BANK OF MAURITIUS ***Communiqué***

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Bank of Mauritius cuts the key Repo Rate by 50 basis points

The Monetary Policy Committee (MPC) of the Bank of Mauritius convened a special meeting today to reassess the balance of risks to price stability and economic growth against the backdrop of the recent downward revision of global economic outlook and the current difficulties affecting sectors of the domestic economy more exposed to world market conditions. The MPC voted to cut the key Repo Rate by 50 basis points to 8.00 per cent per annum, effective today.

The MPC deliberated lengthily on current and potential risks to domestic economic growth and price stability in the short- to medium-term, in the light of the primary objective of the Bank to maintain price stability and promote balanced and orderly economic development. Global economic growth was losing momentum, having been revised downward by 0.5 percentage point to 3.7 per cent for 2008, amid heightened uncertainty about the extent and severity of the slowdown in the advanced economies and its spill-over effects on emerging economies. Concerns over the issue of food price inflation, food availability on world markets, and food security, which were being discussed worldwide, were also expressed at the meeting. The potential effects of the global economic downturn on the major industries in the domestic real sector, export-oriented as well as those producing for the domestic economy, were assessed by the MPC.

While overall economic growth appeared reasonable, it was unbalanced and export-oriented sectors could be vulnerable and jobs could be at risk. The view was also expressed that inflationary expectations should be contained. It was, however, noted that a large component of inflation registered was imported and operated through food and energy prices and their second-round effects. The MPC took note that headline inflation had increased globally against the backdrop of soaring food and energy prices and had been overshooting forecast levels in a large number of economies of importance to Mauritius.

Food price inflation in Mauritius had gone up from 14.7 per cent in June 2007 to 17.0 per cent in March 2008, contributing to the increase in headline inflation. The MPC noted that there has been some easing of headline inflation over the last two months. The MPC also noted that Core 2 inflation rate had been stable over the last four months, also showing some signs of easing since the last MPC meeting. The pass-through effects of the appreciation of the rupee have started to be reflected in a range of consumer product prices. The balance of opinion weighed in favour of the potential downside risks to growth compared to the upside risks to inflation. The MPC reiterates its call to economic operators involved in the import and distributive trade to exercise caution in their pricing policy so as not to fuel domestically-generated inflation.

The MPC expressed concerns over the worsening export competitiveness of the Mauritian economy and the potential adverse impact on domestic growth prospects, for a small highly-open economy. The MPC expressed the view that the interest rate was not the sole instrument that should be used to tackle downside risks to growth. Nevertheless, today's policy action, combined with those taken earlier, should help to mitigate the downside risks to economic activity and the maintenance of employment in key sectors of the economy.

The MPC will meet outside regular quarterly meetings as and when required to assess the evolution of the economic situation and take appropriate policy measures as needed. The MPC will continue to monitor economic and financial developments and remains committed to price stability and to the promotion of orderly and balanced economic development.

The Bank of Mauritius will issue a Monetary Policy Statement at 13.00 hours on Friday 9 May 2008.

Bank of Mauritius

2 May 2008

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[1] Core 2 inflation excludes Food, Beverages, Tobacco, mortgage interest, energy and administered prices from headline inflation. The Bank publishes Core inflation rates on its website.