid dark blue color.

**THANK YOU**