



Monetary Policy Committee

Price Developments and Outlook Monetary and Balance of Payments Developments

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Head-Statistics
3 February 2014

Inflation Highlights

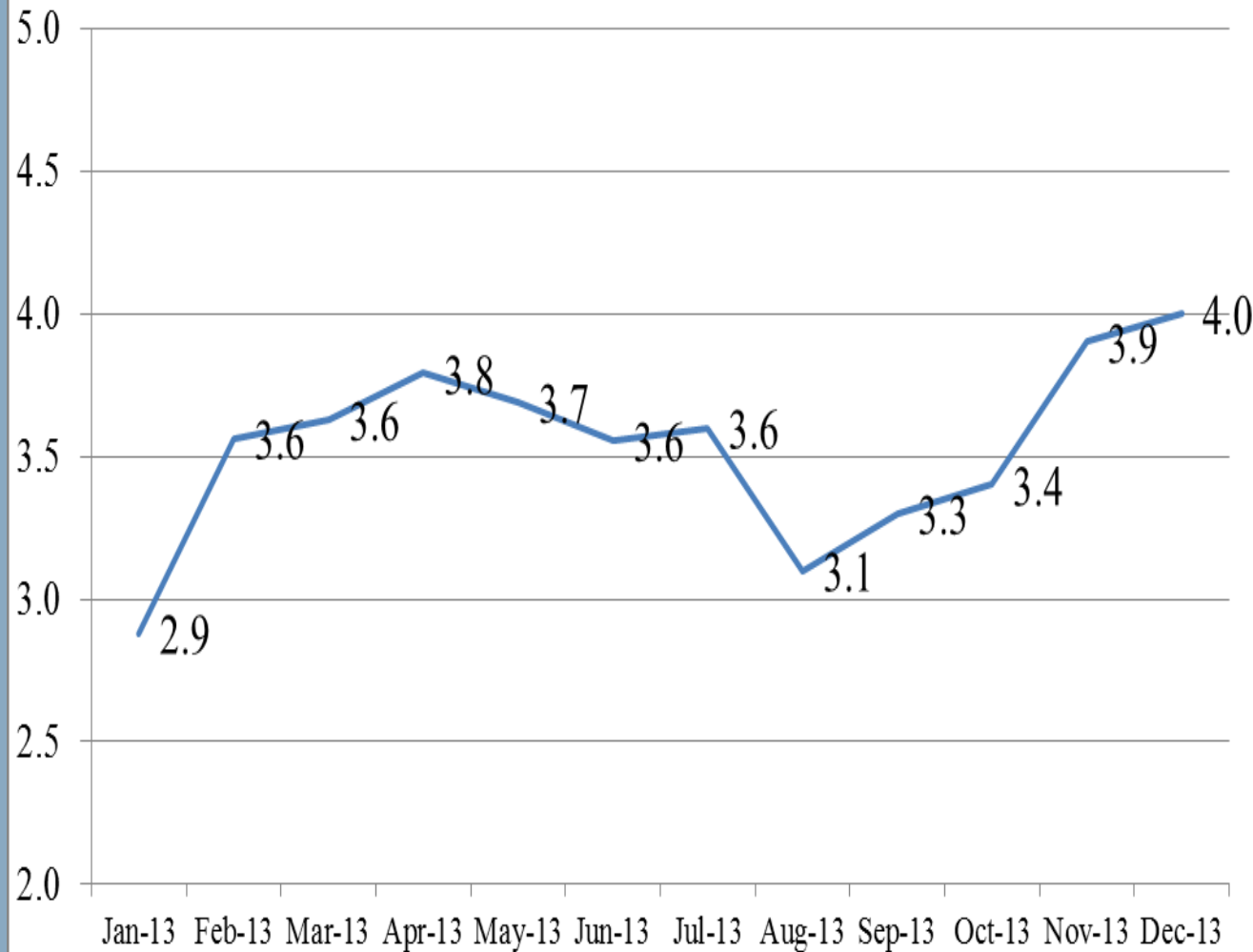


- ❑ November 2013 Budget had limited impact on prices: Overall impact on CPI limited to around 0.5 percentage point. Staff's 2 Scenarios: (1) based on past trends, assumed impact 1.3 – 1.5 percentage points; (2) Zero impact. Actual turned out close to zero
- ❑ Y-o-Y inflation to stay around 4.0 per cent in 2014
- ❑ No demand-driven inflationary pressures over the next 6 quarters, as output will remain below potential; No external pressures either: subdued global inflation and stable food and oil prices on increased supply

Y-o-Y Inflation Forecast and Actual- I



Year-on-year Inflation



Sept 2013 MPC: Last data point Aug2013;

Sc.1: Zero Budget Impact y-o-y inflation Dec2013 **3.7%-4.0 %**

Sc.2: Based on past data, assumed Budget Impact 1.3–1.5 point on CPI; y-o-y inflation **4.5% - 4.9%**

Actual y-o-y Inflation: **4.0%**

Y-o-Y Inflation Forecast and Actual- II



- ❑ CPI recomputed without effect of excise duty of 5% on alcoholic beverages and tobacco, y-o-y inflation would have been around 3.6 per cent fairly close to the lower band of the forecast range of between 3.7% and 4.0% for the zero budget impact scenario
- ❑ Micro data on components of alcoholic beverages showed an increase of 7.2% on spirits between Oct and Nov and a decline of 2.4% between Nov and Dec; Is this a fundamental supply/demand response? Firms cutting prices to sustain demand or a temporary phenomenon because of festive season

Y-o-Y Inflation Forecast and Actual- III



- ❑ Difference between actual and forecast rests on magnitude of excise duty change
- ❑ Currently, forecast are based on past trends and judgement; Model-Based forecasts also presented
- ❑ Going forward, forecast exercise can improve significantly if prior information is available from MOFED
- ❑ Future: Greater weight on Model-based Inflation forecast



