



# BANK OF MAURITIUS

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## COMMUNIQUE

### Inflation Report – April 2013

In compliance with section 33(2) of the Bank of Mauritius Act 2004, the Bank is releasing today its April 2013 Inflation Report. The Report reviews developments underpinning the monetary policy stance of the Bank and provides an outlook for the economy.

Since the publication of the October 2012 Inflation Report, global economic conditions have remained fragile, and downside risks to the global growth outlook still persist as a result of the unresolved Eurozone sovereign debt crisis and uncertainty over the duration of the recession in this region. The possibility of further fiscal tightening in the US would also add to the downside risks to global growth.

Inflationary pressures generally remained contained in advanced economies where significant economic slack restricted domestic demand but were sustained in some emerging market economies faced with better growth prospects. The absence of underlying inflationary pressures in advanced economies helped their central banks to maintain accommodative monetary policy to boost growth.

Despite restrained activity in major export sectors and a loss of momentum in 2012Q4, the domestic economy was assessed to have withstood the external headwinds relatively well in 2012. Looking ahead, the growth momentum in the domestic economy is expected to remain positive with the Bank staff forecast for 2013 estimated to be in the range of 3.4-3.9 per cent.

Y-o-y inflation picked up significantly in February 2013, mainly as a result of a hike in the price of vegetables and alcoholic beverages, while underlying inflation pressures, as reflected by core inflation measures, appeared to have stabilised. Upside risks to the inflation outlook are viewed as significant, notably as a result of elevated global commodity prices, the recent public sector wage award and the latest increase in retail petroleum prices. The expected second-round effects of these increases, as well as the projected rise in other administered prices, could amplify inflationary pressures in the foreseeable future. On a no-policy change basis, Bank staff forecast y-o-y inflation within a range of 5.5-5.9 per cent by December 2013, equivalent to a headline inflation forecast of 4.7-4.9 per cent.

The Report is available in PDF format on the website of the Bank at <https://www.bom.mu> under the menu item **Research and Publications/Inflation Report**.