



Released at 18.00 hours on 27 September 2010

The Monetary Policy Committee of the Bank of Mauritius cuts the Key Repo Rate by 100 basis points

The Monetary Policy Committee (MPC) of the Bank of Mauritius has unanimously decided to cut the Key Repo Rate by 100 basis points to 4.75 per cent per annum at its meeting today.

The MPC notes that the outlook for the global economy has deteriorated significantly since its last meeting and uncertainty about growth has increased. The loss of momentum in economic activity is evident in the case of the United States and Europe. Fiscal consolidation will further constrain aggregate demand in Europe and elsewhere. Key emerging economies have also slowed after growing rapidly earlier in the year.

Globally, inflation has remained subdued except in a few advanced economies. In some emerging economies, inflationary pressures have been mounting partly on account of higher food prices. Overall, monetary policy has remained accommodative in most major advanced economies. However, policy stances of different countries vary, reflecting their domestic monetary and other conditions.

While domestic economic activity is holding up relatively well in 2010 in spite of a small downward revision in the growth forecast, there are indications that it could slow significantly in 2011, especially given the weakening growth prospects in the country's main export markets.

The MPC continues to believe that inflation, at around 4 per cent over the next few quarters, will remain below trend. This factor, taken in conjunction with weakening prospects in economies of partner countries, underlies the decision of the MPC to proceed with a major revision of its monetary policy stance. In these circumstances, the MPC has judged it appropriate to reduce the Key Repo Rate by 100 basis points. If the outlook for inflation and for economic activity were to change, the MPC stands ready to respond.

This substantial monetary easing will give further support to the on-going economic restructuring and provide the opportunity for embarking on a major drive to improve productivity and national competitiveness.

In reaching its interest rate decision, the MPC has also taken into account the Bank's intention to increase the Cash Reserve Ratio from 5.0 per cent to 6.0 per cent.

The MPC will issue a Monetary Policy Statement at 13.00 hours on Monday 4 October 2010.

Bank of Mauritius
27 September 2010