BANK OF MAURITIUS

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Minutes of the 33rd Monetary Policy Committee Meeting

28 April 2014

The 33rd meeting of the Monetary Policy Committee was held on 28 April 2014 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 Issa Soormally, 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 32nd MPC meeting held on 03 February 2014.

International Economic Environment

1. The global economy had shown signs of improvement since the February 2014 MPC meeting, although wide regional disparities remained. Activity was expanding quite rapidly in the US and UK, partly driven by sustained monetary accommodation and a reduction in fiscal drags. Both countries had reviewed their forward guidance policies and the US was pursuing the gradual tapering of its asset purchases. The Eurozone had continued to recover but growth remained slow, weighed by high unemployment and weak domestic demand. Data releases from emerging economies had pointed to decelerating economic activity as they sought to address internal imbalances.

2. In its April 2014 World Economic Outlook, the IMF had projected world output growth to increase to 3.6 per cent for 2014 compared to 3.0 per cent in 2013. However, it had

highlighted persistent challenges to the global economic recovery arising from low inflation in advanced economies, slowdown in emerging economies, and geopolitical tensions in Ukraine.

3. Muted demand was resulting into relatively benign inflationary pressures, particularly in advanced economies. Nevertheless, inflation had risen in some emerging economies where currency depreciation had been passed through to prices. While global oil prices had remained broadly stable, food prices had increased sharply in 2014Q1 on adverse weather conditions in major producer countries. Barring these temporary supply shocks, lower growth prospects in major emerging market economies were expected to contain global commodity prices in 2014.

4. Global financial markets had generally benefited from improved investor sentiment and better economic data from advanced economies. They had also been reactive to the timing of monetary policy tightening by major central banks amid increasing speculation that the US Fed and BoE might start to raise their policy rates in 2015H1. Major stock markets had rallied while sovereign bond yields had fallen in the Eurozone, US and UK. The US dollar had lost ground against the euro and Pound sterling while a number of emerging market currencies, such as the Indian rupee, Turkish lira, South African rand and Brazilian real, that had stumbled against the US dollar as the US Fed started to wind down its massive stimulus, had partly recovered.

Domestic Economic Developments

5. The MPC noted a deceleration in domestic economic momentum in 2013Q4, with the seasonally-adjusted q-o-q growth declining to 0.3 per cent, from 1.0 per cent in 2013Q3. Y-o-y growth had fallen to 2.9 per cent, mainly due to a further contraction of 19.1 per cent in *'construction'*. Except for the continued poor performance of the *'construction'* sector, output had grown across most key sectors.

6. Statistics Mauritius had maintained the domestic growth estimates at 3.2 per cent for 2013 and 3.7 per cent for 2014. It projected that the improvement in economic performance would be driven by a recovery in *'accommodation and food service activities'* and the base effects of a lesser contraction in *'construction'* whilst *'manufacturing'* would grow at a slower pace.

7. 'Final consumption expenditure' had expanded by 2.3 per cent in 2013Q4, whereas it had grown by 3.5 per cent a year ago. *'Household consumption expenditure'* had picked up slightly to 2.8 per cent y-o-y compared to the previous quarter whilst *'general government consumption expenditure'* had declined by 0.1 per cent as against growth of 0.4 per cent in 2013Q3. For 2014, Statistics Mauritius had projected 'final consumption expenditure' to grow at a slightly higher pace of 2.6 per cent compared with 2.3 per cent in 2013.

8. After five consecutive quarters of decline, Gross Domestic Fixed Capital Formation (GDFCF) had expanded by 1.2 per cent in 2013Q4. However, the increase in GDFCF had been led by

the acquisition of several fishing vessels, which had a one-off positive impact on investment in *'machinery and equipment'*. Investment in *'building and construction work'* had fallen by 19.1 per cent in 2013Q4. Excluding *'aircraft and marine vessel'*, GDFCF was forecast to stagnate in 2014, following a contraction of 6.9 per cent in 2013, with marginal growth of 0.3 per cent in private investment offset by a contraction of 0.9 per cent in public investment. The investment rate was projected to decline to 20.9 per cent in 2014 while, at 13.0 per cent, the savings rate was forecast to remain around its current lows.

