



BANK OF MAURITIUS

Communiqué

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**The Monetary Policy Committee of the Bank of Mauritius
raises the Key Repo Rate by 25 basis points**

The Monetary Policy Committee (MPC) of the Bank of Mauritius has decided by a majority vote to raise the Key Repo Rate by 25 basis points to 5.50 per cent per annum at its meeting today.

The MPC noted that although the global economic recovery has slowed, it is expected to remain broadly on track for 2011 as a whole despite uneven growth across regions and significant downside risks for a few specific economies. While global inflationary pressures have receded lately on moderating increases in commodity prices, the underlying strength of the global economy supports the view that commodity prices would resume their uptrend in the medium term. The MPC also noted that a majority of central banks in emerging economies are engaged in monetary policy tightening.

In Mauritius, the economy has evolved broadly as anticipated at the last MPC meeting, with the recovery taking hold. The output gap is estimated to close gradually in the coming quarters. The GDP growth forecast is maintained at around 4.6 per cent this year despite uncertainties clouding the economic prospects of some of the country's trading partners.

Headline inflation is expected to remain strong until the end of this year. Subsequently, it is projected to decline to around 5.4 per cent by June 2012, much above the level reached during the first half of 2010, while year-on-year inflation is expected to reach 4.4 per cent. The MPC considered it important to prevent the high consumer price inflation from generating second-round effects.

MPC members felt that, with the output gap nearing zero and underlying inflationary pressures not showing signs of abating, the process of normalising the Key Repo Rate should be continued.

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 Monday 20 June 2011.

*Bank of Mauritius
13 June 2011*