BANK OF MAURITIUS

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Minutes of the 31st Monetary Policy Committee Meeting

30 September 2013

The 31st meeting of the Monetary Policy Committee was held on 30 September 2013 at 9.30 hours at the Bank of Mauritius, with Mr Rundheersing Bheenick, Governor, in the chair.

Members present: Mr Yandraduth Googoolye, First Deputy Governor; Mr Mohammed Iqbal Belath, Second Deputy Governor; Mr Nishan Degnarain, Mr Pierre Dinan, Mr Hemraz Oopuddhye Jankee and Professor Silvana Tenreyro, External Members.

Professor Jeffrey Frankel, External Member, attended the meeting via video-conference.

Observers: Dr Streevarsen Narrainen, Senior Economic Adviser, Ministry of Finance and Economic Development; and Mr Neetyanand Kowlessur, Chief-Economic Analysis Division, Bank of Mauritius.

Summary of Staff Reports on Economic and Financial Developments

The Staff reported on economic and financial developments since the 30th MPC meeting held on 17 June 2013.

The International Economic Environment

1. The MPC noted that the global economy had improved slightly since the June 2013 MPC meeting. Leading indicators suggested a better growth outlook for the rest of 2013. However, the recovery was fragile and downside risks remained.

2. There had been some improvement in the US economy in 2013Q2 following a surge in exports. While a reduction in the Federal Reserve's quantitative easing programme had been widely anticipated, mixed business surveys, tighter financial conditions and weaker-than-expected employment data had pushed back actual tapering. Activity in the US was projected to expand at a moderate pace, with the outlook clouded by the fiscal deadlock.

3. After six consecutive quarters of contraction, the euro area returned to positive growth in 2013Q2, led by Germany and France. A number of peripheral economies also appeared to perform better. Overall, activity indicators and consumer confidence in the region had improved a little but unemployment persisted near record-high rates. It was likely that growth dynamics would continue to be very modest while downside risks remained elevated.

4. The UK picked up some momentum in 2013Q2 as exports and investment increased by more than projected. Though business surveys as well as indicators of consumer spending strengthened, activity stayed well below pre-crisis levels. In Japan, considerable policy stimulus and the resulting weak yen provided support to economic growth.

5. Growth had slowed in several major emerging economies, including China and India, and looked unlikely to return to previous highs. Expectations of a reduction in quantitative easing in the US underlined the vulnerability of some of these economies as they recorded capital outflows that put pressure on their exchange rates and foreign exchange reserves.

6. While inflation had remained below target rates in developed economies, it had increased in some emerging economies as a result of depreciating currencies. Food prices had moderated but were still significantly high compared to historical levels. Oil prices had risen due to geopolitical concerns in the Middle-East but had fallen thereafter as tensions over Syria eased.

7. Global financial markets were for a large part focussed on the possibility that the US Federal Reserve might scale back its asset-purchase programme. The fact that this did not take place at the September 2013 FOMC meeting led to a market rebound, including in some emerging economies where currencies and equities regained some of the lost ground.

Domestic Economic Developments

8. The first estimates for GDP growth in 2013Q2 showed that over the year, the domestic economy had expanded by 3.3 per cent compared to 3.6 per cent in 2013Q1. Except for **'construction'**, growth had been broad-based across major sectors. **'Manufacturing'** grew by 3.0 per cent, led by a surge in *'other manufacturing'* while *'textile'* growth was relatively low at 0.7 per cent and *'food (excluding sugar)'* contracted. **'Accommodation and food service activities'** expanded marginally by 0.3 per cent. **'Financial and insurance activities'**, which grew by 5.2 per cent, contributed the most to GDP growth followed by **'manufacturing',** and **'wholesale and retail trade'**.

9. Statistics Mauritius had revised growth for 2013 to 3.2 per cent, marginally down from the previous forecast of 3.3 per cent. Growth for 2012 was in contrast revised up to 3.4 per cent, from 3.3 per cent previously.

10. Growth in **'final consumption expenditure'** had slowed to 2.2 per cent in 2013Q2, from 2.9 per cent in the previous quarter. While *'household consumption expenditure'* growth held up at 2.7 per cent, *'general government consumption expenditure'* growth turned slightly negative. **'Gross domestic fixed capital formation'** (GDFCF) had declined for the fourth consecutive quarter in 2013Q2 though its pace of contraction had slowed on the back of higher investment in *'residential building'* and *'other machinery and equipment'*. Excluding *'aircraft and marine vessel'*, GDFCF was projected to contract by 5.7 per cent in 2013. The completion of major projects and rescheduling of important road decongestion plans were expected to have an adverse impact on public sector investment while private sector investment was also forecast to decline.