Weighted Contribution to CPI Inflation

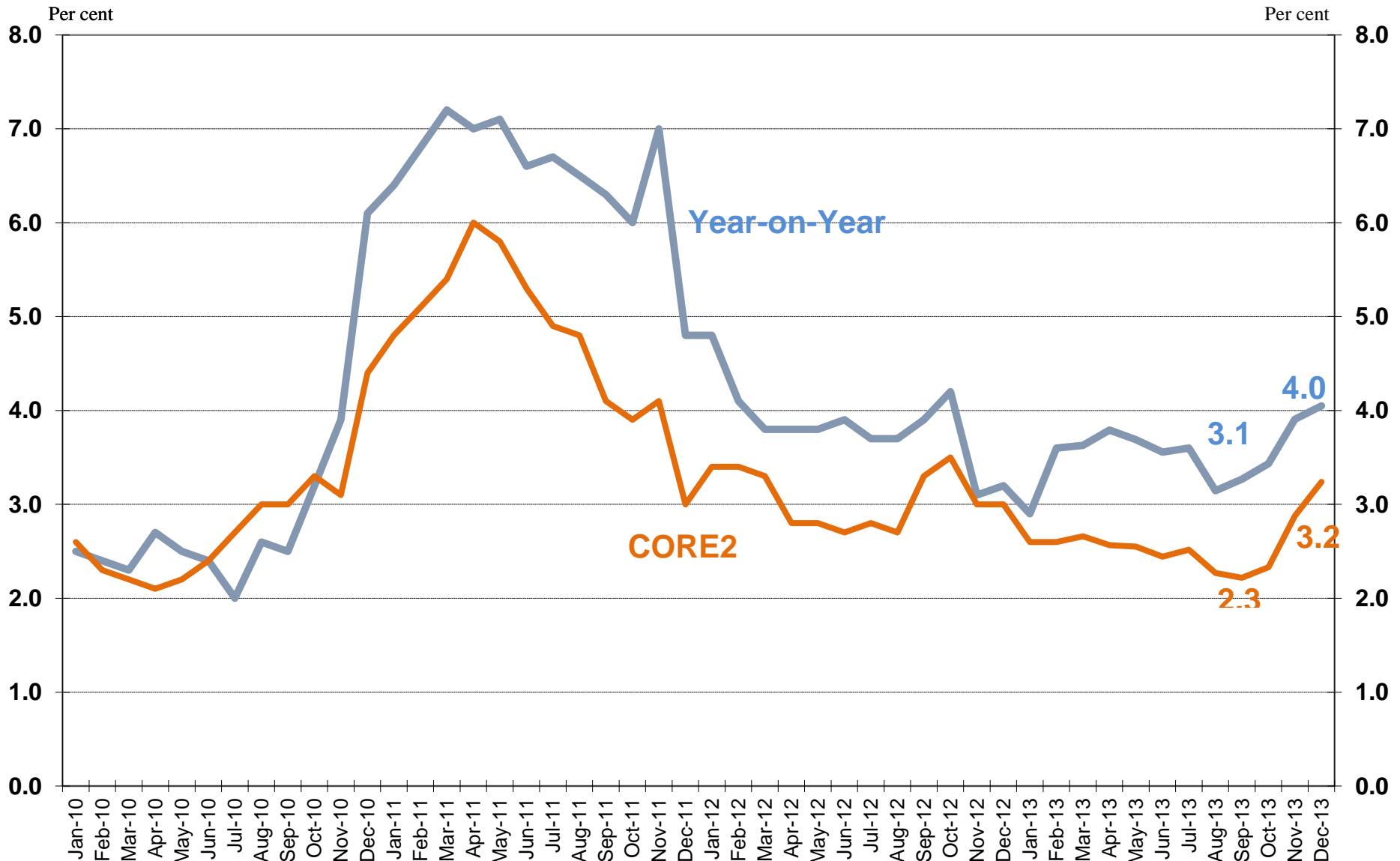
DIVISIONS	Weights	Consumer Price Index		Contribution to inflation (<i>index point</i>):	
		Aug-13	Dec-13	Dec-13 - Aug-13	A year ago
<i>Food and Non Alcoholic Beverages</i>	273	102.5	105.3	0.8	1.4
<i>Alcoholic Beverages and Tobacco</i>	96	109.7	116.2	0.6	0.7
<i>Clothing and Footwear</i>	45	104.0	107.8	0.2	0.3
<i>Housing, Water, Electricity, Gas and Other Fuels</i>	120	100.3	100.3	0.0	0.0
<i>Furnishings, Household Equipment and Routine Household Maintenance</i>	61	102.5	102.0	0.0	0.1
<i>Health</i>	40	103.9	105.5	0.1	0.2
<i>Transport</i>	151	103.6	105.0	0.2	0.7
<i>Communication</i>	39	100.1	100.0	0.0	0.0
<i>Recreation and Culture</i>	44	102.6	104.1	0.1	0.2
<i>Education</i>	45	101.9	101.9	0.0	0.0
<i>Restaurants and Hotels</i>	45	106.4	109.5	0.1	0.2
<i>Miscellaneous Goods and Services</i>	41	102.4	102.3	0.0	0.2
Overall	1000	103.3	105.3	2.0	4.0

