



**BANK OF MAURITIUS**

*Communiqué*

*Released at 18.00 hours on 5 December 2011*

**The Monetary Policy Committee of the Bank of Mauritius  
cuts the Key Repo Rate by 10 basis points**

The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to cut the Key Repo Rate by 10 basis points to 5.40 per cent per annum at its meeting today.

The MPC noted that the euro area sovereign debt crisis has intensified since the last MPC meeting in September 2011, increasing the downside risks to growth and raising fears of recession in the eurozone. Concurrently, growth prospects are muted in the US in the wake of the fiscal crisis and moderating in emerging markets. This has contributed to an abatement of global inflationary pressures. As a result, monetary policy is being loosened in a number of both advanced and emerging economies.

While domestic economic activity has held up relatively well in the first half of 2011, the outlook is increasingly clouded by continuing global uncertainty. Growth is now estimated at 4.1 per cent in 2011 and projected to remain at around 4 per cent in 2012.

The MPC observed a decline in externally-generated inflationary pressures. While headline inflation is expected to remain strong until the end of this year, it is projected, on a no-policy-change basis, to decline to around 5.5 per cent by June 2012 while year-on-year inflation is expected to reach 5.1 per cent. The MPC noted that, on both measures, expected inflation is moving within a gradually narrowing range.

The MPC discussed alternative interest rate scenarios. The MPC is of the view that the Key Repo Rate is broadly appropriate in view of the expected impact of the 2012 budget measures. However, to signal its concern about the low level of business and consumer confidence, it has decided to cut the Key Repo Rate by 10 basis points.

The MPC maintains strong vigilance in monitoring economic and financial developments and stands ready to meet in between its regular meetings if the need arises.

The MPC will issue the Minutes of its meeting at 13.00 hours on Monday 19 December 2011.

*Bank of Mauritius  
5 December 2011*