11. Despite persistent weakness in the main Eurozone market, total exports, excluding *'ship's, stores and bunkers'*, had increased by 4.4 per cent y-o-y in 2013H1. A rise in 'f*ood and live animals'* as well as *'manufactured goods classified chiefly by material'* exports partly offset a drop in *'miscellaneous manufactured goods'* exports. Concurrently, imports *c.i.f.* had fallen by 1.8 per cent, mainly due to a decline in the imports of *'machinery and transport equipment'*.

12. Tourist arrivals had risen by 2.2 per cent y-o-y over the period January to August 2013, following an unexpected jump of 11.5 per cent in August. The establishment of direct flights to China as well as an improvement in the UK and South African markets had propelled arrivals upwards. However, tourist earnings had contracted by 8.2 per cent y-o-y over the period January to July 2013 and, adjusted for exchange rate effects, were estimated to be near the lows recorded in 2009. Statistics Mauritius projected total tourist arrivals of 990,000 for 2013. Gross tourist earnings were forecast to attain some Rs45.1 billion.

13. Preliminary estimates of the balance of payments indicated that the current account deficit had narrowed to Rs7.4 billion in 2013Q2, from Rs8.6 billion in 2012Q2. This was underpinned by a contraction in the merchandise trade deficit while the services account had recorded a lower surplus relative to 2012Q2. The overall balance of payments witnessed a record surplus of Rs10.6 billion in 2013Q2 due to positive capital and financial inflows.

14. The unemployment rate, which had risen to 8.7 per cent in 2013Q1, fell back to 8.2 per cent in 2013Q2. On a seasonally-adjusted basis, the unemployment rate was down to 7.8 per cent, from 8.1 per cent in 2013Q1.

15. Reflecting continuing weak economic activity, monetary and credit developments had remained subdued since the last MPC meeting. The annual growth rate of Broad Money Liabilities had edged up from to 7.3 per cent in July 2013 while the annual growth rate of depository corporations' loans to the private sector had picked up to 10.2 per cent in July 2013.

16. The MPC was briefed that while the largest private groups in Mauritius had become increasingly indebted, free cash flow had declined partly reflecting internal operational

challenges and the fact that demand expectations had not materialised. Meanwhile, the exposure of banks to the construction sector had continued to grow despite rising non-performing loans in that sector. This situation posed risks to financial stability, which the Bank was trying to address through forthcoming macro-prudential measures related to the real estate sector.

17. The MPC noted that, against expectations, there had been a sharp reduction in the CPI in August 2013. During the period May to August 2013, *'food and non-alcoholic beverages'* had recorded a significant drop of 1.2 index points, the first decline since the last ten years. A number of other divisions had registered declines of a larger magnitude than in the past. Both headline and y-o-y inflation had fallen as the decline in the price of food products more than offset the 12 per cent increase in bus fares. Headline inflation had inched down to 3.5 per cent, after remaining steady at 3.6 per cent for 5 consecutive months, while y-o-y inflation had come down to 3.1 per cent, from 3.7 per cent in May 2013.

18. The core inflation measures had remained moderate in August 2013. Compared to data for May 2013 available at the last MPC meeting, y-o-y CORE1 inflation stood unchanged at 2.6 per cent while CORE2 inflation had edged down to 2.3 per cent, from 2.5 per cent.

19. The Bank's 20th *Inflation Expectations Survey* carried out in August 2013 had shown that a majority of respondents expected headline inflation to be less than 4.5 per cent in December 2013 and to remain so by June 2014.

Domestic Financial Markets Developments

20. The MPC was briefed that since the last MPC meeting, the increase in average excess liquidity in the banking system to Rs5.3 billion had been caused mainly by the placement of public funds with banks. Since that meeting, the Bank had issued a net amount of Rs1,586.1 million of Bank of Mauritius instruments in efforts to mop up the excess liquidity.

21. As at mid-September 2013, the Bank had disbursed funds totalling €40.3 million mainly to operators in the tourism sector under the Special Line of Credit in Foreign Currency. It had also disbursed a total of Rs543.3 million under the Special Line of Credit made available to small and medium planters for sugar crop 2013.

