



BANK OF MAURITIUS

Released at 13.00 hours on 28 August 2007

MONETARY POLICY STATEMENT

The Board of Directors of the Bank of Mauritius at its meeting on 22 August 2007 considered the recommendation of the Monetary Policy Committee (MPC) which met on 21 August 2007. The Board decided to keep the key Repo Rate at 9.25 per cent per annum. The interest rate chargeable on the Standing Facility of the Bank of Mauritius also remains at 13.25 per cent per annum.

The MPC reviewed the latest domestic and international economic developments. The MPC also noted that all banks had adjusted their savings deposit rate (SDR) and their prime lending rate (PLR) following the increase in the key Repo Rate on 2 July 2007. With a few exceptions, most banks responded favourably to a suggestion from the Bank of Mauritius by raising their SDR more than their PLR.

Background

Preliminary indications are that headline consumer price inflation may have peaked at 10.7 per cent for the twelve-month period ended June 2007, with a slight decrease noted in July 2007. High oil and food prices remain a source of concern.

Latest domestic economic data point to a strengthening in the pace of growth. Over the short- to medium-term, domestic demand is expected to remain fairly strong, though the trade deficit is likely to remain a drag on the economic outlook. Upside risks to inflation emanating from the current growth prospects appear to be moderate. Growth in monetary aggregates is set to remain within a comfortable range.

Since the last MPC meeting, the trade-weighted exchange rate of the rupee has been relatively stable on account of sustained inflows of foreign direct investment, portfolio investment in stocks and Government securities, and the relative weakness of the US dollar on international markets. Orderly conditions continue to prevail in the domestic foreign exchange market.

The recent turmoil in the US sub-prime mortgage market has prompted interventions by central banks of the countries that have been more exposed. There is no evidence that the turbulence in the international financial markets will have any significant impact on the domestic economic outlook.

The Bank will continue to monitor economic and financial developments. The MPC is committed to take appropriate action to ensure medium-term price stability, a prerequisite for sustainable growth.

Voting Pattern

The Board took note of the unanimous recommendation of the MPC to leave the key Repo Rate unchanged.

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