Measures of Consumer Inflation

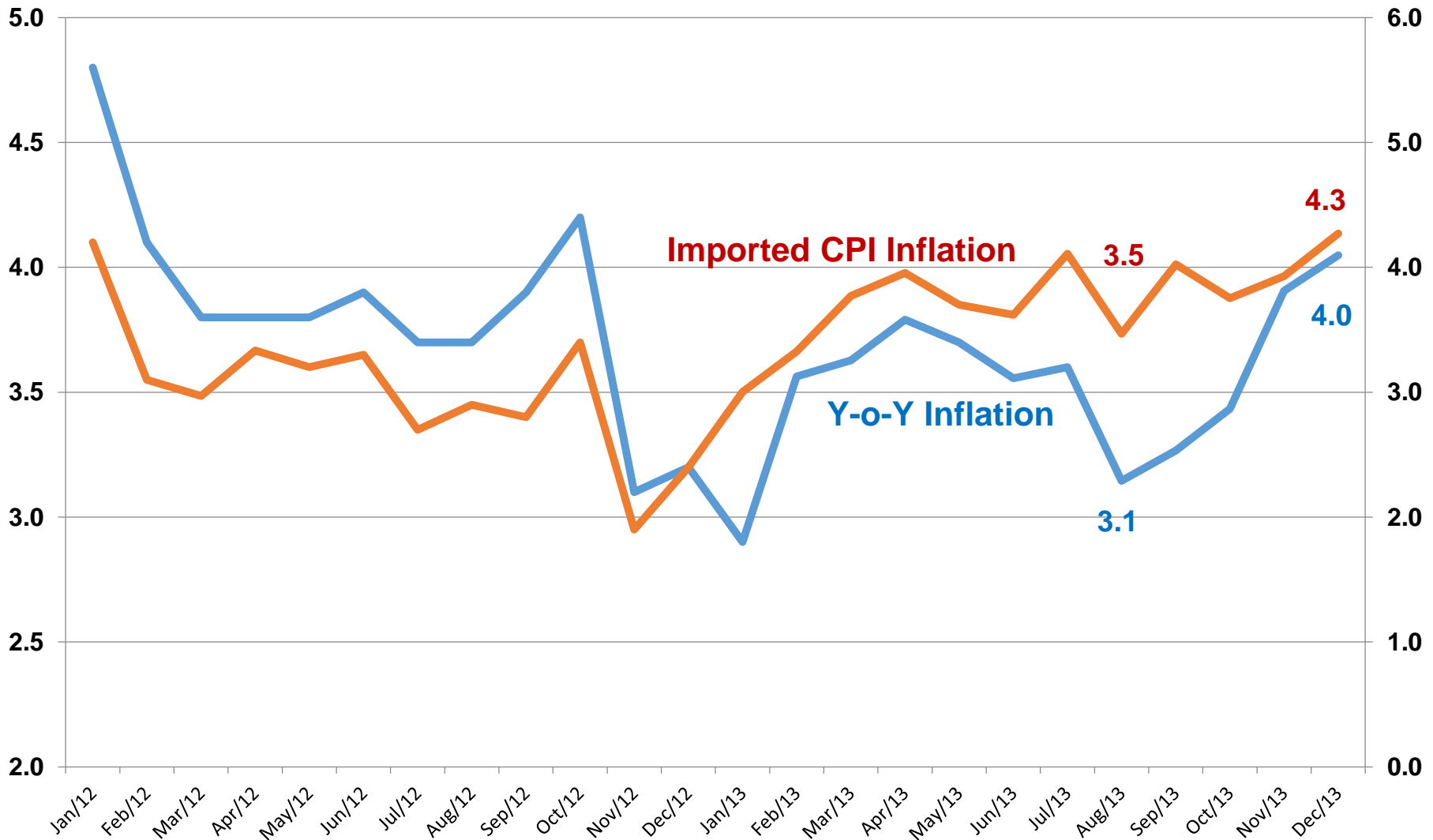


	Dec-12	Mar-13	Jun-13	Sep-13	Oct-13	Nov-13	Dec-13
Headline	3.9	3.6	3.6	3.5	3.4	3.5	3.5
Year-on-Year							
	Dec-12	Mar-13	Jun-13	Sep-13	Oct-13	Nov-13	Dec-13
CPI	3.2	3.6	3.6	3.3	3.4	3.9	4.0
CORE1	3.2	2.7	2.5	2.6	2.6	3.0	3.3
CORE2	3.0	2.7	2.4	2.2	2.3	2.9	3.2
Food	1.1	3.1	3.7	2.0	2.8	4.7	5.1
Non-Food	4.0	3.9	3.5	3.7	3.7	3.7	3.7
Goods	2.9	4.3	4.2	3.5	3.8	4.6	4.7
Services	3.9	2.1	2.2	2.6	2.7	2.7	2.9

Year-on-Year and CORE2



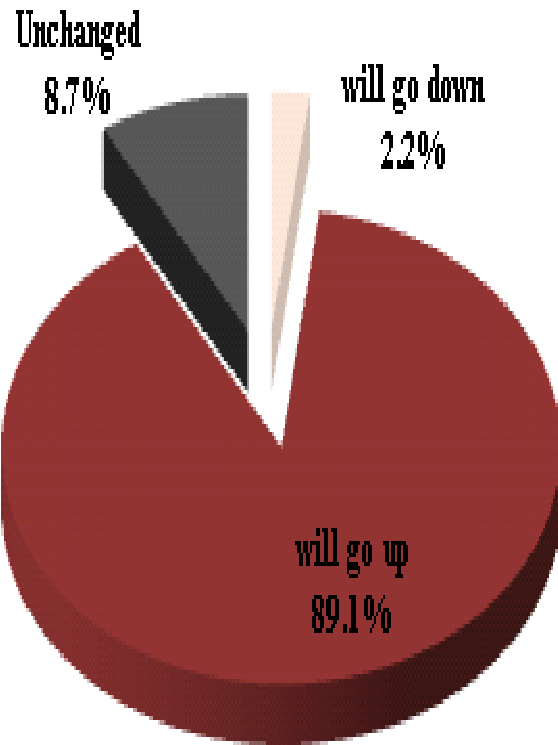
Y-o-Y Inflation and Its Imported Component



