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, at its regular meeting today, has unanimously decided to leave the Key Repo Rate unchanged at 5.75 per cent per annum.

After reviewing international economic and financial developments, the MPC is of the view that global economic activity, supported by unprecedented fiscal and monetary stimulus, is in the process of picking up even if the recovery is still fragile and is foreseen to be slow and uneven. The International Monetary Fund forecasts positive, albeit below potential, growth rates for all major advanced as well as emerging economies in 2010. The MPC noted that many emerging economies are already rebounding. World trade has been picking up since September 2009. Overall, prospects are still clouded by considerable uncertainty.

Inflation is anticipated to remain low worldwide in the near future, given the extent of economic slack and the expected slow process of recovery. Looking further ahead, however, the inflation outlook could worsen as global economic activity gathers momentum and exit strategies are delayed.

Interest rates may stay low for some time in most economies. A few countries are embarking on additional stimulus measures, while some others have begun tightening monetary policy to contain inflation. The general stance, however, is to leave interest rates on hold for the time being.

Domestic economic activity has remained constrained mainly by soft external demand. This is reflected in the weak performance of the export sector. Nonetheless the MPC noted that, after reaching a trough in the first quarter of 2009, the economy appears to have rebounded significantly in the fourth quarter. Growth for 2009 is now forecast at 2.8 per cent.

The MPC noted that the current official growth forecast for 2010 had been revised upward to 4.3 per cent. This is mainly due to improved economic prospects in main export markets, higher public spending on infrastructure and stronger business confidence. Furthermore, the domestic banking sector remains resilient and the availability of credit is not a cause for concern. Fears that the global slowdown would have led to a worsening of the domestic employment situation have dissipated.

The MPC also examined the strengthening of the domestic currency in effective terms since September 2009 and its implications for the wider economy. It considered that this could become a cause for concern that warranted close monitoring.

The MPC's assessment of the inflation outlook remains much the same as in September 2009. Inflationary pressures have continued to subside. The short-term outlook suggests inflation, as measured by the year-on-year methodology, could stay significantly below recent trend at around 4 per cent over the next few quarters.[1] Looking further ahead, however, potential risks arise from the future course of oil and food prices on international markets as the global recovery gathers momentum and from delayed implementation of exit strategies.

The MPC is of the view that the current stance of monetary policy is appropriate and reiterates that monetary policy remains focused on promoting sustainable growth and low inflation.

The Monetary Policy Committee of the Bank of Mauritius will issue a Monetary Policy Statement at 13.00 hours on Thursday 17 December 2009.

Bank of Mauritius
10 December 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.*