The Mauritian key Repo Rate was cut from 4.9 to 4.65 per cent per annum reflecting a cut of 25 basis points after a gathering of the Monetary Policy Committee (MPC) of the Bank of Mauritius in Port Louis yesterday.

The repo rate is a discounted rate which the central bank re-buys government securities from the commercial/private banks. Reliant on the amount of money reserve to uphold the nation’s financial system.

MPC delegates judged that remaining cautious on fiscal policy was a result of the domestic economy continuing to endure vulnerability in an inhibited global economic environment, hence the rate cut.

Bank of Mauritius officials remarked that domestic economic performance is below trend with sluggish growth in the export industry regardless of recent expansion efforts, while a sizeable shrinkage was observed in the construction industry.

According to the MPC domestic growth forecast for 2013 has been adjusted downwards to a range of 3.2 to 3.7 per cent, compared between 3.4 and 3.9 per cent projected in March.

The Committee forecasted that average headline inflation for the year will round out at 4.1 to 4.3 per cent, whilst year-on-year inflation will fall between 5.3 and 5.8 per cent by the end of 2013.
The central bank also assessed that economic conditions have remained weak and potholed since March mainly due to slow US economy growth while activity in Europe remained glum, affecting export and tourism industries.

However, financial sector sources pointed out that the economy is increasingly becoming vulnerable to organized crime activities, consequently affecting fiscal policy.

Economists asserted that just over 2 billion USD has been laundered domestically via proceeds from crime since 2011, impacting greatly on the Mauritian economy.

Officials outlined that the central bank continues to maintain robust attentiveness in monitoring economic developments and to regulate domestic money flows.

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