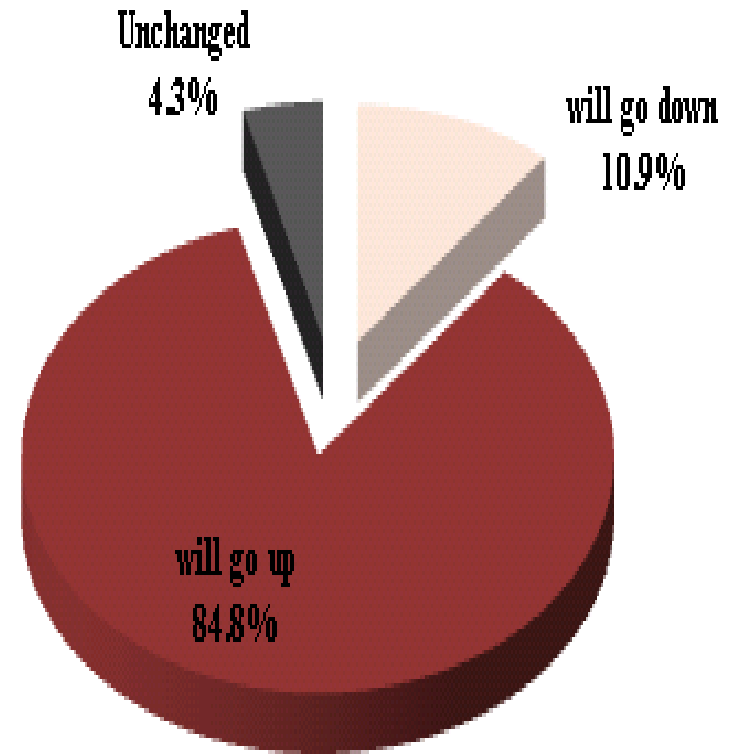
Price Expectations a year ahead



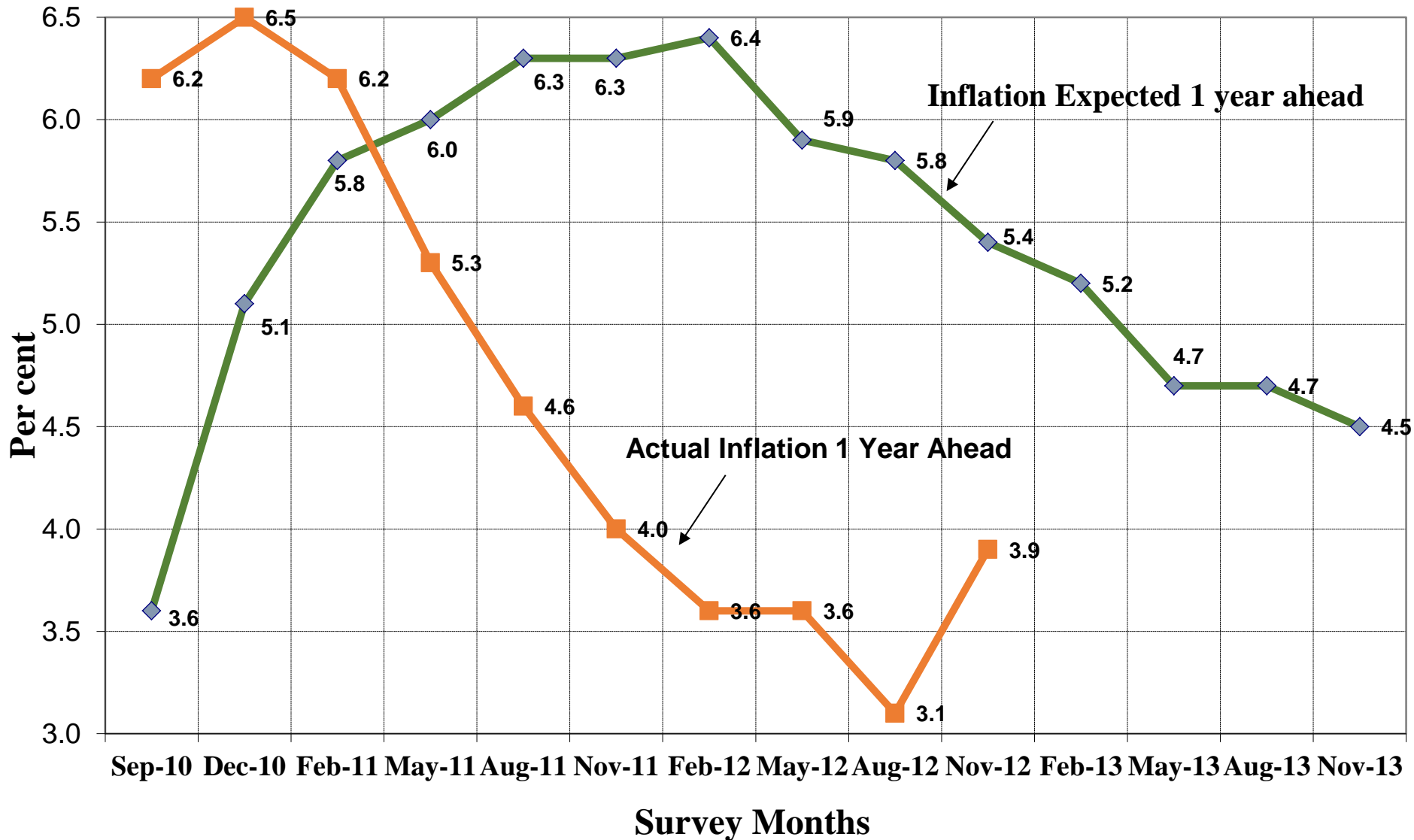
August 2013



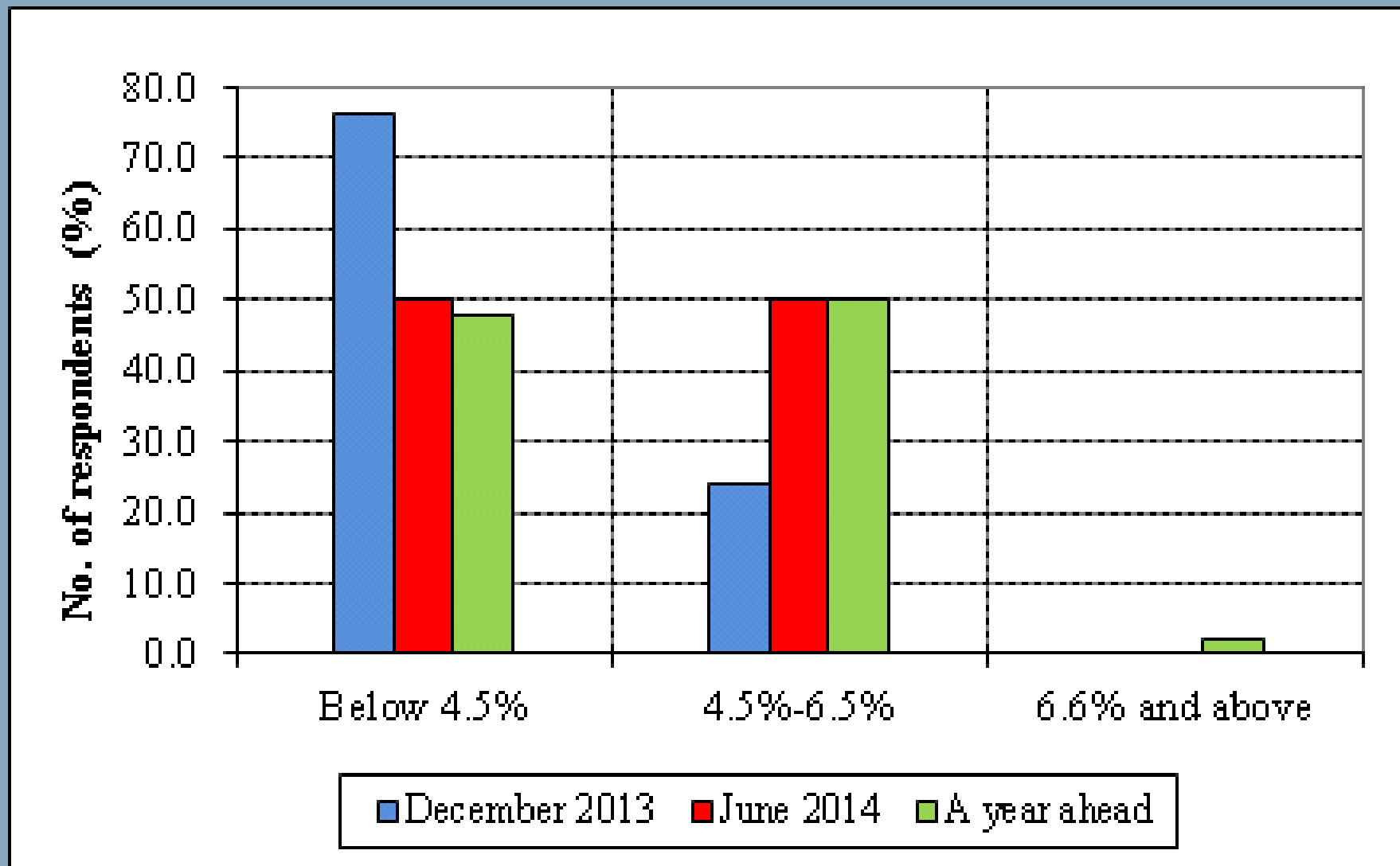
November 2013



Inflation Expectations Mean-trend - A year ahead

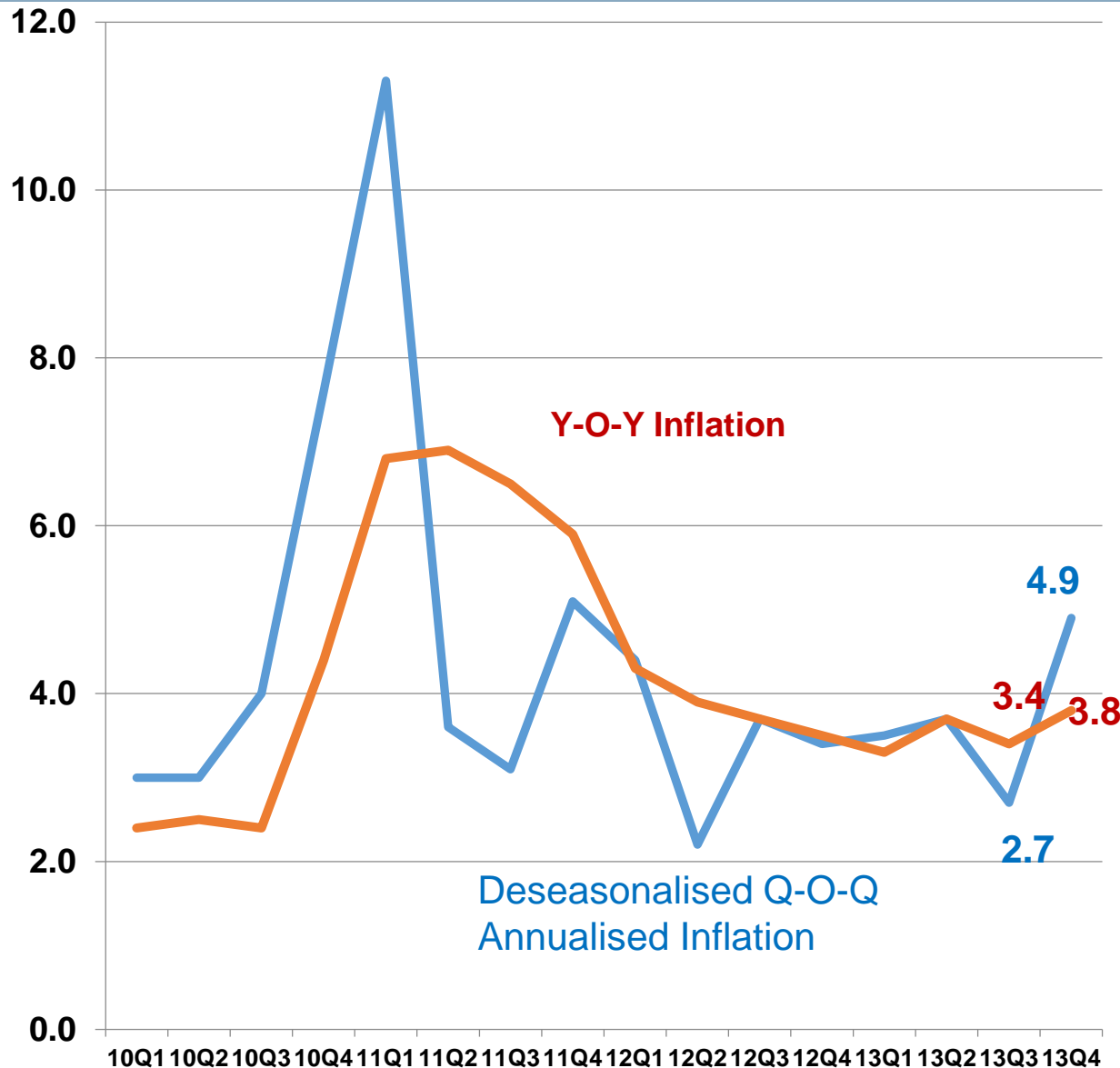


Mean Expectations – Time Horizons (after Budget)





Recent Trends: Quarterly Average Inflation



Recent short-term dynamics indicate over the next quarter, it is likely that inflation would sustain its current momentum, but on-going fiscal consolidation and possible normalisation of interest rates, as well as stable exchange rate would keep inflationary pressures in check; Global commodity prices subdued on increased supply; Wages faster than Productivity



