



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 4.75 per cent per annum at its meeting today.

The global economy has evolved, as anticipated at the last MPC meeting in September 2010, with a multi-speed recovery across countries and regions. The growth forecast for advanced economies has been revised downward while that for emerging and developing economies has remained unchanged in the October 2010 World Economic Outlook Update of the International Monetary Fund. Thus, the global growth projection for 2011 has been revised downward by 0.1 percentage point to 4.2 per cent. World trade in the three quarters to September 2010 has also decelerated.

The sovereign debt crisis remains a major source of uncertainty for growth in the euro area, a major export market for Mauritius.

The MPC noted a widening of the inflation differential at the global level. While inflation remains subdued in advanced economies, it is picking up in major emerging economies.

In Mauritius, the economic recovery is on track and growth is expected to be around 4.2 per cent in 2010. The MPC took note of the latest wage developments and also assessed the impact of recent budgetary measures on the level of prices and economic growth. However, uncertainty about the global economic situation remains a serious challenge.

Against the background of these international and domestic developments, several members of the MPC observed that inflation might rise faster than anticipated at the September 2010 meeting.

Concern was also expressed about the current liquidity overhang which needs to be addressed.

The MPC discussed alternative interest rate scenarios. However, MPC members felt that the balance of risks did not warrant a change in the Key Repo Rate at this meeting.

The MPC will issue a Monetary Policy Statement at 13.00 hours on Monday 13 December 2010.

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