



BANK OF MAURITIUS

Communiqué

Released at 18.30 hours on 3 February 2014

**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 decided by majority vote to keep the Key Repo Rate unchanged at 4.65 per cent per annum at its meeting today.

The MPC noted that the global economy has picked up since the September 2013 MPC meeting, with recovery taking hold in the US and UK. The Eurozone has emerged out of recession, although growth is expected to remain weak and uneven. Emerging market economies continue to face downside risks, mainly from the US Fed tapering and internal rebalancing in China. Global inflation has eased in advanced economies but has firmed in several emerging countries.

The domestic economy has continued to hold up well to the external headwinds and output is estimated to be near its potential. As global economic activity recovers, it is expected that GDP growth will pick up to a range of 3.7-4.0 per cent for 2014, that is, an increase of 0.5-0.8 percentage points above the estimated growth of 3.2 per cent in 2013 by Statistics Mauritius.

The MPC noted that y-o-y inflation has risen to 4.0 per cent in December 2013, from 3.1 per cent in August 2013. Core measures of inflation have also increased, reflecting underlying inflationary pressures in the economy. Prices of locally produced goods and services had a higher impact on domestic inflation than prices of imported goods and services.

The MPC discussed alternative interest rate scenarios. Some members expected inflationary pressures to remain subdued during the year and viewed that the economic recovery taking place could be jeopardised by premature monetary policy tightening. Other members argued that domestic growth was firmly recovering while upside risks to inflation were increasing; on a no-policy change basis, y-o-y inflation could, in their view, rise to 5 per cent by the end of the first quarter of 2014 and end the year at around 4.0 per cent. Conditions in the banking system, notably from persistently high and growing excess liquidity, had also deteriorated. Members were divided on the need to rapidly normalise the Key Repo Rate to address the risks to inflation and the excess liquidity situation while enhancing savings in the economy.

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 17 February 2014.

Bank of Mauritius

3 February 2014