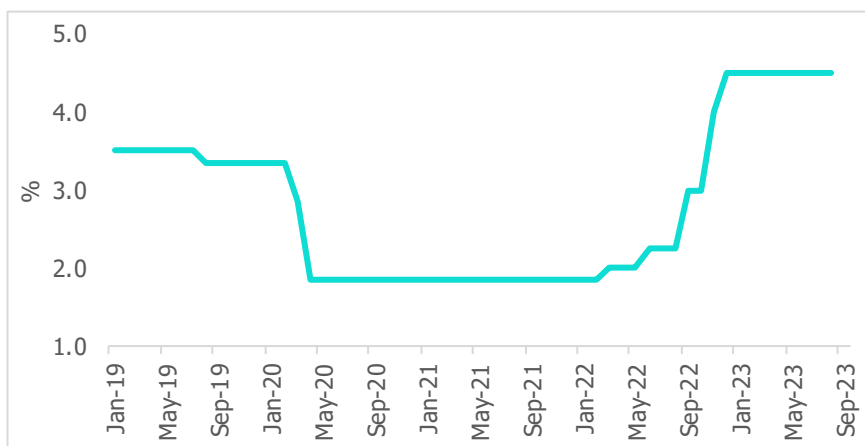


Bank of Mauritius Leaves Key Rate Unchanged at 4.5%

September 27, 2023 | Economics

During the Monetary Policy Committee (MPC) meeting held on September 15, the Bank of Mauritius decided to maintain the key interest rate at 4.5%. This marks the second consecutive policy meeting where the bank has opted to keep rates unchanged, following a series of interest rate hikes totalling 265 basis points since the beginning of 2020. While acknowledging that economic growth has remained resilient and inflationary pressures have shown signs of moderation, the central bank expressed a degree of caution in light of prevailing global challenges. The bank's current economic outlook anticipates real GDP growth for the year 2023 to fall within the range of 6.5% to 7.5%, with headline inflation projected to reach 7% by December 2023.

Key Rate Hiked By 265 Bps Since March 2020



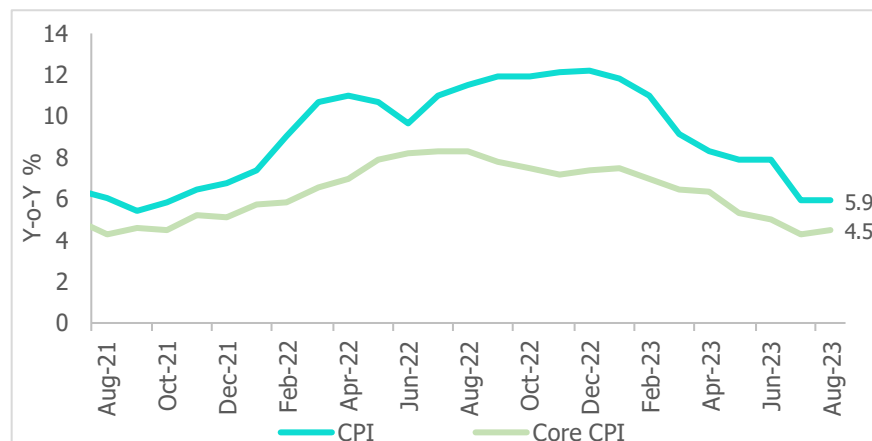
Source: CEIC; Statistics Mauritius

Headline CPI Remains Sticky, Core Inflation Inches Up

The consumer price index (CPI)-based inflation remained unchanged from the previous month at 5.9% y-o-y in August. However, this compares to inflation of 11.5% seen in the year ago period, reflecting the impact of monetary policy tightening by the central bank. On a sequential basis, retail inflation reported an uptick of 0.3% in August, with the increase largely led by categories such as vegetables, hotel accommodation services, and other goods and services. Meanwhile, core inflation, which excludes food, beverages, tobacco, mortgage interest, energy, and administered prices, firmed to 4.5% y-o-y in August, from 4.3% a month ago and 8.3% in the year ago period.

Going ahead, the rise in global food and crude oil prices could put upward pressure on the inflation outlook of the import-dependent economy, prompting the central bank to keep interest rates higher for longer. This could make it challenging for the central bank to achieve its inflation target of an average of 5-6% for 2023. For the year so far, headline inflation has averaged 8.5%.

Headline and Core CPI Inflation



Source: CEIC; Note: Core inflation denotes data for category Core 2

Trade Deficit Narrows Marginally in July

In July 2023, the trade deficit in Mauritius narrowed marginally to MUR 16.5 billion from MUR 17 billion in the corresponding period a year ago as imports contracted at a faster pace than exports. Imports contracted over 2% y-o-y in July to MUR 23.7 billion. Amongst imports, categories including ‘mineral fuels & lubricants’, and ‘manufactured goods’ registered declines of 13% and 27%, respectively, over last year. Meanwhile, exports (excluding ship’s stores and bunkers) fell 1% y-o-y to MUR 7.2 billion.

