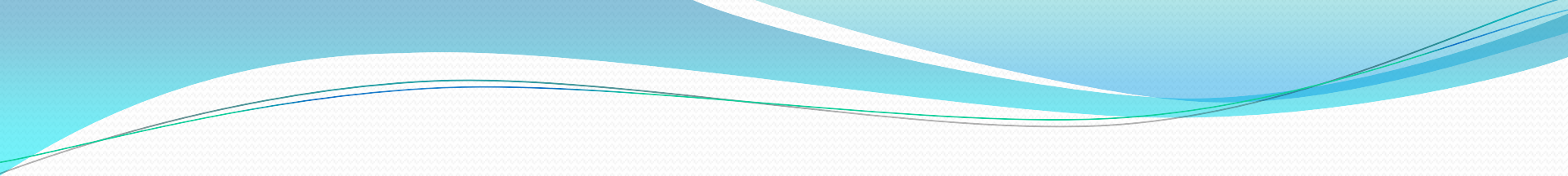
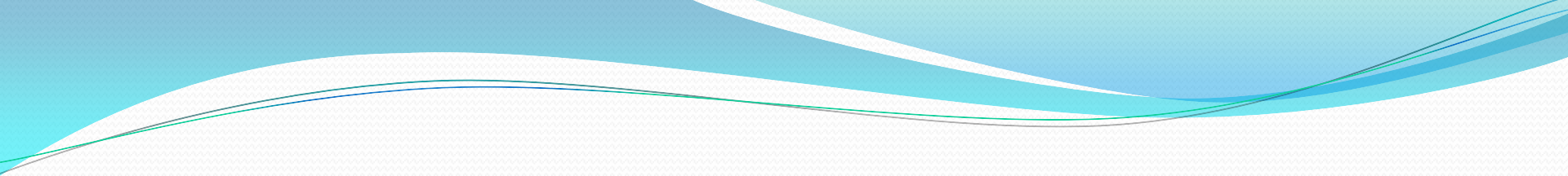
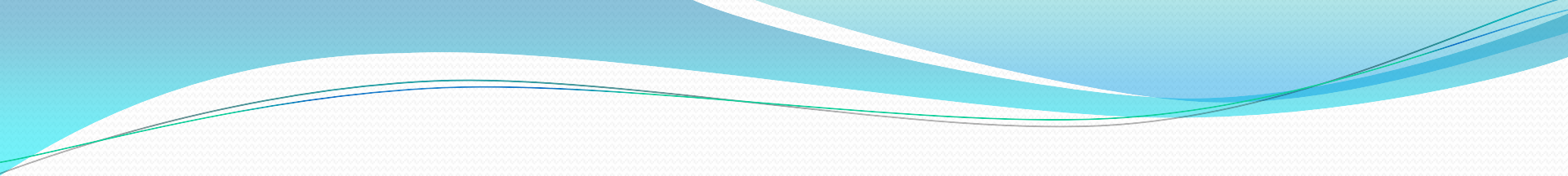


Association for the Protection of the Environment & Consumers

MONETARY POLICY COMMITTEE
Unchanged Repo Rate and its Implications

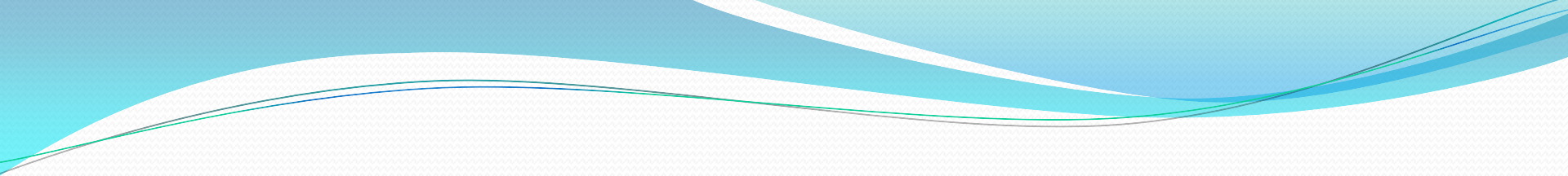
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- Do changes in interest rate affect investment and growth?
 - No, since private investment has declined despite low interest rates; and growth of 3.2% only recorded in 2013

