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. Global economic as well as financial market conditions have continued to improve since the MPC last met in June 2009. The latest economic data clearly suggest that most major economies are moving out of recession. Global economic performance is expected to improve during H2-2009 and positive growth is foreseen as from 2010, but the pace and extent of the recovery remain uncertain.[1]

The MPC recognises that the unprecedented fiscal and monetary stimulus measures implemented by most economies have mitigated the economic crisis. It is, however, of the view that the combination of vulnerable financial markets, weak labour market conditions and the expected pickup in commodity prices may exert strains on global economic recovery. Nonetheless, there is a clear improvement in growth prospects worldwide.

The disinflationary momentum has stabilised, with inflation remaining at low levels in most economies. However, the inflation outlook is marred by the fact that the massive expansionary economic policies pursued by most economies that were required to sustain economic activity may result in higher inflation when the global economy recovers. Already, expectations of recovery have started raising commodity prices, particularly for food and oil.

The domestic economy continues to be constrained by weak demand in main export markets. Economic growth is estimated to have contracted by a full percentage point in Q1-2009.[2] This is reflected in the decline of the growth rate of credit to the private sector, which

[1] H2-2009 refers to the second half of 2009.
[2] Seasonally-adjusted estimate of quarter-to-quarter GDP growth rate. Q1-2009 refers to first quarter of 2009.

nevertheless remains at a comfortable level. The economy may have reached a trough in Q1-2009.

The MPC anticipates better performance of the economy in H2-2009, with the likelihood that overall GDP growth rate would be around 2.7 per cent in 2009. Improved prospects in main export markets, the stimulative economic policy measures and supportive business as well as consumer sentiment are likely to enhance economic performance. The domestic banking sector has demonstrated strong resilience and the availability of credit is not a cause for concern. The labour market is not expected to weaken much further.

Inflationary pressures have continued to subside. The MPC anticipates inflation, measured by both the average and year-on-year methodologies, to converge to around 3 per cent by the end of 2009.[3] The inflation outlook, however, remains uncertain: potential risks stem from the future course of oil and food prices on international markets.

The effects of the domestic fiscal stimulus and the substantial easing of monetary policy since October 2008 are still unfolding. The MPC underlined that monetary policy should remain geared towards promoting a macroeconomic environment conducive to sustainable growth and low inflation. To consolidate the recent positive developments, the MPC decided to maintain the current stance of monetary policy.

The MPC of the Bank of Mauritius will issue a Monetary Policy Statement at 13.00 hours on Tuesday 29 September 2009.

Bank of Mauritius
22 September 2009

[3] *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.*