Staff Inflation Forecasts: Expert Judgement

	Year-on-Year	Headline
Jun-14	3.9 - 4.1	3.6 - 3.7
Dec-14	3.9 - 4.3	3.9 - 4.1

Staff Inflation Forecasts: Model-Based



Period	Y-o-Y Inflation
2014Q1	3.8
2014Q2	3.6
2014Q3	4.1
2014Q4	4.0
2015Q2	4.6

Output & Inflation Forecast Summary



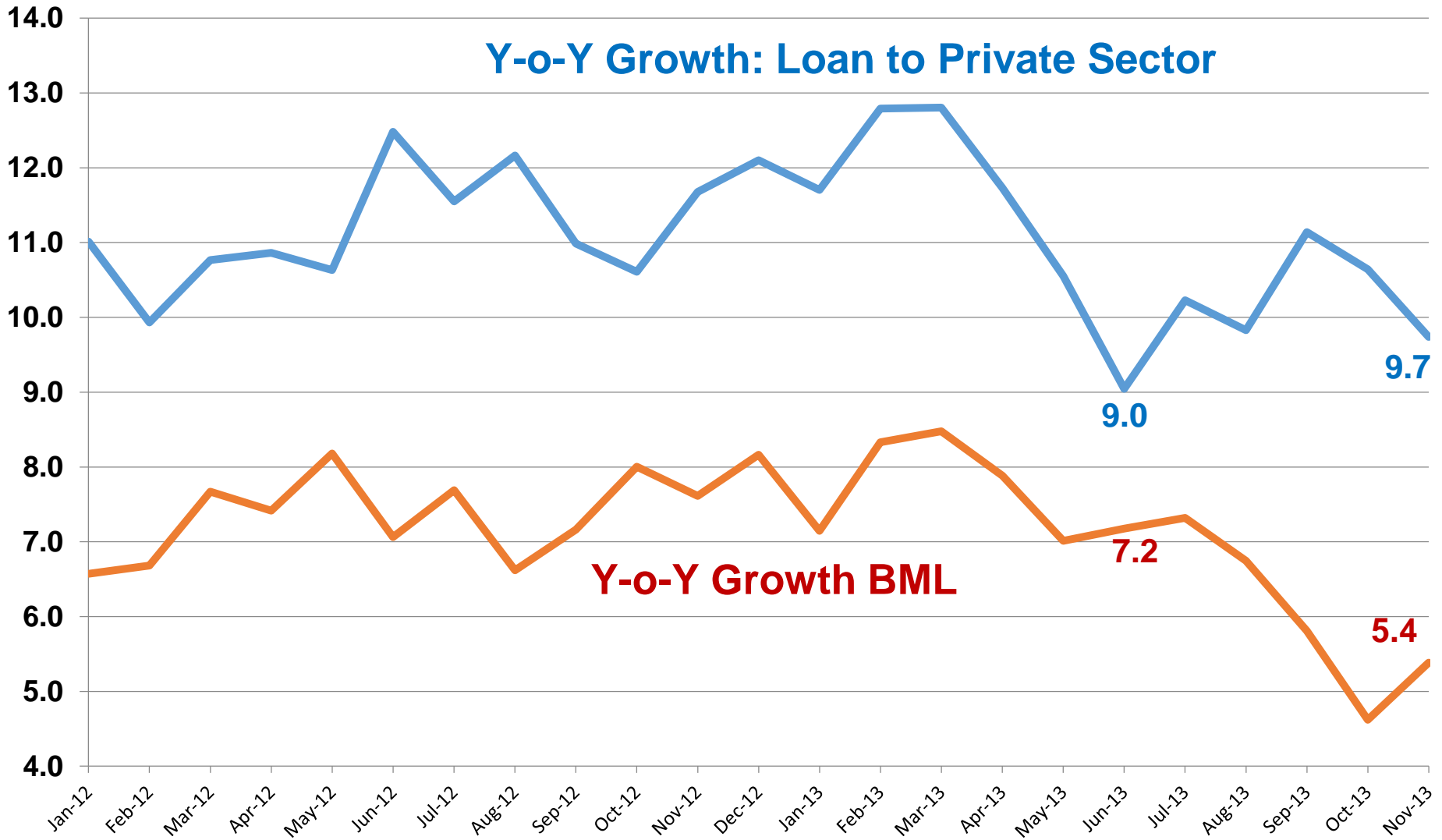
	Growth Forecasts	Inflation Forecasts
IMF WEO	4.4	4.7
MCCI	3.4	4.0
MCB Focus	3.6	3.9
Pluriconseil	3.5-3.7	4.5
Statistics Mauritius	3.7	n.a.
Budget 2014	3.8	4.5