22. At primary auctions, the weighted yields on the 91-Day, 273-Day and 364-Day Treasury Bills had increased by 25, 36, and 17 basis points, respectively, since the previous MPC meeting to reach 2.51 per cent, 2.77 per cent and 3.08 per cent. The weighted yield on the 182-Day Treasury Bill had dropped by 3 basis points to 2.62 per cent.

23. Following the 25 basis points cut in the KRR in June 2013, the weighted average interest rates on rupee deposits and advances had decreased to 3.24 per cent and 8.18 per cent, respectively,

as at end of August 2013 compared to 3.45 per cent and 8.33 per cent as at end of April 2013. Using the y-o-y inflation rate, the real weighted savings deposits rate moved from negative 0.2 per cent in April 2013 to 0.2 per cent in August 2013.

24. Against the backdrop of a generally weak US dollar on international currency markets, the dealt rupee exchange rate had appreciated by 1.88 per cent against the US currency and had depreciated by 1.74 and 3.75 per cent against the euro and Pound sterling, respectively. In nominal effective terms, as indicated by the MERI1, the rupee had remained broadly stable.

Staff Economic Outlook

25. The Bank's Staff estimated that the domestic growth outlook for the remainder of 2013 remained cloudy. Exports continued to be under pressure from the sluggish conditions in the Eurozone while public and private investment was declining. Both private and Government consumption were expanding well below pre-crisis rates. The output gap was projected to remain slightly negative. Staff estimated that domestic economic growth for 2013 could be somewhat lower than forecast at the June 2013 MPC meeting, down to a range of 3.1-3.5 per cent compared to a range of 3.2-3.7 per cent previously. Downside risks to the growth outlook should the nascent recovery in the Eurozone not take hold were compounded by the fall in investment locally. Some upside potential had, however, emerged for growth in 2014 from the possible rebound in Eurozone activity.

26. Staff observed that external inflationary pressures had been contained while the nominal effective rupee exchange rate had little changed since the previous MPC meeting. Assuming a projected impact on the CPI of the Budget 2014 in line with the last two years, and on the basis of no change in the monetary policy stance, Staff forecast y-o-y inflation in December 2013 to be within the range of 4.5-4.9 per cent, about 0.8 percentage point lower than the forecast made in June 2013. By June 2014, y-o-y inflation could increase to a range of 4.9-5.5 per cent. Wage developments in excess of inflation and productivity gains continued to remain the main upside risk to inflation in the medium term.

External Presentations to the MPC

27. The MPC is required by law to take into account the views of the Bank, the Finance Ministry and such other institution or organization as it considers appropriate in the discharge of its functions. In compliance with this mandate, the MPC heard the Financial Secretary, Mr Ali Mansoor, on behalf of the Ministry of Finance and Economic Development at the meeting. The Ministry viewed that the KRR might be kept steady given developments since the last MPC meeting. However, the fragile economy and quiescent inflation offered the opportunity to adjust the KRR down to a rate aligned to the normal quarter point scale, that is, 4.50 per cent. The MPC noted that no other institution or organization had requested to present its views.

28. In line with its earlier decision to have recourse to external consultants on real sector issues, the MPC benefited from a presentation by Dr Jawaharlal Lallchand, a Freelance Management Consultant, on the "Mauritian Tourism Sector: Issues, prospects and challenges". Dr Lallchand viewed that the tourism sector was struggling but there were prospects for growth given the tentative recovery in Europe and the relatively good performance of emerging economies and Africa.

29. Both presentations are summarized in Annex 1. The full set of presentations will be published one week after the release of the minutes of the MPC meeting.

The Monetary Policy Decision

30. The MPC remarked that the global economic outlook had lifted in 2013Q2 but remained highly uncertain. A number of downside risks, notably emanating from fiscal policy issues in the US and the lasting fragile financial and economic conditions in the Eurozone, were expected to continue being a drag on growth in advanced economies. Slowing emerging market economies, significantly at risk from dismal external demand and an expected reduction in monetary stimulus in the US, had the potential to pull down global economic growth. Concurrently, global inflation had stayed benign, with relatively few upside risks to the outlook. Monetary policy had remained accommodative in advanced economies but had been tightened in some emerging economies to counter the effects of capital outflows.