- 
- Access to cheap money encourages local investors to borrow from local banks :
 - → increase in credit to some sectors like construction
 - → rise in non-performing loans
 - Need for a serious study on this issue

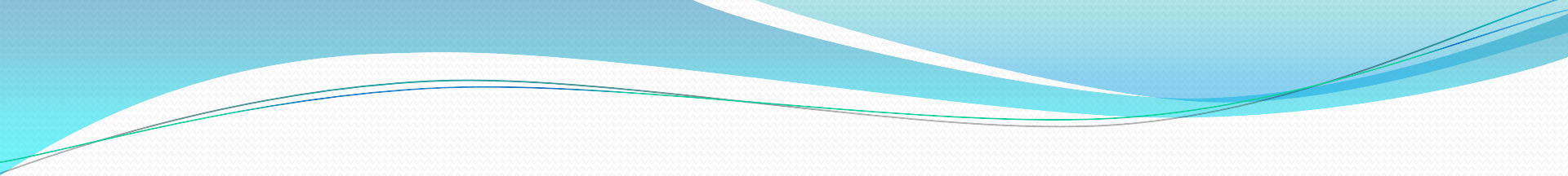
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- Fixed income earners penalised and impoverished
 - Savings rate down

Consumers draw in their savings to spend

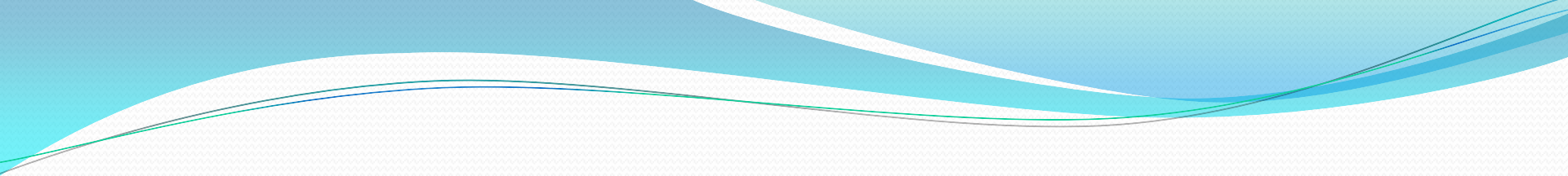
- **Saving-to-GDP ratio fell, from 14.4 per cent in 2012 to 12.8 per cent in 2013**



	Headline inflation	Year-on-Year CPI inflation
August 2013	3.5	3.1
September	3.5	3.3
October	3.4	3.4
November	3.5	3.9
December	3.5	4.0
January 2014	3.7	5.1
February	3.9	5.6
March	4.0	4.5



	Headline CORE1	Headline CORE2	Year-on-Year CORE1	Year-on-Year CORE2
August 2013	2.8	2.7	2.6	2.3
September	2.7	2.7	2.6	2.2
October	2.6	2.6	2.6	2.3
November	2.6	2.5	3.0	2.9
December	2.6	2.6	3.3	3.2
January 2014	2.8	2.6	3.6	3.4
February	2.9	2.7	3.5	3.2
March	2.9	2.7	2.7	3.1

- 
- **Mauritius is relying more and more on foreign saving to finance its current account deficit.**
 - **An increase in domestic saving can lead to a reduction in the current account deficit and bring about investment-induced economic growth**



Beware of liquidity trap!!!

- Low interest rates are not stimulating the economy



**A rise in the Key Repo Rate will have
positive effects on the life of people**



Thank You