MONETARY DEVELOPMENTS



Y-o-Y Growth: Loan to Private Sector

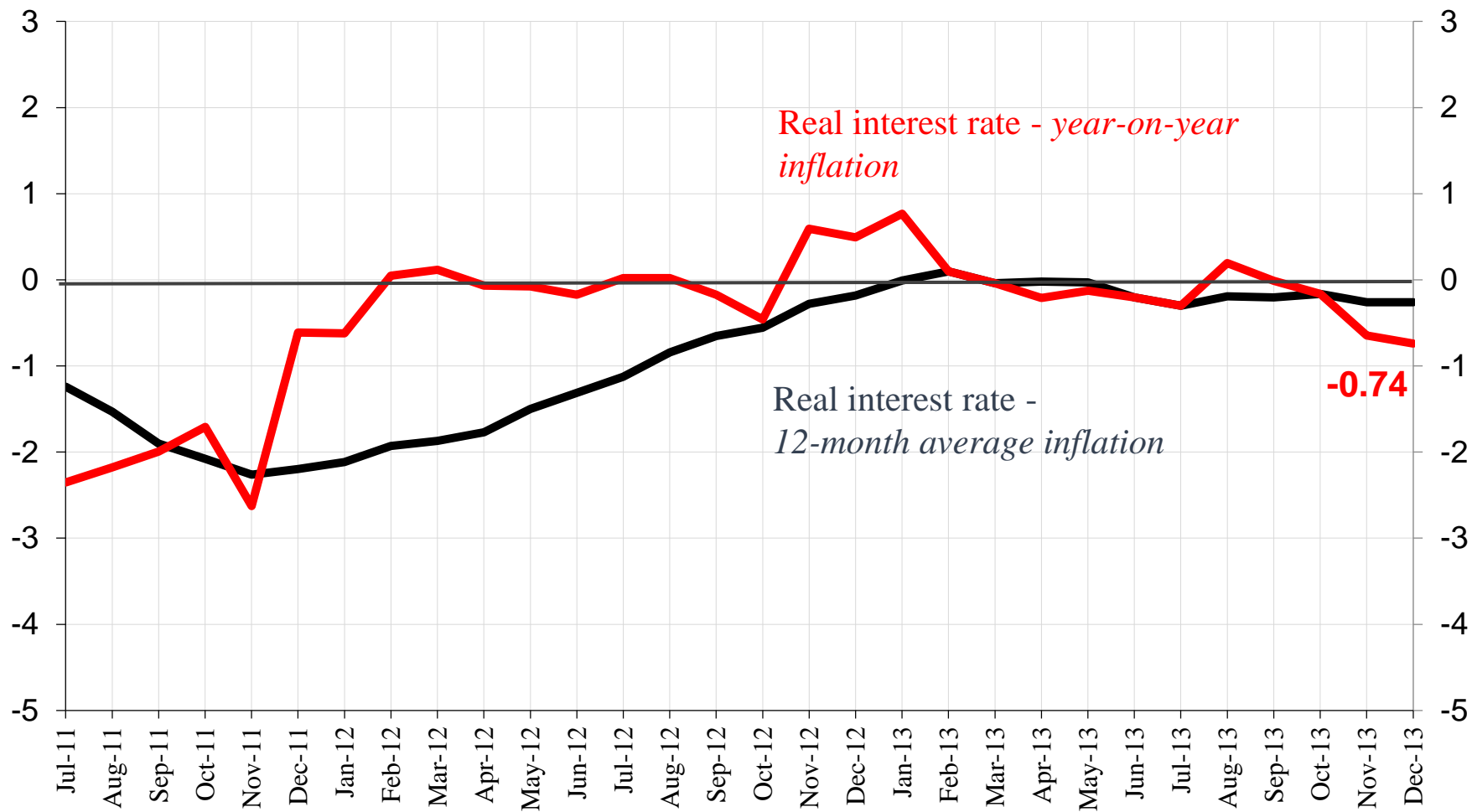
Y-o-Y Growth BML



INTEREST RATE DEVELOPMENTS



Per cent

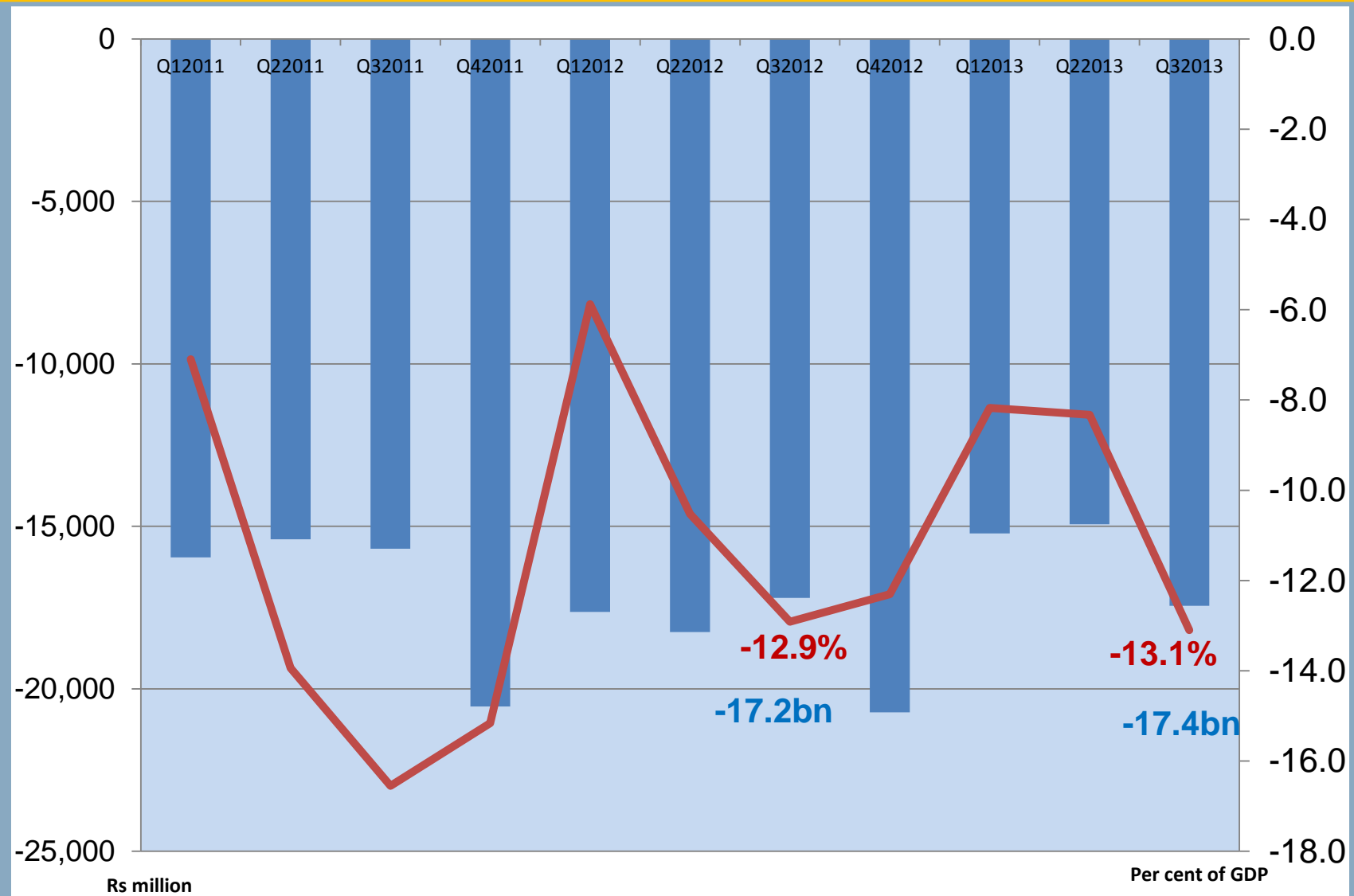




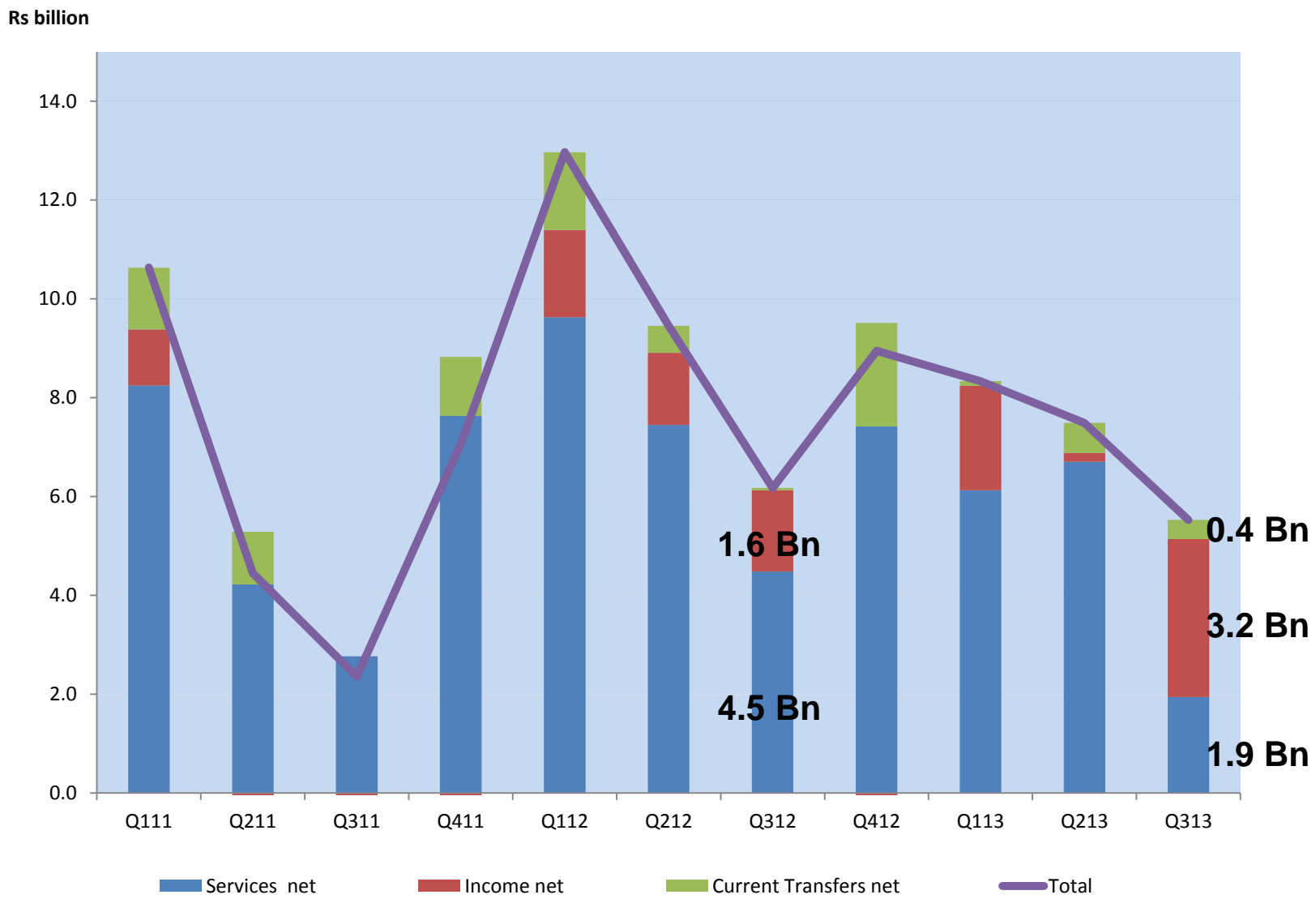
BALANCE OF PAYMENTS DEVELOPMENTS



Merchandise Trade & Current Account Deficit Ratio



Net Invisibles

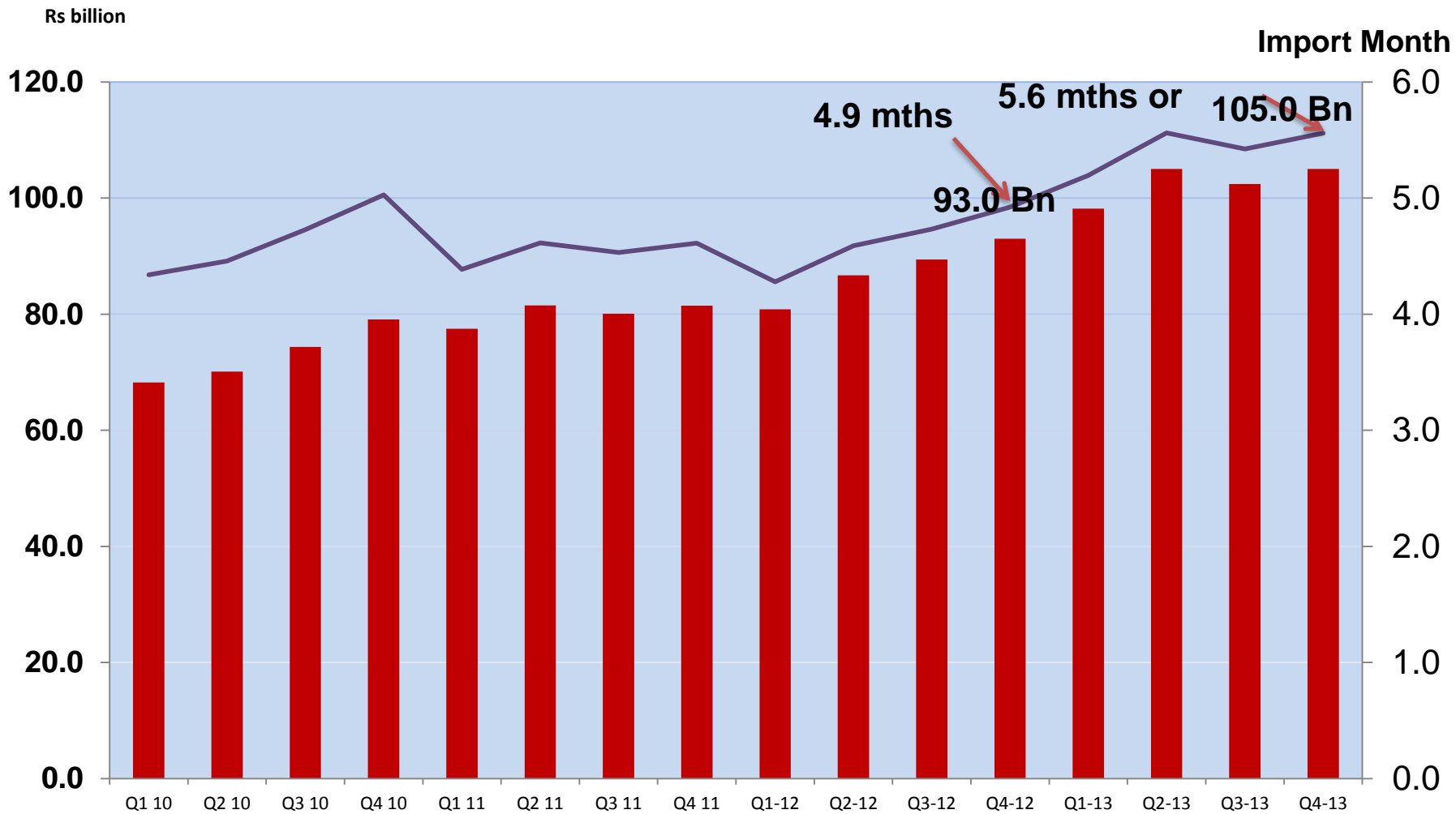




Financing of the current account

Rs million	Q1_12	Q2_12	Q3_12	Q1_13	Q2_13	Q3_13
Fin. A/c	-31,862	49,317	-7,446	12,417	5,838	18,165
Direct Inv.	764	1,361	642	1,586	670	147
<i>Abroad</i>	-656	-646	-551	-612	-1,066	-1,145
<i>In Mauritius</i>	1,420	2,007	1,193	2,198	1,736	1,292
Portfolio Inv.	-547	3,822	1,983	1,813	2,142	743
Assets	-1,228	1,537	390	1,986	499	773
Liabilities	681	2,285	1,593	-173	1,643	-30
Other Inv.	-33,693	47,104	-8,966	14,022	13,672	13,844
Reserve Assets	1,614	-2,970	-1,105	-5,004	-10,646	3,431
Net GBC Flows	37,459	-39,145	16,255	-4,177	-768	-2,918

Reserves Adequacy





Thank you