9. Total exports of goods, excluding *'ships' stores and bunkers'*, had increased by 7.2 per cent y-o-y in 2013Q4. This was mainly the result of higher exports of *'machinery and transport equipment'* on account of a large rise of 53.6 per cent in the Freeport re-exports of telecommunication equipment that contained a sizeable import element. Domestic exports had declined by 2.6 per cent y-o-y as against robust growth of 9.1 per cent a year ago, partly reflecting the weak recovery in the Eurozone. Total imports *c.i.f.* had gone up by 5.5 per cent y-o-y, with the imports of *'machinery and transport equipment'* driven by the purchase of marine vessels and imports of telecommunication equipment.

10. Tourist arrivals had dropped by 0.8 per cent y-o-y in 2014Q1, driven by declines in arrivals from a number of major markets, including France, UK and South Africa. In contrast, arrivals from China had surged by 93.4 per cent. Reflecting the mild performance of the tourist sector, tourist earnings had decreased by 4.5 per cent y-o-y. Statistics Mauritius had maintained its forecast of tourist arrivals at 1,025,000 for 2014, while tourist earnings were projected at Rs44.5 billion.

11. The MPC noted that the current account deficit in 2012 had been revised down from 10.5 per cent to 7.3 per cent of GDP following the inclusion of revised income data available from the results of the GBC1s Survey for 2012 and the FALS for 2011 and 2012. Over the year to 2013Q4, the current account deficit had increased to Rs9.4 billion due to a worsening trade balance coupled with a decrease in services and current transfers' surpluses. The current account deficit continued to be financed, with net inflows of Rs16.4 billion in the capital and financial account of the balance of payments.

12. Labour market conditions appeared to have stabilised. Statistics Mauritius estimated that the unemployment rate had remained unchanged at 8.0 per cent in 2013 compared to the preceding year. In 2013Q4, the unemployment rate had declined to 7.5 per cent, from 7.7 per cent a year ago. Nominal wage growth had dropped to an annualised pace of around 6 per cent q-o-q which was reflected in a decline in real wage growth.

13. Since the February 2014 MPC meeting, money and credit aggregates had continued to grow moderately despite high liquidity conditions. Broad Money Liabilities had grown by an average of 7.0 per cent in the first two months of 2014, while the monetary base had expanded

by 22.3 per cent in February 2014. Both loans to the other non-financial corporations and to other resident sectors had remained in line with past trends.

14. Y-o-y inflation had risen from 4.0 per cent in December 2013 to 4.5 per cent in March 2014, mostly reflecting substantial increases in the price of fresh vegetables as a result of bad weather. Other divisions' weighted contributions to the overall increase in y-o-y inflation between December 2013 and March 2014 were either flat or negligible. The transitory shocks affecting supply had hardly any impact on y-o-y CORE2 inflation, which fell further to 3.1 per cent in March 2014 from 3.2 per cent in December 2013, after it had momentarily risen to 3.4 per cent in January 2014.

15. The Bank's Inflation Expectation Survey carried out in February 2014 had shown that a majority of the respondents expected inflation to be lower than 4.5 per cent in June 2014 and December 2014, and within a range of 4.5-6.5 per cent a year ahead.

Domestic Financial Markets Developments

16. Staff reported that the overall excess liquidity in the banking system had averaged Rs11.0 billion since the February 2014 MPC meeting. Foreign financing of the Government's budget deficit and the net purchase of foreign currency by the Bank on the domestic foreign exchange market had contributed to the substantial excess liquidity.

