



BANK OF MAURITIUS

Communiqué

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**The Monetary Policy Committee of the Bank of Mauritius
cuts the Key Repo Rate by 50 basis points**

The Monetary Policy Committee (MPC) of the Bank of Mauritius has decided by a majority vote, after a second round of voting, to cut the Key Repo Rate by 50 basis points to 4.90 per cent per annum at its meeting today.

The MPC noted that downside risks to the global growth outlook were still important although there were signs of stabilisation in the euro zone following the implementation of recent measures by European authorities to address the sovereign debt crisis. Fears of a global recession have receded and the US economic outlook is improving. Global inflationary pressures have eased, providing the flexibility to central banks in most advanced and some emerging economies to pursue accommodative monetary policies.

In Mauritius, growth momentum is still positive although expected to slow a little before the signs of recovery in target markets begin to change the outlook for exports. Growth is projected to decline to 3.8 per cent in 2012 but could turn out to be lower due to the continuing uncertainty in the global environment, especially if tensions resurface in critical markets.

The MPC observed that inflationary pressures had eased slightly although upside risks from rising commodity prices could affect the outlook. Headline inflation is projected, on a no-policy-change basis, to decline to around 5.3 per cent by June 2012 while year-on-year inflation is projected at 4.8 per cent in June 2012 and 4.7 per cent by December 2012.

The MPC weighed the risks to the growth and inflation outlook over the policy-relevant horizon and concurred that a cut in the Key Repo Rate was warranted in view of the higher downside risks to the domestic growth outlook compared with the upside risks to the inflation outlook. The voting pattern was, however, split with regard to the magnitude of the decrease.

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

The MPC will issue the Minutes of its meeting at 13.00 hours on Monday 2 April 2012.

Bank of Mauritius
19 March 2012