



## MEDIA RELEASE

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

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The Monetary Policy Committee (MPC) of the Bank has, at its meeting today, unanimously decided to keep the Key Rate (KR) unchanged at 4.50 per cent per annum

The global economy continues to remain resilient, with growth holding rather steady in an environment which is nonetheless characterized by lingering geopolitical tensions. Leading economic indicators are pointing towards continued expansion of economic activity in 2024Q2. The IMF, in its April 2024 World Economic Outlook, projects global growth at 3.2 per cent in 2024 and in 2025. Global inflation is on a declining path, although risks to the inflation outlook are still present.

The domestic economy sustained its growth momentum, expanding by 6.4 per cent in 2024Q1, mainly driven by investment spending on major capital projects, particularly in the context of the ongoing construction projects, and household spending. The labour market remained resilient in 2024Q1 and the unemployment rate stood at 6.3 per cent in 2024Q1. Domestic economic activity is expected to remain strong in 2024. The growth momentum in the financial sector is expected to persist as authorities consolidate efforts to cement the international reputation of the Mauritian International Financial Centre. Growth in the tourism sector is expected to remain robust in 2024 and is expected to contribute significantly towards improving the current account for the year, with the deficit projected to decline further to 4.0 percent. Real GDP growth is projected at 6.5 per cent for the year.

The Bank continues to manage the rupee excess liquidity situation through the conduct of its open market operations. Short-term yields have evolved within the interest rate corridor. Gross Official International Reserves of the country remained comfortable at US\$8.2 billion as at end-June 2024, representing 12.9 months of import cover, thus providing adequate buffers against potential external shocks. The banking sector remains resilient with strong capital and liquidity buffers.

Recent inflation data provides encouraging signs that the disinflationary process remains ongoing and is very much likely to continue in the second half of 2024. Headline inflation continued to ease further to 4.5 per cent in June 2024, moving within the inflation target range of 2-5 per cent for the first time since the introduction of the new Monetary Policy Framework in January 2023. Year-on-year inflation also remained entrenched on a downward trajectory, falling to 2.2 per cent in June 2024, reflecting the gradual normalization in the prices of fresh vegetables. Core measures of inflation, which indicate underlying inflationary pressures, also continued to subside. Headline inflation is forecast to close 2024 at 4.9 per cent.

Members have scrutinized the current economic situation and are of the view that the growth outlook, despite positive, could nonetheless be subject to downside risks emanating from outside. The inflation outlook which is also positive could be subject to upside risks mostly tied to cost escalations arising from the global trading environment. Members have assessed, based on balancing these risks, that no change in the policy rate is needed at this stage.

As a result, the MPC has unanimously decided to leave the Key Rate unchanged at 4.50 per cent per annum.

The Minutes of today's meeting shall be released on 25 July 2024.