17. The Bank had partially sterilised its foreign exchange operations by issuing Bank of Mauritius Bills, 3-Year Bank of Mauritius Notes and 15-Year Bank of Mauritius Bonds for a total amount of Rs7.34 billion since the February 2014 MPC meeting. As at 28 April 2014, an aggregate amount of Rs21.3 billion of Bank of Mauritius securities were outstanding.

18. Money market interest rates had continued to fall. The overnight weighted average interbank interest rate had reached 1.95 per cent by the end of April 2014 while the weighted yields on the 91-Day, 182-Day, 273-Day and 364-Day Treasury Bills had gone down to 2.78 per cent, 2.91 per cent, 2.93 per cent and 3.00 per cent, respectively. The weighted yield on 3-Year Treasury Notes had decreased to 4.17 per cent in April 2014.

19. The weighted average interest rate on rupee deposits and advances stood at 3.16 per cent and 8.12 per cent, respectively, as at end of February 2014. The real weighted savings deposits rate, using the y-o-y inflation rate, had stayed into negative territory, moving from minus 0.74 per cent in December 2013 to minus 2.27 per cent in February 2014.

20. The evolution of key currencies on international markets as well as domestic market conditions had continued to determine the path of the rupee exchange rate. Since the February 2014 MPC meeting, the dealt rupee exchange rate had appreciated against the US dollar, but had depreciated against the euro and remained broadly stable against the Pound sterling. The trade-

weighted rupee had not changed much in nominal terms, but had depreciated by 1.23 per cent in real terms.

Staff Economic Outlook

21. Staff noted that domestic economic developments had been broadly in line with expectations. Prospects for strengthening external demand, with the recovery becoming more entrenched in main export markets, continued to be supportive of domestic growth. Real output was assessed to be growing near its potential. Whilst upside risks had emerged from a possible acceleration in Eurozone growth over the year, a number of downside risks to the growth outlook persisted notably from the fragile conditions of trading-partner economies and the uncertain impact of the US Fed tapering. The domestic economy also continued to suffer from structural constraints that it needed to overcome to take full advantage of the global recovery. The forecast for output to grow within a range of 3.7-4.0 per cent for 2014, announced at the February 2014 MPC meeting, remained unchanged.

22. Staff viewed that recent CPI data did not suggest any major change in the current underlying inflation dynamics. The transitory supply shocks that had caused a rise in inflation in 2014Q1 were expected to fade over the forecast horizon. External inflationary pressures appeared to be subdued. Domestically, nominal and real wage growth had declined while exchange rate developments had remained stable. On a no-policy change, Staff forecast that y-o-y inflation would be within a range of 3.9-4.1 per cent by June 2014 before increasing to a range of 3.9-4.3 per cent by December 2014.

Institutional Presentations to the MPC

23. 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 duties. In compliance with this mandate, the MPC heard the Ag. Deputy Financial Secretary, Mr Patrick Yip, on behalf of the Ministry of Finance and Economic Development. Mr Yip shared the Ministry's view that, though a slight reduction in the KRR might have been required to boost investment and employment creation, there was a case for maintaining the KRR above the inflation rate to ensure a positive real policy rate. The Ministry was thus recommending leaving the KRR unchanged.

24. Mr Suttyhudeo Tengur, President of the Association for the Protection of the Environment and the Consumers, made a representation to the MPC that the KRR should be raised to increase savings in the economy. Low interest on savings deposits coupled with high inflation had adversely affected savings whilst having little impact on investment.

25. The MPC took note of a recent Staff study that estimated the path of the neutral interest rate based on three versions of the Taylor Rule, and several scenarios. The Taylor Rule, which is widely used in many central banks as an input into monetary policy decision-making,

emphasises the importance of a policy rule-like behaviour on the part of central banks. As it relies on the policymakers' preferences for growth and inflation, the various scenarios assigned different weights to the output gap and the deviations of inflation from its target or expected value. The results of all scenarios had consistently indicated that since 2013Q4, the KRR had fallen behind the neutral rate of interest. Those results called for interest rate normalisation given the need for pre-emptive monetary policy.