31. Taking note of the downward revision to domestic growth for 2013, the Committee viewed that the economy continued to face some headwinds from the soft economic conditions in main trading-partner countries. While some members emphasized the fragile economic environment, the negative output gap and lingering downside risks to the growth outlook, others found that the economy was weathering the global economic slowdown rather well. While the tourism and construction sectors faced difficulties, some sectors like manufacturing had managed to partly diversify their markets and had performed better as a result. The contribution of the emerging seafood and ICT sectors to growth was being sustained. Also, the rupee exchange rate had been quite stable and no longer appeared to be a pressing issue for exporters, as reflected in a recent private survey of entrepreneurs.

32. Members expressed concerns about the decline in private and public investment. The trend in private investment was seen as the direct upshot of weak external demand. Going forward, the return of business confidence was expected to be gradual and firms were likely to remain cautious about their expansion strategies. The fall in public investment at a time when private investment had dropped significantly was a cause of serious concern. Most members took the view that Government should provide more fiscal stimulus to compensate for the fall in private investment. Some members further pointed out that the delays in the implementation of major projects, or their postponement, were holding back growth and that there should be appropriate measures to ensure the timely implementation of projects.

33. The tight fiscal policy stance adopted in order to achieve a debt target of 50 per cent of GDP by 2018 was examined in terms of its implications for monetary policy. Some members questioned the relevance of a pro-cyclical fiscal policy in a period of economic downturn and the ensuing push for a strong countercyclical monetary policy. While monetary policy might potentially influence short-term growth outcomes, it had little bearing on long-run growth. For this, there should be support from fiscal policy to stimulate activity as well as establish the restructuring and reform agendas necessary to tackle the structural problems hindering growth.

34. The Committee discussed the vulnerabilities building up in the economy, which some members attributed to the prolonged negative real savings deposits rate. It noted that a significant part of the increase in private sector credit in recent years had fuelled speculative activities, leading to excess capacity, particularly in the construction sector. This could have been supported by Government policy encouraging real sector development. Firms operating across a broad range of sectors had borrowed heavily to invest in projects that were not yielding the expected returns. They had become highly leveraged in the process and some were struggling to repay their debt. While constraining future growth, such heavy debt and repayment difficulties on the part of some firms also put at risk the stability of the banking sector.

35. In the same vein, members noted that the savings rate had continued to decline. The September 2013 release of the National Account Estimates had revised the savings rate for 2013 downward to 14.2 per cent, from a previous estimate of 14.8 per cent. In 2012, the savings rate had been estimated at 15.1 per cent. The fall in the savings rate and the associated high current account deficit, together with the vulnerabilities that had emerged in the banking sector, were a continuing cause for worry for some members. They accordingly felt that it was time to start normalising interest rates to raise the cost of borrowing while offering a positive real rate of return to savers. It was recalled that normalisation of interest rates had been mentioned as early as in March 2011.

36. The excess liquidity prevailing in the money market was also a matter of concern for some members as it had created a disconnect between the KRR and money market interest rates. Much of this excess liquidity had arisen from the net redemption of Government securities and from the placement of public funds with banks. The Committee noted that the central bank had issued large amounts of Bank of Mauritius securities, including instruments with up to five year maturity, in efforts to withdraw liquidity from the banking system. This had considerably affected the Bank's balance sheet and had delimited its capacity to continue issuing its own instruments.

37. Members took note of the decline in both y-o-y and headline inflation but held divergent views on the outlook. A majority believed that the risks to inflation were contained given mild pressures from international commodity prices and excess production capacity both in Mauritius and abroad. Looking ahead, the slowdown in emerging economies might contribute to keep commodity prices in check. The other members, however, highlighted the exceptional

circumstances that had allowed inflation to fall: food prices in the domestic CPI basket had decreased contrary to previous trends, while military action in Syria had been called off. Notwithstanding these factors, the upside risks to inflation from wage increases in excess of productivity gains were still present.

38. The Committee weighed the risks to the growth and inflation outlook over the policy-relevant horizon and discussed alternative interest rate scenarios. A majority viewed that the current monetary policy stance was broadly appropriate since, at its present level, the KRR continued to provide support to the economy against the backdrop of contained inflationary pressures. These members took the view that inflation would be below the Staff forecast by December 2013 and June 2014. The impact of the forthcoming Budget on inflation was expected to be relatively low while the effect of the tripartite wage negotiations was projected to be neutral. Meanwhile, inflation expectations remained anchored. In this context, the downside risks to the growth outlook were considered to be much greater than the upside risks to inflation. While there were long-term problems that could affect the stability of the banking sector, efforts should continue to be geared towards sustaining economic growth.

