



**BANK OF MAURITIUS**

***Communiqué***

*Released at 18.00 hours on 24 September 2012*

**The Monetary Policy Committee of the Bank of Mauritius  
keeps the Key Repo Rate unchanged**

The Monetary Policy Committee (MPC) of the Bank of Mauritius has decided by majority vote to keep the Key Repo Rate unchanged at 4.90 per cent per annum at its meeting today.

The MPC noted that information received since the June 2012 MPC meeting has confirmed the global economic slowdown, amid lingering euro area debt crisis. Growth prospects have remained moderate in the US but have deteriorated further in the euro area, UK and emerging economies. Despite measures recently announced by the ECB and the US Federal Reserve, members considered that risks for prolonged sub-par growth in main export markets remained significant. Meanwhile, global inflationary pressures have resurfaced following the increase in food and energy prices.

The domestic economy has continued to hold up well to the prolonged crisis although the pace of economic activity has been affected by the escalating external headwinds. The output gap is assessed to have remained negative, with the economy operating below trend. Given that the downside risks identified at the last MPC meeting in June 2012 have largely materialised, domestic growth in 2012 is now projected at 3.3 per cent, as against 3.8 per cent projected earlier. Considerable uncertainty remains with regard to the domestic economic outlook.

The MPC observed that upside risks to the domestic inflation outlook have risen, partly reflecting higher global food and energy prices. Quantitative easing by major foreign central banks could exert further upward pressures on commodity prices. Domestically, a number of factors could influence the inflationary outlook: (a) recent rupee depreciation; (b) public sector wage increases expected from the forthcoming Pay Research Bureau (PRB) salary review; (c) the possible upward pull of the PRB award on the private sector wage bill; and (d) expected adjustment in retail petroleum prices. On current trends, y-o-y inflation could stay at high levels.

The MPC discussed alternative interest rate scenarios. Some members were of the view that the growth outlook called for monetary easing and voted for a cut in the Key Repo Rate. The majority, however, considered that there was need to remain cautious on the monetary policy front given prevailing uncertainties in the global economy, continuing negative real rate of interest on savings deposits in the country and rising corporate indebtedness.

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 8 October 2012.

**Bank of Mauritius**

***24 September 2012***