BANK OF MAURITIUS *Communiqué*

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

The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to leave the key Repo Rate unchanged at 5.75 per cent per annum at its regular meeting today.

The MPC reviewed recent international and domestic economic as well as financial developments. While the data suggest that the global economy slowed more rapidly in the first quarter of 2009 than expected, there are indications of some stabilisation resulting from the sizeable fiscal and monetary stimulus measures implemented by major economies. However, the situation is still fraught with uncertainties.

Expectations point to better global economic performance as from the second half of 2009, but the outlook will remain fragile until confidence returns fully and credit conditions ease, leading to an improvement in international trade as well as labour markets.

Across the world, the disinflationary momentum remains strong but there are growing signs of stabilisation at a low level. While the outlook suggests a return to low and steady inflation, there is growing concern that massive fiscal stimulus and monetary easing could lead to higher inflation when the global economy recovers. Rising oil and food prices are likely to worsen the inflation outlook.

Economic conditions in Mauritius have been influenced by these global developments. The steadily declining growth rate in the last three quarters of 2008 is expected to have continued in the first two quarters of 2009 but the quarterly domestic growth rate is anticipated to rise as from the second half of 2009. Labour market developments are likely to reflect trends in the broader economy with some lag, suggesting a possible rise in unemployment in the coming quarters. The banking sector remains robust and availability of credit is not a cause for concern.

Inflationary pressures have continued to subside. The MPC expects inflation, measured by both the average and year-on-year methodologies, to converge to around 4 per cent in the course of 2009. Looking forward, however, the inflation outlook is clouded by uncertainties regarding the future direction of oil prices on international markets and exchange rate movements. While the MPC continues to monitor both the twelve-month average and year-on-year inflation, it is attaching greater weight to year-on-year inflation rate in guiding monetary policy decisions.[1] The Bank of Mauritius is already publishing the year-on-year inflation rate on its website and in its publications.

The MPC noted that the fiscal stimulus package implemented by the Government and the substantial easing of monetary policy by a cumulative 250 basis points since October 2008 have supported business as well as consumer sentiment. The full effects of these coordinated policies are yet to be felt. With domestic inflation projected to decline further over the coming months and growth expected to pick up as from the second half of 2009, the MPC determined that the current stance of monetary policy be maintained.

The Monetary Policy Committee of the Bank of Mauritius will issue a Monetary Policy Statement at 13.00 hours on Monday 29 June 2009.

Bank of Mauritius

22 June 2009

[1] *Year-on-year inflation is computed as the change in the Consumer Price Index (CPI) for a given month compared with the same month of the preceding year in percentage terms. The Central Statistics Office computes the inflation rate by comparing the average level of prices, as measured by the CPI, during a twelve-month period with the average level during the corresponding previous twelve-month period.*