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**The Monetary Policy Committee of the Bank of Mauritius  
raises the Key Repo Rate by 50 basis points**

The Monetary Policy Committee (MPC) of the Bank of Mauritius decided by a majority vote to raise the Key Repo Rate by 50 basis points to 5.25 per cent per annum at its meeting today.

The MPC noted that global economic recovery continued to improve although the pace of growth across regions was still uneven and downside risks remained significant, not least because of geopolitical uncertainty that affects oil prices. Global inflation has risen on account of high food and energy prices. On current trends, commodity prices were expected to increase further. Many central banks, in both emerging and advanced countries, have already embarked on monetary policy tightening.

In Mauritius, economic growth in 2010 has been more buoyant than expected earlier, at an estimated 4.4 per cent, and a broad-based recovery is anticipated in 2011. However, domestic inflation has risen much faster than anticipated at the September and December 2010 MPC meetings. There is clear evidence that underlying inflation pressures have accentuated, as reflected in the rapid rise of core measures of inflation. The MPC considered it important to prevent the recent rise in consumer price inflation from generating second- round effects, via extreme prudence in price-setting behaviour and wage compensation policies.

GDP is expected to grow at around 4.6 per cent this year while inflation, on a no-policy change basis, could exceed 5 per cent by June and reach around 8 per cent by December on the headline measure (corresponding figures would be 7.8 and 7.0 per cent on year-on-year basis). In the light of this and the expected narrowing of the output gap, the MPC considered it important to start the process of normalising the Key Policy Rate.

The MPC stands ready to meet in between its regular meetings if the need arises.

The MPC will issue a Monetary Policy Statement at 13.00 hours on Tuesday 5 April 2011.

*Bank of Mauritius  
28 March 2011*