



BANK OF MAURITIUS

Communiqué

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**The Monetary Policy Committee of the Bank of Mauritius
keeps the Key Repo Rate unchanged**

The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to keep the Key Repo Rate unchanged at 4.90 per cent per annum at its meeting today.

The MPC noted that since the March 2012 MPC meeting, the global economic outlook has deteriorated as the euro area crisis intensified. Growth projections for the euro area and the UK point to contraction in 2012 while the recovery in the US and emerging economies appears to be losing momentum. Concurrently, global inflationary pressures have continued to ease amid falling commodity prices.

In Mauritius, the growth momentum is expected to remain positive, but subdued, as the economy grapples with the effects of the euro zone crisis on its main export industries. The output gap is estimated to have remained negative, with the economy operating below trend. Assuming that the risks in the euro zone are contained, domestic growth in 2012 is foreseen to stay unchanged from the projection made in March 2012, at 3.8 per cent. However, there are clear downside risks to this growth projection.

The MPC observed that the risks to the inflation outlook appear skewed to the downside in the near term, largely reflecting the risks arising from depressed global demand conditions. Domestic y-on-y inflation could reach just below 5.0 per cent while headline inflation is projected at 4.5 per cent by December 2012.

The MPC viewed that there were significant risks for prolonged sub-par growth in Europe. It took note of the recent measures launched by the Bank of Mauritius, in consultation with the Ministry of Finance and Economic Development, to curb the increasing misalignment of the rupee with underlying economic fundamentals. These measures also aim to minimise the exchange rate risks faced by the export sector, with their knock-on effects on the banking sector and financial stability generally. Weighing the risks to the growth and inflation outlook over the policy-relevant horizon, the MPC observed that the exceptional measures initiated by the Bank warranted close monitoring in view of their potential impact on domestic inflation.

Given the high uncertainty surrounding the global economic environment and the potential impact of the recent measures, the MPC was of the opinion that the monetary policy stance was broadly appropriate.

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 25 June 2012.

Bank of Mauritius

11 June 2012