For the first seven months of 2023, imports rose 0.4% from the corresponding period a year ago, amidst a near 8% rise in exports, narrowing the trade deficit to MUR 113 billion in the January -July period, from MUR 116 billion a year ago. South Africa, the UK and the US were the top three export destinations, while the top three import partners were China, South Africa and France. Nevertheless, slowing global growth resulting in weaker demand for Mauritius’ merchandise exports and elevated costs of food and crude oil in the international market could pose a headwind to the external position.

Export and Import Trend

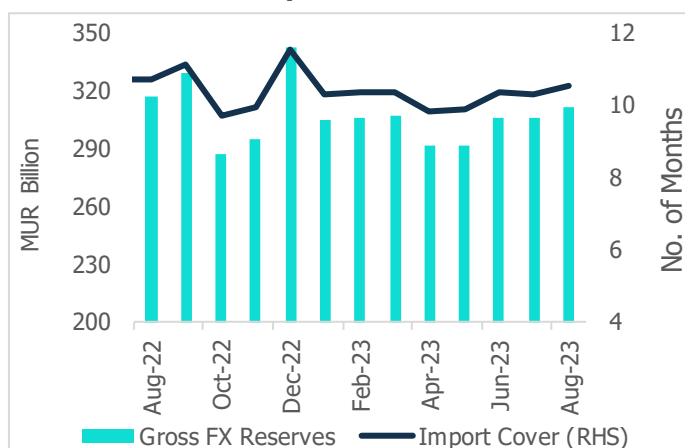


Source: CEIC; Statistics Mauritius

Forex Reserves Climb to an 8-Month High; Mauritian Rupee Appreciates

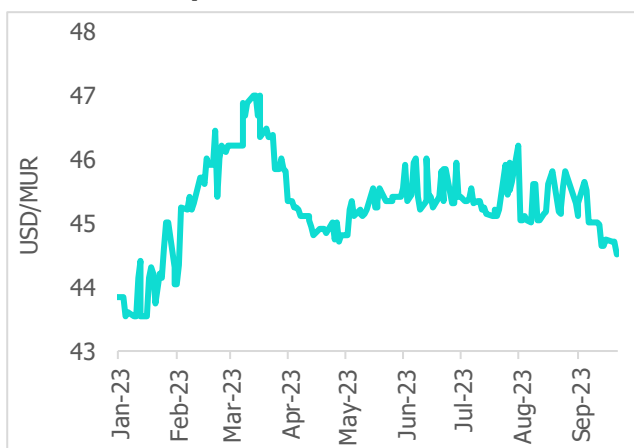
In August 2023, the gross official international reserves in Mauritius rose to an 11-month high of MUR 311 billion (USD 6.8 billion). Consequently, the import cover improved to 10.5 months from 10.3 months in July. This is however slightly lower than the import cover of 10.7 months seen a year ago. Meanwhile, the Mauritian rupee appreciated in August amidst FX intervention by the central bank. MUR appreciated 0.3% to a monthly average of 45.78 in August. The central bank intervened via dollar selling worth USD 10 million in August. In 2023, the central bank intervened via dollar sales worth USD 60 million in the foreign exchange market. In September so far, the Mauritian rupee has further appreciated to an average of 44.9, despite the strengthening of the dollar index during the same period.

FX Reserves and Import Cover Rise



Source: CEIC

Mauritian Rupee Performance



Source: Refinitiv

Tourism Industry Supports Economy

Tourist arrivals stood at 98,990 in August, down 8% over the previous month. In 2023 so far, tourist arrivals totalled 803,288, 44% higher than the footfall seen during the same period last year, signalling continued support for growth in the contact-intensive service sector. Meanwhile, gross tourism earnings rose to MUR 6.4 billion in July from MUR 5.8 billion a month ago. For FY24 (year beginning July 2023), the government has targeted 1.4 million tourists and MUR 100 billion in tourism receipts.

Tourism Earnings Improve



Source: CEIC; Bank of Mauritius

Monthly Data of Key Economic Indicators

Indicators	Unit	Apr-23	May-23	Jun-23	Jul-23	Aug-23
CPI Inflation	y-o-y%	8.3	7.9	7.9	5.9	5.9
Core Inflation	y-o-y%	6.3	5.3	5.0	4.3	4.5
Key Rate	%	4.5	4.5	4.5	4.5	4.5
Exports	MUR Bn	6.3	7.3	6.9	7.1	-
Imports	MUR Bn	21.1	29.2	22.3	23.7	-
Trade Balance	MUR Bn	-14.7	-21.9	-15.4	-16.5	-
Exchange Rate (Average)	USD/MUR	45.6	45.8	45.9	45.9	45.9
Gross Official International Reserves	MUR Bn	290.9	291.8	305.9	306.1	310.6
Import cover	No. of months	9.8	9.9	10.3	10.3	10.5
Tourist Arrivals	Person	109,031	100,030	82,208	107,832	98,990
Gross Tourism Earnings	MUR Bn	6.6	6.9	5.9	6.4	-

Source: CEIC; Note: Core inflation denotes data for category Core 2; MUR=Mauritian Rupee

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