



BANK OF MAURITIUS

Website: <https://www.bom.mu>

COMMUNIQUE Inflation Report - October 2014

In compliance with section 33(2) of the Bank of Mauritius Act 2004, the Bank is releasing today its October 2014 Inflation Report. The Report includes the macroeconomic projections underpinning monetary policy decisions by the Monetary Policy Committee on the Key Repo Rate, as well as the risk factors that could make these projections deviate from the baseline macroeconomic scenario.

The main highlights of the Report are:

- Since June 2013, the Key Repo Rate has remained unchanged at 4.65 per cent due to the balance of external and internal risks affecting the outlook for growth and inflation. The international environment remains volatile, but favourable in terms of trends in international prices for food and energy, which have been declining in the recent past. The output gap has remained negative, with output growth below potential, while modest growth of final consumption and investment has been exerting limited demand-side inflationary pressures. Supply side factors affecting the inflation outlook also remain limited at this stage.
- Based on the Bank's forecasting model, and under the baseline scenario, CPI inflation will decline marginally during 2014Q4 and 2015Q1, with respect to the annual inflation rate registered in 2014Q3, but will increase in the remaining quarters of 2015 due to seasonal and other exogenous factors.
- The domestic output gap, which is also estimated using the Bank's forecasting model, is projected to remain negative throughout 2014-2015. Over the medium-term, the output gap closes on account of low inflation expectations that support investment and economic activity.
- Overall, the Bank of Mauritius staff assessment is that, for the first quarter of 2015, based on alternative model computations, the balance of risks to the inflation outlook is on the downside (i.e., there are no inflationary pressures arising).

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