



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 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 improved since the February 2014 MPC meeting. However, growth remains slow and uneven. Economic activity is projected to expand quite rapidly in the US and UK, and at a slow pace in the Eurozone. The growth outlook for emerging economies has been downgraded. Though global inflation is relatively low, a number of emerging market and developing economies have recorded significant inflationary pressures due to weaker currencies. While global oil prices have subsided, global food prices have increased sharply in the first quarter of the year.

On the domestic front, notwithstanding the slowdown in growth in 2013Q4, economic activity is projected to pick-up as the recovery in main export markets takes hold. The GDP growth forecast has accordingly been maintained within a range of 3.7-4.0 per cent for 2014, up from an estimate of 3.2 per cent for 2013.

The MPC noted that y-o-y inflation had risen to 4.5 per cent in March 2014, from 4.0 per cent in December 2013, reflecting mostly fluctuations in fresh vegetables prices. On a no-policy change basis, Bank Staff forecast y-o-y inflation within a range of 3.9 per cent to 4.1 per cent by June 2014 before increasing to a range of 3.9 per cent to 4.3 per cent by December 2014.

The MPC weighed the risks to the growth and inflation outlook over the policy relevant horizon and discussed alternative interest rate scenarios. A majority of members argued that domestic economic conditions were broadly unchanged from the previous MPC meeting. They considered it premature to tighten the current monetary policy stance given continued downside risks to the growth outlook and subdued inflationary pressures. Other members considered it important to start the process of normalising interest rates to enhance savings in the economy and address increasing vulnerabilities in the banking and financial system due to a prolonged period of low interest rates. Bank staff presented Taylor Rule preliminary estimates of the neutral interest rate, which on various scenarios indicated that it has moved above the KRR as from 2013Q4. Members also underlined the need to remain vigilant against the risks of heightened market volatility in the wake of the US Fed tapering.

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 12 May 2014.

Bank of Mauritius

28 April 2014