39. The remaining members, however, were of the opinion that upside risks to the medium-term inflation outlook from domestic developments continued to exist despite the recent decline in inflation and had to be addressed in line with the Bank's mandate of price stability. They also felt that it was time to send a strong signal that interest rates had remained low for too long and that it was time to start normalising them. The low level of interest rates in the economy had adversely impacted on savings. It had additionally spurred credit demand, fuelling a boom in the construction sector in particular, whereas the excess liquidity conditions had contributed to ease credit supply. The misallocation of credit had increased vulnerabilities in the banking sector and the economy in general. Therefore, along with the macro-prudential policies that were being contemplated for implementation, it was essential to rapidly normalise the KRR to address these vulnerabilities and offer rates of interest susceptible of changing savings and consumption behaviour.

Voting Pattern

40. At the first round of voting after the discussion, Mr Nishan Degnarain, Mr Pierre Dinan, Professor Jeffrey Frankel, Mr Hemraz Oopuddhye Jankee and Professor Silvana Tenreyro voted to keep the KRR unchanged. Mr Rundheersing Bheenick and Mr Yandraduth Googoolye voted to increase the KRR by 25 basis points while Mr Mohammed Iqbal Belath was in favour of a 10 basis points increase in the KRR.

41. After further discussion whereby the three dissenting members requested for a 10 basis point rate increase to start the process of interest rate normalisation and signal serious concerns about the banking sector vulnerabilities arising from prolonged negative real interest rates, the majority on the Committee, balancing all risks, considered the current stance of monetary

policy as broadly appropriate. Members voted with a majority of 5 to 3 to keep the KRR unchanged at 4.65 per cent per annum. The three dissenting members voted to increase the KRR by 10 basis points.

42. The MPC will maintain strong vigilance in monitoring economic and financial developments and stands ready to meet in between its regular meetings if the need arises.

43. The meeting adjourned at 19.30 hours. The next MPC meeting is scheduled on Monday 3 February 2014.

44. **Voting for the MPC action:** Mr Nishan Degnarain, Mr Pierre Dinan, Professor Jeffrey Frankel, Mr Hemraz Oopuddhye Jankee and Professor Silvana Tenreyro.

45. **Voting against the MPC action:** Mr Rundheersing Bheenick, Mr Yandraduth Googoolye and Mr Mohammed Iqbal Belath.

Bank of Mauritius
14 October 2013

Annex 1

Summary of the presentation by the Ministry of Finance and Economic Development including responses to questions from MPC members

The Ministry was represented by Mr Ali M. Mansoor, Financial Secretary. The main thrust of his submission was as follows:

1. Global recovery is gathering pace although risks remained. Global inflation was also lower than stated at the previous MPC meeting.

2. Domestic inflation had come down while inflation expectations remained well anchored notwithstanding the implementation of the PRB and the Errors, Omissions and Anomalies Commission. Growth prospects were positive but continued to be fragile and below par. Growth could reach 3.5-4.0 per cent in 2014 and close to 5 per cent by 2016, driven by manufacturing, financial services and other emerging sectors such as ICT and seafood.

3. Confidence had been affected by the lack of co-ordination between monetary and fiscal policies and there was a need for aligning them to restore confidence.

4. The Ministry is aware of the problems facing the economy. Despite fiscal constraints, it was trying to keep enterprises globally competitive through programmes financed by the National Resilience Fund. It was making huge efforts to stimulate activity through risk-sharing of firms' financial burdens. It was financing SMEs and restructuring financial packages. Government was also working towards the diversification of the economy. Its efforts should be supported by monetary policy, and the Ministry was satisfied with the majority view on the MPC in this regard.

5. With regard to indebtedness in the economy, it was noted that there was a demand crisis. Key sectors were heavily indebted and non-performing loans had increased. It was therefore important to keep interest rates low. The financial crisis was not due to low interest rates but rather to poor regulation. In Mauritius, the central bank should address firms' indebtedness through regulation. It was doing an excellent job in this area but, at the margin, a lower interest rate would contribute to lower non-performing loans.

