

Minutes of the 77th Monetary Policy Committee Meeting held on 11 February 2026

Released on 25 February 2026

The 77th meeting of the Monetary Policy Committee (MPC) was held on Wednesday 11 February 2026 at 09:15 hours at the Bank of Mauritius (Bank). The following members attended the meeting:

- Dr Priscilla Muthoor Thakoor (Governor and Chairperson)
- Mr. Rajeev Hasnah (First Deputy Governor)
- Mr. Ramsamy Chinniah (Second Deputy Governor)

External Members

- Ms. Sharmila Banymadhub-Chakowa
- Dr Myriam Blin
- Ms. Martine Ip Min Wan
- Dr Jameel Khadaroo
- Dr Jeevita Matadeen

1. Bank staff briefed MPC members on global and domestic economic and financial market developments that have taken place since the last MPC meeting held on 12 November 2025. MPC members were also apprised of the role and nature of the interest rate pass-through in structural macroeconomic models and of techniques to quantify this pass-through in order to assess the effectiveness of the monetary policy transmission mechanism.

2. Macroeconomic projections, namely for inflation and GDP growth, were updated in light of latest developments. The Bank has conducted various scenario-based assessments of the impact of those developments on inflation, growth and trade dynamics over the short and medium-term.

3. MPC members took note of the latest macroeconomic projections and carefully reviewed how these various scenarios could play out and impact on global and domestic macroeconomic variables, before deliberating on the policy decision.

Inflation Developments, Risks and Outlook

4. Inflation dynamics in Mauritius continue to be shaped to a large extent by global developments. This reflects the economy's significant dependence on imported goods and services, together with a relatively strong transmission of international commodity price movements and exchange rate fluctuations into domestic prices.

5. Globally, price pressures have been gradually easing, creating room for several major central banks to consider policy rate reductions against a backdrop of moderating economic activity. Despite this progress, inflation in a number of economies remains above target, as cost factors such as tariffs, wage growth, and food prices continue to exert pressure. In the United States, inflation stood at 2.7 per cent in December 2025, unchanged from the previous month, with lower energy prices offsetting increases in food and housing costs. Inflation in the euro area declined to 1.9 per cent, returning to the ECB's medium-term objective, largely due to falling energy prices. In contrast, inflation in the United Kingdom rose to 3.4 per cent, driven mainly by higher airfares and tobacco prices, and remained well above the Bank of England's 2 per cent target. Among major emerging economies, inflation in China and India increased to 0.8 per cent and 1.3 per cent respectively, reflecting food price developments, while inflation in South Africa reached 3.6 per cent, supported by higher rental costs, fuel prices, wage adjustments for domestic workers, and transport fares.

6. Global inflation is expected to continue easing over the next few years as demand softens, supply conditions improve, and commodity prices decline. The IMF projects inflation to fall from 4.1 per cent in 2025 to 3.8 per cent in 2026 and 3.4 per cent by 2027, with advanced economies seeing inflation ease to around 2.2 per cent and emerging market and developing economies moderating to about 4.8 per cent, although the pace of decline will differ across countries. Similarly, the World Bank anticipates a gradual reduction in global inflation from 2.8 per cent in 2025 to 2.6 per cent in 2026 and 2.5 per cent in 2027, driven by slower growth, weaker external demand, and softer labour markets. The OECD also expects disinflation across G20 economies, projecting inflation to fall from 3.4 per cent in 2025 to 2.8 per cent in 2026 and 2.5 per cent in 2027, reflecting easing conditions, moderating economic activity, and lower energy and food prices.

7. In line with these global developments, the projected path of effective foreign inflation in the Bank's Quarterly Projection Model - measured as a weighted average of US and euro area inflation - suggests that imported price pressures will gradually diminish. Inflation in the euro area is expected to remain below the ECB's target of 2 per cent during 2026 and 2027, reflecting negative base effects for energy, moderation in services inflation, and subdued wage growth. Over time, the transition towards climate-friendly energy policies is expected to support a return to target by 2028. By contrast, US inflation is projected to remain somewhat above target in the near term, as higher tariff rates continue to influence goods prices, before gradually converging to the 2 per cent target as these effects dissipate and labour market conditions soften.