26. External presentations are summarised in Annex 1. The full set of presentations made at the MPC meeting is now available on the Bank's website at *https://www.bom.mu*.

The Monetary Policy Decision

27. The MPC noted the improvement in the global economy since the February 2014 MPC meeting, although growth remained slow and uneven. Members concurred that economic activity was firming up in advanced economies, particularly in the US and UK. While positive data were emerging from the Eurozone, the pace of recovery was weak and there were still concerns about the state of the French economy. The sluggish growth prospects for emerging market economies as well as geopolitical uncertainty constituted downside risks to global output expansion. At the same time, global inflation had been relatively low with few pressures from commodity prices. Monetary policy had stayed accommodative in advanced economies but was being tightened in some emerging market economies to tackle inflationary pressures resulting from currency depreciation. Members underlined the need to remain vigilant against the risks of heightened market volatility in the wake of the US Fed tapering.

28. The Committee viewed that the domestic economy had continued to perform well given the challenging international environment. Looking ahead, the pick-up in global economic activity as well as continued diversification efforts were expected to have a positive impact on domestic growth. Some members pointed out that the conditions in the economy remained fragile in light of recent negative developments such as the drop in tourist arrivals and fall in business confidence. Other members, however, underlined that as a result of the structural changes that had led to a lower potential output growth than in recent years, the economy was growing near its potential. They viewed that there was little monetary policy could do to stimulate activity further. Rather, sustained action was needed on the fiscal front to bring the economy to a higher growth path.

29. Taking stock of the revisions to the balance of payments data, one member pointed to some macroeconomic inconsistency as the revisions had not been included in the national accounts data released in March 2014. It was therefore possible that output growth and the savings rate might actually be higher than published.

30. Members took note of the rise in inflation during the first quarter of 2014 due to the increase in vegetable prices. A majority of members viewed that the inflation outlook had remained

broadly the same as at the February 2014 MPC meeting. There continued to be few pressures from global commodity prices while the negative output gap and other domestic factors, such as the rupee exchange rate or wages, were expected to keep inflation subdued. Some members, however, underscored the need to stay cautious as upcoming National Remuneration Board wage awards in the private sector still constituted an upside risk to the inflation outlook.

31. Members shared some views on the possibility of moving to a flexible inflation targeting regime within the next twelve months. This would allow the adoption of a target inflation rate that was near the 3 per cent convergence criterion set by the Association of African Central Banks and Southern African Development Community. Members' attention was drawn to certain related issues, notably the measure of inflation to be used and the need to clearly differentiate between temporary supply shocks and trade shocks in determining the monetary policy stance.

32. The need for normalising interest rates was brought up, taking into consideration growing financial sector and external vulnerabilities. Discussions at the recent IMF Spring Meeting on the theme *"monetary policy in the new normal"* had emphasised the need to implement micro and macro prudential policies, a flexible exchange rate regime, fiscal consolidation and a positive real interest rate to maintain financial and external stability. Some members argued that the only tool that had yet to be implemented in Mauritius was to have a positive real interest rate, which warranted interest rate normalisation. Many central banks had started the process some time ago to avoid financial markets volatility. However, other members were of the view that it would be premature to start increasing interest rates before the recovery gained strength and given the low inflationary pressures.

33. Some members were of the view that low interest rates had led to serious resource misallocation, particularly in the construction and tourism sectors. The private sector was highly leveraged and there were signs of connected party lending that posed contagion risks. Macro prudential measures had been introduced to diminish the risks in the corporate sector, but they had to be supported by a process of normalisation. Other members nonetheless assessed that the slow recovery in the construction and tourism sectors called for lower, rather than higher, rates.

