



## MEDIA RELEASE

### The Monetary Policy Committee of the Bank of Mauritius raises the Key Rate by 25 basis points

20 May 2026

The Monetary Policy Committee (MPC) of the Bank convened today. The seven members present have unanimously voted to raise the Key Rate by 25 basis points from 4.50 per cent to 4.75 per cent per annum.

The global economic environment has become markedly more uncertain following the escalation of geopolitical tensions in the Middle East. The closure of the Strait of Hormuz has caused a sharp tightening of global energy supply conditions, with cascading effects on commodity markets, shipping costs and investor confidence. Against this backdrop, major international institutions have downgraded their global growth forecasts for 2026. The IMF, in its April 2026 World Economic Outlook report, revised global growth down to 3.1 per cent for 2026, from a previous forecast of 3.3 per cent in January 2026. Risks to the global growth outlook are tilted to the downside, as heightened tensions in the Middle East amplify uncertainty and pose renewed threats to energy supply and trade flows.

Global inflation dynamics have also shifted. Price pressures have strengthened, driven by higher crude oil and food prices, as well as sustained increases in transport and logistics costs. In response, many central banks have adopted a more cautious and data-dependent approach, leaving policy rates unchanged in the face of renewed upside risks to inflation. The IMF projects global inflation to rise to 4.4 per cent in 2026, a significant upward revision of 0.6 percentage point relative to the January forecast. Risks to the global inflation outlook remain firmly skewed to the upside, with geopolitical developments likely to keep energy prices elevated and inflationary pressures persistent.

On the domestic front, economic activity remains broadly resilient, supported by sustained performance in key sectors. Going forward, however, growth is expected to moderate in 2026. This reflects mainly the impact of higher fuel and electricity prices on household purchasing power and softer tourist arrivals. Under the Bank's baseline scenario, which assumes a resolution of the conflict with the Strait of Hormuz reopening by the end of first half of 2026, real GDP growth is projected to moderate to 2.8 per cent in 2026, down from a previous forecast of 3.3–3.5 per cent. In more adverse scenarios, the slowdown would be more pronounced.

Headline inflation remained unchanged at 4.2 per cent between March and April 2026. However, year-on-year inflation rose significantly from 2.7 per cent in March to 3.6 per cent in April 2026, reflecting the initial pass-through of higher global oil prices to domestic inflation. Imported inflation has increased, driven by higher energy prices and elevated freight and logistics costs, indicating a re-emergence of external pressures. If energy prices remain elevated or rise further, Mauritius faces the prospect of higher inflation through

direct and second-round effects, including pass-through to transport, utilities, food processing and services costs. Under the baseline scenario, headline inflation is expected to remain elevated in the near term, averaging around 5.5 per cent in 2026. In more adverse scenarios, inflation could rise even further and remain elevated for longer, with substantially stronger second-round effects. Moreover, core inflation which excludes volatile items and which measures underlying price pressures is expected to remain elevated.

The Bank continues to closely monitor the level of excess liquidity in the banking system to ensure that short-term market rates remain aligned with the Key Rate. The Bank also continues to monitor conditions in the domestic foreign exchange market. Overall, the banking sector is expected to remain resilient even under adverse scenarios, with adequate capital and liquidity buffers to absorb shocks. This is confirmed by forward-looking stress test results.

The MPC deliberated lengthily and determined that an increase in the Key Rate by 25 basis points to 4.75 per cent per annum was appropriate, given the prevailing upside risks to the inflation outlook and elevated uncertainty, as well as the need to anchor medium-term inflation expectations.

This approach is deemed prudent and aims to establish a balance between price stability and orderly and balanced economic development.

The MPC will continue to closely monitor the evolution of the Middle East conflict and its spillovers to global energy markets, supply chains, financial conditions and domestic price dynamics. It stands ready to meet in between its regular meetings and take appropriate actions to achieve its dual mandate.

The Minutes of today's meeting shall be released on 03 June 2026.