8. The year 2025 saw a broad shift towards monetary policy normalisation as inflation trended lower and the global economic outlook became more uncertain. Of the 509 monetary policy decisions recorded worldwide during the year, the majority maintained existing policy settings, while a sizeable number involved rate cuts and only a small fraction involved increases. The US Federal Reserve and the Bank of England both adopted easing stances during 2025, with the Federal Reserve delivering cumulative rate reductions of 75 basis points, bringing the federal

funds rate to 3.50 - 3.75 per cent by December 2025. The Bank of England reduced its policy rate by a total of 100 basis points to 3.75 per cent. These decisions reflected signs of slowing activity, cooling labour markets, and moderating inflation. The European Central Bank also reduced its policy rate by 100 basis points in the first half of 2025, before pausing thereafter.

9. The pace of policy normalisation appears to have slowed down in early 2026, with most central banks opting to hold rates steady while monitoring evolving risks. Of the monetary policy decisions taken so far this year, the majority have maintained the status quo, with relatively few rate reductions and only isolated increases. The Federal Reserve kept rates unchanged at its January 2026 meeting. The ECB also maintained its deposit facility rate at 2 per cent, citing economic resilience and confidence that inflation will stabilise around target. Similarly, the Bank of England held its Bank Rate at 3.75 per cent, signalling that future easing will depend on inflation developments. Other central banks, including those of Canada, Sweden, and South Africa, also left rates unchanged. The Reserve Bank of Australia raised its policy rate by 25 basis points in early February 2026 in response to persistent inflationary pressures.

10. Global food prices declined further in January 2026, supported by favourable supply conditions. The FAO Food Price Index fell slightly compared to the previous month, with lower prices for dairy products, meat, and sugar more than offsetting price increases for cereals and vegetable oils.

11. Crude oil prices rose in January 2026 due to supply concerns linked to geopolitical tensions involving Russia, Venezuela, and Iran, increasing from US\$63.7 per barrel in November 2025 to US\$70.7 per barrel by end-January 2026. Despite this temporary increase, oil prices are expected to trend lower over the medium term as supply conditions normalise. The World Bank projects oil prices to average around US\$60 per barrel in 2026, while the US Energy Information Administration anticipates even lower averages. Nevertheless, the oil market remains exposed to upside risks stemming from geopolitical tensions and potential trade disruptions.

12. Shipping costs, as measured by the Freightos Baltic Index, increased in December 2025 due to seasonal Lunar New Year demand and pricing adjustments by carriers, but resumed a general downward trend in January 2026 amid excess capacity and easing demand.

13. Although global developments play a central role in shaping inflation in Mauritius, domestic factors also contribute substantially to overall price movements.

14. Inflation has evolved as projected, with headline inflation reaching 3.7 per cent in 2025. Headline inflation increased slightly to 3.8 per cent in January 2026, due to seasonal factors. However, year-on-year inflation declined to 3.9 per cent in January 2026, from 4.5 per cent in December 2025.

15. Core inflation, which capture underlying price pressures, remained sticky in January 2026, driven mainly by higher services costs and wage increases. On a 12-month average basis, CORE1 inflation increased to 4.2 per cent while CORE2 inflation stood at 6.4 per cent. On a year-on-year basis, CORE1 and CORE2 inflation eased to 4.3 per cent and 5.6 per cent, respectively.

16. Food inflation declined to 3.3 per cent in January 2026. Monthly dynamics suggest that price pressures should remain relatively subdued in the near term, although seasonal weather conditions could temporarily affect vegetables prices. These risks may be partly mitigated by the extension of government subsidies on essential goods and selected pharmaceutical products announced in January 2026, together with favourable international food price developments.

17. Domestically-generated inflation eased to 5.3 per cent in January 2026, but remained elevated, reflecting the impact of wage-related payments such as end-of-year bonuses and generally higher services costs. Imported inflation also decreased slightly during the month.

18. A more detailed breakdown of the CPI basket shows that the share of items recording price increases above 5 per cent increased in December 2025, while the proportion of items with

price increases between 2 and 5 per cent declined slightly. At the same time, the share of items registering price increases below 2 per cent increased, helping to keep headline inflation broadly stable.

19. Headline inflation is projected to average around 3.6 per cent in 2026, in the absence of weather-related factors and / or any major economic shock. Seasonal fluctuations in domestic vegetable prices may occur in the first half of the year but are expected to dissipate thereafter. Demand-side pressures are expected to remain contained as the economy expands close to potential and monetary conditions remain relatively tight. The downward influence from earlier adjustments in imported commodity prices, together with easing global energy and food prices and subdued inflation in key trading partners, should help contain inflationary pressures.

Growth Developments, Risks and Outlook

20. Economic growth in Mauritius remains closely linked to global economic conditions.

21. Recent data show that economic activity across major regions has been more resilient than earlier expected, with stronger-than-forecast growth in several key economies in 2025Q3. However, the global environment remains challenging, characterised by uneven expansion, trade vulnerabilities, policy uncertainty, and rising geopolitical tensions.