34. In the same vein, some members viewed that the prolonged period of low interest rates had contributed to the downward trend in the domestic savings rate, which was now at historical lows of around 13 per cent compared to an average of around 27 per cent in the 1990s. On the other hand, it had not provided the expected boost to private investment, which was mostly driven by external demand. Weak domestic savings exposed the economy to external shocks and supported the case for interest rate normalisation. With a large GBC sector, it was also important to reinforce the country's attractiveness for investors by maintaining favourable interest rate differentials. Other members, however, considered it more important to keep interest rates at current levels to stimulate investment.

35. While welcoming the technical work being undertaken by the Staff of the Bank, several members raised issues relating to data, measure of inflation used as well as methodology on the results presented at the MPC. They noted that the policy rate predicted by the Taylor rule would lead to very high volatility in the KRR, which could destabilize financial markets. This particular application of the Taylor Rule called for a different reaction on the part of the central bank in 2014Q1 compared to a year ago despite the fact that nothing had changed much in the economy. They believed that it would not be appropriate to react strongly to the January-February increase in food prices. The results presented could thus be considered as work in progress.

All members agreed that the Taylor Rule can only be a guide to policy and is not a substitute for sound reasoned judgement.

36. The Committee weighed the risks to the growth and inflation outlook over the policy-relevant horizon and discussed alternative interest rate scenarios. A majority of members considered that the economic outlook in main export markets was still uncertain and that the domestic economy remained at risk from any adverse developments in those countries. They laid emphasis on the negative output gap and high unemployment rate while investment was declining. Concurrently, the inflation outlook was benign, with inflation expectations well anchored. The policy rate remained positive in real terms. The large current account deficit and declining savings rate were areas of concern, but they should be addressed through other means than monetary policy. With risks to the growth and inflation outlook seen to be broadly balanced, these members viewed that there was no justification for a change in the monetary policy stance and that it would be premature to increase the KRR.

37. The other members underlined that the domestic economy had withstood global headwinds relatively well, and the outlook was for faster growth close to potential for 2014. Unemployment was structural and, though elevated, was broadly stable at lower levels than in some of the years preceding the crisis. The ease of doing business was an obstacle to investment, which public sector policies should offset. While inflationary pressures had decreased, there were still risks from potential wage rises in the private sector. Overall, the accommodative monetary policy was no longer stimulating the economy. However, it was contributing to vulnerabilities in the financial and external sectors, characterised by high levels of corporate indebtedness, declining savings rate and high current account deficit. Moreover, estimates of the neutral interest rate using the Taylor Rule had suggested that monetary policy was falling behind the curve. It was therefore high time to start the process of interest rate normalisation to enhance savings, improve interest rate differentials and reduce the risks to financial and external stability.

Voting Pattern

38. 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 voted to increase the KRR by 50 basis points but indicated that he could have envisaged an increase of 35 basis points to start the process of interest rate normalisation. Mr Yandraduth Googoolye and Mr Issa Soormally both voted to increase the KRR by 50 basis points.

39. The Committee thus 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 50 basis points.

40. 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.

41. The meeting adjourned at 17.15 hours. The next MPC meeting is scheduled on Monday 14 July 2014.

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

43. **Voting against the MPC action:** Mr Rundheersing Bheenick, Mr Yandraduth Googoolye and Mr Issa Soormally.

Bank of Mauritius
12 May 2014

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 Patrick Yip, Ag. Deputy Financial Secretary. The main thrust of his submission was as follows:

1. The Ministry was satisfied with decisions taken at the recent MPC meetings and highlighted the 2014 IMF Article IV Consultations assessment that the current monetary stance was broadly appropriate.

2. The Ministry was fully aware of the limitations of monetary policy in addressing economic problems and had therefore initiated a number of structural reforms and other policies. Among these, there were specific policies to address the problems of youth and female unemployment; and schemes to lower the cost of finance for SMEs, micro-enterprises and middle-income households purchasing a house. Several actions had also been taken to boost investment and growth. Further, Government was focussing on key institutional reforms to deal with underperformance of a number of public sector institutions and SOEs.

