



BANK OF MAURITIUS

Communiqué

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The Monetary Policy Committee of the Bank of Mauritius keeps the Key Repo Rate unchanged

The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to keep the Key Repo Rate unchanged at 5.50 per cent per annum at its meeting today.

The MPC has noted that global economic activity is expected to recover more slowly than had been anticipated at its last meeting due to heightened uncertainty over the growth outlook. While the threat of a new round of rapidly rising international commodity prices has lessened, there are still significant concerns that supply constraints could continue to pose upside risks to the inflation outlook, especially in fast-growing emerging economies. The MPC has also noted that, against the background of weakening global growth prospects, a number of central banks in advanced and emerging economies have maintained interest rates at current levels.

The Mauritian economy is expected to continue on its growth path although estimated 2011 growth is being revised slightly downwards to 4.4 per cent, from 4.6 per cent at the previous meeting. The situation has worsened much more in major developed economies where growth forecasts have been revised downwards drastically. While the headwinds from the euro area debt crisis and the worsening growth prospects in the country's main trading partners have increased uncertainty, the MPC does not fully share the mood of pessimism that seems to prevail among certain economic operators.

The MPC has noted that headline inflation is expected to remain strong until the end of this year. However, on a no-policy-change basis, it is projected to decline to around 5.1 per cent by June 2012 while year-on-year inflation is expected to reach 4.3 per cent. Given the underlying inflationary pressures, the MPC considers it important to minimise the risk of second-round effects.

The MPC has discussed alternative interest rate scenarios. Given the high level of uncertainty, members have decided to put on hold the process of normalising the Key Repo Rate, started in March 2011. The MPC considers that strong vigilance in monitoring unfolding economic developments is required.

The MPC stands ready to meet in between its regular meetings if the need arises.

The MPC will issue a Monetary Policy Statement at 13.00 hours on Monday 19 September 2011.

*Bank of Mauritius
12 September 2011*