22. Growth patterns in both advanced economies and EMDEs were mixed in 2025Q3. Among advanced economies, the United States recorded quarterly growth of 1.1 per cent, supported by solid household consumption, a recovery in exports and higher public spending, thus outperforming many peers. The euro area grew by 0.3 per cent, driven mainly by stronger government expenditure and a rebound in investment. In contrast, growth in the United Kingdom experienced slowed down to 0.1 per cent, reflecting subdued auto production following the cyber-attack on Jaguar Land Rover.

23. Within EMDEs, India grew by 2.0 per cent in 2025Q3, as robust domestic demand, sustained services activity, and ongoing public infrastructure investment helped offset softer external demand. China's growth remained broadly stable at 1.1 per cent, supported by targeted fiscal stimulus and a modest pickup in manufacturing. By contrast, South Africa's growth eased to 0.5 per cent due to structural bottlenecks, electricity supply constraints, and weak private investment.

24. The J.P. Morgan Global Composite Output Index suggests that global growth momentum may have softened slightly in 2025Q4. The index declined from 52.7 in November 2025 to 52.0 in December, its lowest level in six months, indicating slower increases in output and new orders. Although activity in both manufacturing and services moderated, services continued to outperform manufacturing, with the services PMI at 52.4, while manufacturing PMI reached 50.4.

25. In its January 2026 WEO Update, the IMF projected global growth at 3.3 per cent in 2026 and 3.2 per cent in 2027, representing an upward revision for 2026 compared to the October 2025 projections. Global activity is expected to expand at a pace broadly similar to 2025, supported by investment in technology - particularly Artificial Intelligence (AI) - alongside continued policy support and private sector adaptability. Nonetheless, downside risks could arise from renewed trade tensions, geopolitical conflicts, elevated public debt, fiscal pressures, and the possibility of financial market corrections if expectations about AI-driven productivity gains weaken.

26. The World Bank's January 2026 Global Economic Prospects report projects global growth at around 2.6 per cent in 2026 and 2.7 per cent in 2027. Slower trade growth, as firms reduce inventories and adjust to tariff effects, is expected to weigh on momentum. Although recession risks have diminished, the outlook points to modest and uneven expansion, with further downside risks from geopolitical tensions, trade fragmentation, and continued policy uncertainty.

27. Similarly, the OECD's December 2025 Economic Outlook forecasts global growth at 2.9 per cent in 2026 and 3.1 per cent in 2027. The gradual transmission of higher tariffs continues to dampen trade and investment decisions, particularly in an environment of geopolitical strain. However, easing financial conditions, lower inflation and the fading effects of earlier trade measures should provide some support to activity going forward.

28. Domestic economic activity remained resilient in 2025Q3, supported largely by service-oriented sectors such as financial services, tourism-related activities and transport. Real GDP grew by 3.1 per cent year-on-year in 2025Q3, lower than 3.3 per cent in 2025Q2 and 3.6 per cent in 2025Q1.

29. The financial and insurance sector expanded by 4.9 per cent, reflecting strong performance in banking, insurance and global business services, alongside continued inflows into the Mauritius International Financial Centre. Wholesale and retail trade grew by 1.5 per cent, indicating sustained household consumption.

30. Manufacturing recorded modest growth of 1.1 per cent, supported mainly by food processing and other manufacturing activities. However, declines in the sugar and textile subsectors highlight ongoing structural challenges in traditional industries. Construction activity, which had been a major driver of growth in 2023 and 2024, slowed during the first three quarters of 2025, with a marginal contraction of 0.1 per cent in 2025Q3, largely reflecting the completion of major infrastructure projects and fewer new project launches.

31. Tourism-related accommodation and food services continued to perform strongly, growing by 6.1 per cent in 2025Q3. Tourist arrivals reached 1,436,250 in 2025, representing a 3.9 per cent increase over 2024. Arrivals from Europe rose by 2.3 per cent, with notable increases from Italy, Poland, Spain, and the Czech Republic, supported by improved air connectivity. India also recorded a significant rise, with nearly 19,000 additional visitors, reflecting successful efforts to

diversify source markets and reduce reliance on traditional European demand. This diversification strengthens the sector's resilience to regional shocks.

32. Tourism earnings increased to a record Rs 103.4 billion in 2025, up by 10.5 per cent compared to the previous year, while the average length of stay remained broadly stable at about 11.3 nights.

