



BANK OF MAURITIUS

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PRESS COMMUNIQUE Inflation Report – April 2012

In compliance with section 33(2) of the Bank of Mauritius Act 2004, the Bank is today releasing the April 2012 Inflation Report. The Report reviews developments underpinning the monetary policy stance of the Bank and provides an outlook for the economy.

While the global economy has decelerated since the publication of the October 2011 Inflation Report, a number of positive developments as from the start of 2012 have lifted some of the uncertainty regarding global growth outlook. Measures implemented by the European Central Bank and euro area governments have alleviated financial markets stresses and latest economic data in the US have suggested increased momentum. Global prospects are gradually strengthening although downside risks still remain.

Global inflation eased noticeably towards the end of 2011, as global demand and economic activity slowed. Annual rates of headline inflation were subdued in most advanced OECD countries and moderated in emerging market economies. Underlying inflationary pressures, nonetheless, were still present as commodity prices continued to trade around historical highs.

The domestic economy performed relatively well in 2011, with growth estimated at 4.0 per cent. The economy has generally been resilient to the euro area crisis so far although growth has been lower in some key sectors. The Bank's staff has forecast a growth rate of 3.8 per cent for 2012. Downside risks to the domestic growth outlook remain given the global backdrop.

Headline inflation trended upwards to 6.5 per cent in December 2011, while year-on-year inflation receded from 6.6 per cent in June 2011 to 4.8 per cent in December 2011. The moderate growth in both monetary and credit expansion and the relatively stable nominal exchange rate of the rupee helped to contain inflationary pressures in the economy. The Bank's staff forecast headline inflation at around 4.7 per cent by December 2012, but the risks around the most likely path for inflation have increased on the upside given the potential for renewed strength in oil and commodity prices.

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.