6. From a policy perspective, there should be no reason to worry about the excess liquidity prevailing in the banking system. The amount of excess liquidity and the resulting low money market rates would have no short-term impact on the economy. Since the central bank had been systematically wrong on inflation forecasts for the economy, there was still room to lower the policy rate towards the market rates.

7. There was a broad consensus for the preservation of Moody's ranking for the country. This entailed that fiscal policy is constrained by the need to meet statutory debt targets. Even so, public deficit will be higher for 2013, mainly because of lower revenue. Therefore, the ability of the public sector to boost growth through investment will be limited.

8. While the MPC might wish to further reduce the KRR, especially align it to the normal quarter point scale, the Ministry viewed that enough had been done at the June 2013 MPC meeting. It would accordingly recommend keeping the KRR unchanged.

Summary of the presentation by Dr Jawaharlal Lallchand

9. The world tourism industry was doing well despite the economic crisis, with growth of 3-4 per cent forecast for 2013. Prospects for 2014 onwards were better as recovery took place.

10. In Mauritius, despite diversification of markets, tourist arrivals growth had been overtaken by competitors in the region. Occupancy rates had been affected by the crisis in the Eurozone and by the increased supply of hotel rooms. Tourist earnings, however, had risen notwithstanding the substantial depreciation of the euro and Pound sterling against the Mauritian rupee.

11. While operators in the hotel sector saw increasing revenues and reasonable operating profits before interest payments, there had been significant increases in loans/debt levels since 2009 with the result that debt largely exceeded revenues and equity levels. A tendency for the sector to take more loans as interest rates decreased had been noted. Besides having led to a sharp decline in hotel stock prices since 2009, such unsustainable debt levels posed serious risks to the hotel industry and banking sector and required swift action from the authorities.

12. Mauritius had lost its competitive advantage compared to countries in the region and faced high airline ticket and hotel prices as well as environmental and security concerns, among others. Recent international reports had downgraded the country. Diversification strategies should take into account the fact that European tourists tend to spend more than tourists from emerging markets.

13. Among main recommendations, industry operators should pursue their diversification strategies and competitive hotel pricing; air access should be opened; and there should be a regulatory mechanism put in place to compel operators to stick to a maximum 60 per cent debt-to-equity ratio. It was shown that changes in interest rates had a negligible impact on operators' gross revenues.

Editor's Note

According to the Bank of Mauritius Act 2004, the primary object of the Bank shall be to maintain price stability and to promote orderly and balanced economic development. The Act gives the Monetary Policy Committee (MPC) responsibility to formulate and determine the monetary policy to be conducted by the Bank. The MPC meets on a regular quarterly basis.

In line with amendments brought to the Bank of Mauritius Act 2004 in December 2012, the MPC was reconstituted in March 2013. Members of the MPC comprise the Governor (Chairperson), the 2 Deputy Governors, 2 other persons appointed by the Prime Minister and 3 other persons, not being Directors or employees of the Bank, appointed by the Finance Minister.

When the MPC met on 30 September, the last available data on national accounts, employment, external trade and the balance of payments were for 2013Q2. The last data available on CPI and inflation were for August 2013.

Abbreviations and Definitions

Headline inflation is measured by the change in the average Consumer Price Index (CPI) over a twelve-month period compared with the corresponding previous twelve-month period.

Y-o-y inflation is measured by the change in the CPI for a given month compared with the corresponding month of the preceding year.

CORE1 inflation excludes food, beverages and tobacco and mortgage interest on housing loan from the CPI basket. Both headline and y-o-y CORE1 inflation measures are available.

CORE2 inflation excludes food, beverages and tobacco, mortgage interest, energy prices and administered prices from the CPI basket. Both headline and y-o-y CORE2 inflation measures are available.

Dealt exchange rate is the weighted average rupee selling rate derived from transactions of US$30,000, and above, or equivalent.

FOMC refers to the Federal Open Market Committee of the US Federal Reserve system that sets monetary policy in the US and oversees open market operations.

KRR refers to the Key Repo Rate.

MERI 1 is the Mauritius Exchange Rate Index, a nominal effective exchange rate introduced in July 2008, based on the currency distribution of merchandise trade.

MERI 2 is the Mauritius Exchange Rate Index, a nominal effective exchange rate introduced in July 2008, based on the currency distribution of merchandise trade and tourist earnings.

PRB refers to the Pay Research Bureau award for public sector wages.

Y-o-y refers to year-on-year changes.

Q-o-q refers to quarter-on-quarter changes.