



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 (KRR) unchanged at 4.65 per cent per annum at its meeting today.

The MPC noted that the global economy, as projected in the IMF's October 2014 World Economic Outlook, would recover from 3.3 per cent in 2014 to 3.8 per cent in 2015 but growth would remain uneven across various countries and regions. Growth is projected to remain strong in the US and UK while in the Eurozone, the recovery is expected to be weak. Economic activity is projected to strengthen in several emerging market economies. The global inflation environment is projected to remain benign amidst declining international oil and food prices.

The domestic economy rebounded in 2014Q2, with a pick-up in growth in the main sectors of the economy. The underlying growth momentum is projected to remain positive during the second semester of the year. Staff maintained the growth forecast for 2014 in a range of 3.4 to 3.6 per cent. Concurrently, y-o-y inflation has declined, from 3.3 per cent in June 2014 to 2.9 per cent in September 2014, mainly attributed to subsiding food and transport inflation. Bank staff forecasted y-o-y inflation at about 3.0 per cent for December 2014.

The MPC weighed the risks to the growth and inflation outlook over the policy relevant horizon. The MPC noted that the economy showed resilience during 2014H1, in particular due to a bounce back to 4.6 per cent GDP growth in 2014Q2, and domestic economic conditions were broadly unchanged from the previous MPC meeting. Investment, productivity, competitiveness and the current account deficit remain matters of concern. Some members renewed discussions on interest rate normalisation to mitigate risks to financial stability and to address the issue of low domestic savings rate, but agreed that the timing of such an approach would depend on future price and real sector developments.

The MPC continues to monitor 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 10 November 2014.