



BANK OF MAURITIUS

Media Release

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The Monetary Policy Committee of the Bank of Mauritius cuts the Key Repo Rate by 25 basis points to 4.40 per cent

The Monetary Policy Committee (MPC) of the Bank of Mauritius (Bank) has unanimously decided to cut the Key Repo Rate by 25 basis points to 4.40 per cent per annum at its meeting today.

The MPC noted that global economic recovery was weaker than expected. The growth outlook remained uneven across countries and regions. The IMF reduced its global growth projections for 2015 and 2016 to 3.1 per cent and 3.6 per cent, respectively. The recovery in both advanced and emerging market economies is expected to strengthen moderately in 2016. Whilst there have been signs of improved growth in some advanced economies, downside risks to the global growth outlook persist particularly in many emerging market economies. The outlook for global inflation remains benign amid subdued global economic activity and low global commodity prices. Several advanced and emerging economies have lately reduced their key policy rates.

The MPC noted that Statistics Mauritius again revised down the growth of the economy to 3.6 per cent in 2015 compared to 3.5 per cent in 2014. The Bank has also revised down its growth forecast for the economy to 3.4 per cent. The negative output gap is projected to persist during 2016. The MPC welcomed the decision of government to accelerate project implementation to address the declining investment trend.

The MPC also took note of excess liquidity conditions in the banking system. The Bank has sterilised a total amount of Rs29 billion since the beginning of the year.

Inflation moderated further since the last MPC meeting, with headline inflation falling to a low of 1.2 per cent in September 2015. Year-on-year inflation rose to 2.0 per cent due to volatilities in the prices of vegetables. The Bank projects headline inflation at around 1.6 per cent in 2015 and 3.0 per cent in 2016. Year-on-year inflation is forecast at around 2.6 per cent at end-2015 and 3.3 per cent at end-2016. The MPC is of the view that the rate of inflation is likely to remain subdued in the context of low commodity prices and low inflation in major trading partner countries. However, the MPC underlined that wage developments in excess of inflation and productivity gains pose upside risks to inflation.

The MPC weighed the risks to the growth and inflation outlook over the relevant policy horizon. It viewed that the inflation outlook was relatively moderate while risks to the domestic growth outlook remained tilted to the downside. Private sector investment has yet to pick up. The MPC decided to reduce the Key Repo Rate to support domestic economic activity.

The MPC will issue the Minutes of its meeting at 13:00 hours on Monday 23 November 2015.