



BANK OF MAURITIUS

Released at 13.00 hours on 12 December 2007

MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Mauritius, which is empowered to formulate and determine the monetary policy to be conducted by the Bank, met on 5 December 2007 and decided to leave the key Repo Rate unchanged at 9.25 per cent per annum.

The MPC reviewed recent domestic and international economic developments. Macroeconomic conditions in Mauritius have clearly improved since the MPC last met and remain conducive to broad-based economic growth. The MPC noted that the expected GDP growth rate for 2007 has now been revised upward from 5.3 per cent to 5.8 per cent. The global economic outlook remains positive in spite of some downside risks emanating from recent turbulence in financial markets. Capital formation in Mauritius (excluding the purchase of aircraft and marine vessel) is accelerating, with the private sector having an increasing share. At the same time, household consumption expenditure growth has slowed down.

On the inflation front, latest data point to both headline and core inflation rates trending downwards. After reaching a peak of 10.7 per cent in June 2007, headline inflation has gradually declined to 9.4 per cent in October 2007.¹ However, there are upside risks to inflation stemming from high oil and commodity prices internationally. Recent developments in domestic monetary aggregates require careful monitoring.

The domestic foreign exchange market has been relatively well-behaved in this end-of-year period. The appreciation of the rupee in nominal terms against a basket of major trading currencies reduces the likelihood of imported inflation impacting on domestic prices via the exchange rate pass-through mechanism. The narrowing down of inflation differentials between Mauritius and its major trading

¹ Since the MPC met on 5 December 2007, the inflation rate of 9.1 per cent for November 2007 released on 7 December 2007 confirms the downward trend in headline inflation.

partners should be supportive of the rupee exchange rate, thereby contributing to anchor inflation expectations in Mauritius.

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

Voting Pattern

The MPC voted unanimously to leave the key Repo Rate unchanged.

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