MEDIA RELEASE

Key Rate maintained at 4.75 per cent per annum

12 August 2026

At its meeting today, the Monetary Policy Committee (MPC) unanimously decided to maintain the Key Rate unchanged at 4.75 per cent per annum.

Global conditions remain uncertain, with inflation risks still elevated

The global economy has remained resilient, but growth prospects continue to differ across countries and uncertainty has increased. Renewed geopolitical tensions in the Middle East, risks to key maritime routes, volatile energy prices and elevated freight costs are weighing on the outlook for both global growth and inflation.

In its July World Economic Outlook Update, the IMF projects global growth to slow from 3.5 per cent in 2025 to 3.0 per cent in 2026, before recovering to 3.4 per cent in 2027. Risks to global growth remain tilted to the downside, particularly from weaker demand and possible supply disruptions.

At the same time, inflationary pressures have strengthened in several economies as a result of higher commodity prices, supply-chain disruptions and transport costs. The IMF expects global inflation to rise from 4.1 per cent in 2025 to 4.7 per cent in 2026, before easing to 3.9 per cent in 2027.

The risks to global inflation remain on the upside. A further increase in energy and transport costs, persistent services inflation or renewed commodity-price shocks could keep inflation higher for longer. Against this uncertain backdrop, many central banks have remained cautious and data-dependent, with several choosing to keep their rates unchanged at their most recent interest rate setting meetings.

The Mauritian economy remains resilient, but the growth outlook remains subject to downside risks

Domestic economic activity slowed in the first quarter of 2026 but remained resilient, supported by key services sectors, particularly tourism and financial services. On the aggregate demand side, weaker consumption was partly offset by investment and exports of services.

The Bank expects economic activity to remain resilient but moderate during 2026. The Bank maintains its growth forecast of 2.8 per cent for 2026, unchanged from its May projection. Risks to this growth outlook continue to stay tilted on the downside, mainly due to possible combination of external and internal factors, namely: deteriorating geopolitical conditions, supply-chain disruptions and softer global and domestic demand conditions.

Inflation in Mauritius has eased, but important upside risks to the outlook remain

Headline inflation retreated slightly from 4.1 per cent in June to 4.0 per cent in July 2026. Year-on-year inflation, however, increased from 3.7 per cent in June to 4.4 per cent in July, reflecting increases in the price of demerit goods. Underlying inflation, as measured by the Core measures of inflation, remains elevated and persistent.

The Bank now projects headline inflation at around 5 per cent in 2026, compared with its previous forecast of 5.5 per cent. The downward revision mainly reflects inflation outcomes to date and the implementation of recent budgetary measures, including additional subsidies on selected staple goods.

While the baseline inflation forecast has been revised down, the MPC considers that the risks around this outlook remain tilted to the upside.

Renewed geopolitical tensions could lead to higher global oil and food prices and further increases in shipping costs. Given the island's high dependence on imports, supply-chain and external price shocks could pass through relatively quickly to domestic prices.

The MPC carefully balanced the risks to inflation and growth

After carefully balancing these considerations, the MPC decided that it was appropriate to maintain the Key Rate unchanged at 4.75 per cent per annum.

This decision reflects a cautious approach in a highly uncertain environment. This enables the MPC to continue assessing incoming information and the evolving balance of risks to inflation and growth, while monitoring the effects of previous policy measures and recent budget initiatives on the economy.

The MPC took cognizance of the transmission of rate hike of 25 basis points at the last MPC meeting on saving and lending rates. The MPC also reviewed ongoing open market operations and developments in the foreign exchange market. The MPC discussed the results of the Bank's latest stress tests which show that the banking sector remains resilient overall, supported by adequate capital and liquidity buffers.

The MPC will remain vigilant, forward-looking and data-dependent

The MPC will continue to assess incoming economic and financial information and the evolving balance of risks. It stands ready to act, including between its regular meetings, if necessary, to fulfil its dual mandate of maintaining price stability and promoting orderly and balanced economic development.

The Minutes of today's meeting will be published on 26 August 2026.