3. Fiscal consolidation efforts were expected to be maintained in 2014 in view of bringing down public debt to 50 per cent of GDP by 2018. It was now estimated that the budget deficit would be below 3 per cent of GDP in 2014 and that Government borrowing requirements would be around Rs1 billion lower than initially budgeted.

4. The Ministry viewed that such actions, together with the current global and domestic economic trends showed that there was no need to deviate from the present monetary and fiscal policy stance. It believed that a tightening of the monetary policy would be most inappropriate.

5. The prospects for the global economy for 2014 were quite strong although the recovery remained fragile. Statistics Mauritius was maintaining its growth forecast at 3.7 per cent for 2014 but there were downside risks on tourism, exports, investment and growth. The economy continued to operate below potential while the rupee exchange rate appeared to be stable. Price pressures were expected to be subdued both at the global and domestic levels, and administrative prices were unlikely to be increased. Statistics Mauritius forecast headline inflation for 2014 between 4.0-4.5 per cent, consistent with the traditional implicit target of 5 per cent that the IMF refers to in its 2014 Article IV Consultation Staff Report for Mauritius.

6. On excess liquidity, it was noted that there had been seven meetings of the Joint Working Committee on Liquidity at MOFED. It was expected that the resulting work would enhance the stability of the system and restore the monetary policy transmission mechanism. Action had already been taken to frontload Rs3.6 billion of Government borrowing in order to reduce

excess liquidity during the first semester of this year. This initiative would cost Government around Rs 85 million. MOFED also cancelled a few tranches on the African Development Bank Budget Support Loan and made use of local funds for the conduct of Government operations instead. It was additionally reviewing the mode of financing of major infrastructure projects like new roads and the Mauritius Light Rapid Transit (MLRT) project. The frontloading of an additional Rs2.4 billion 2014H1, including retail issues of Government Savings Bonds, was under discussion.

7. It was noted that Government had borrowed more than its requirements during 2014Q1 and this should have brought down the level of excess liquidity. However, finding a comprehensive solution to the problem of excess liquidity might require a change in the law given the binding commitment to bring down public debt to below 50 per cent of GDP by 2018. Both the Bank and the Government would have therefore to agree on the modalities of cost sharing when removing excess liquidity.

8. The Ministry saw no case for raising the KRR and proposed to keep it unchanged. A rise in the KRR could undermine all efforts to boost investment and growth, to create jobs and support micro-enterprises and SMEs. It might even push many companies into insolvency and create further unemployment. Thousands of households that are indebted - with some of these households being highly indebted - would suffer considerably from an increase in the KRR.

Summary of the presentation by Mr Suttyhudeo Tengur

9. Mr Tengur countered the arguments that any increase in the policy rate would negatively affect investment and unemployment and represent risks for manufacturing exports. He argued that investment had not increased, but had contracted in the low interest rate environment. However, the increase in inflation and lower interest on savings deposits had adversely impacted on public and private sector employees, who are either low or middle-income earners. A rise in the KRR was therefore needed to address those issues.

10. Given that inflation had increased since the last MPC meeting and was expected to remain elevated in the coming months, the real interest rate on savings deposit was expected to remain in negative territory. This would induce people to borrow for consumption purposes, thereby increasing inflationary pressures in the economy. This also raised the problem of over-indebtedness.

11. The resource gap had widened, with the savings rate below the investment rate, and Mauritius was relying more and more on foreign savings to finance its investment. An increase in domestic savings was therefore important to create investment-induced economic growth, and this could happen with a rise in the KRR.

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 28 April 2014, the last available data on national accounts, employment and external trade were for 2013Q4. The last data available on CPI and inflation were for March 2014 while monetary data were available up to February 2014.

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.

GBC1s are resident corporations which conduct business outside Mauritius. The law has recently been amended to allow them to transact with residents provided that their activities in Mauritius are ancillary to their core business with non-residents.

KRR refers to the Key Repo Rate.

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

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