33. On the demand side, consumption remained the main contributor to growth in 2025Q3. Final consumption expenditure rose by 1.2 per cent, supported by a 1.6 per cent increase in household spending, while government expenditure declined slightly by 0.9 per cent in line with fiscal consolidation efforts. Investment, measured by Gross Fixed Capital Formation, contracted by 2.6 per cent. Within this, spending on building and construction work fell by 0.6 per cent, while investment in machinery and equipment dropped by 6.4 per cent.

34. The current account deficit is projected at 6.7 per cent of GDP in 2025 (from 6.4 per cent in 2024), reflecting a wider trade deficit, partly offset by higher services account surplus, boosted by record tourism earnings and noticeable growth in primary income surplus. With financial flows more than adequate to finance the current account deficit, an overall balance of payments surplus of Rs42.2 billion has been preliminarily estimated for 2025. In 2026, the current account deficit is forecast to improve to 4.8 per cent of GDP, on the back of a lower trade deficit, mainly supported by lower imports of petroleum products and motor vehicles. The improvements in the forecasted 2026 current account balance also reflect projections of continued upbeat performance of the tourism and financial sectors, that are expected to generate higher services exports and primary income credits.

35. Bank staff estimate that the domestic economy expanded by 3.1 per cent in 2025, consistent with the forecast presented at the November 2025 MPC meeting. **For 2026, growth is projected at 3.3 per cent and could rise to around 3.5 per cent, depending on the pace of**

implementation of planned capital projects. However, risks to the domestic growth outlook remain tilted to the downside.

Money Market, Foreign Exchange Market and Financial Stability

36. The Bank is maintaining a disciplined approach to its monetary and foreign exchange operations, with continued emphasis on ensuring that policy decisions are transmitted effectively through financial markets.

37. Between the last MPC meeting of 2025 and the end of January 2026, liquidity management operations included the issuance of Rs26 billion in BoM Bills and Rs4.0 billion in 2-Year BoM Notes. Over the same interval, commercial banks held an average balance of Rs58 billion in the overnight deposit facility, allowing excess rupee liquidity to be restrained to a daily average of Rs2.3 billion.

38. Conditions in the interbank market remained stable. The overnight interbank rate continued to trade close to the lower boundary of the policy corridor, at roughly 3.25 per cent, while the yield curve showed a modest downward adjustment since the last MPC deliberations. Lending rates declined in the period leading to December 2025. The weighted average rate on new credit eased to 6.44 per cent for corporates and 7.18 per cent for households. The average financing costs for mortgages registered a more pronounced reduction, falling by 50 basis points to 5.49 per cent.

39. The Bank remains vigilant regarding money market dynamics and the strength of monetary transmission. Open market operations, including further issuance of Bank securities, will continue to be deployed to address structural surplus liquidity in the system.

40. Exchange rate developments have been shaped by domestic foreign currency flows alongside movements in major global currencies. From the November 2025 MPC meeting to 30

January 2026, the rupee appreciated by 0.8 per cent against the US dollar but recorded depreciations of 2.0 per cent against the euro and 3.8 per cent against the Pound sterling.

41. Activity in the domestic FX market strengthened, signaling improved depth and sentiment. Turnover reached US\$3.46 billion between 13 November 2025 and 29 January 2026 - an increase of US\$633 million relative to the same period a year earlier. Foreign exchange inflows and outflows remained broadly matched. Financial services and the accommodation sectors were the principal sources of inflows, whereas wholesale and retail trade generated the bulk of outflows.

42. Increased flows into the domestic FX market have lessened the need for central bank intervention. Total FX sales by the Bank declined to US\$220 million in 2025, from US\$370 million in 2024. Since the latest MPC meeting, interventions have been limited to US\$40 million sold to banks.

43. The country's Gross Official International Reserves remain at comfortable levels, offering a solid buffer against external risks. Reserves stood at US\$10.3 billion as at end-December 2025 and US\$10.2 billion as at end-January 2026, corresponding to 14.3 months and 13.9 months of import cover, respectively.

44. Banks continue to operate with capital positions above regulatory minima, including for the requirements related to the Capital Conservation Buffer and additional charges for Domestic Systemically Important Banks. The banking sector's Capital Adequacy Ratio was 19.5 per cent in September 2025. Liquidity conditions also remained strong, with the Liquidity Coverage Ratio (LCR) at 268.9 per cent - well above the 100 per cent requirement - and the foreign-currency LCR at 186.0 per cent in December 2025.

45. Private sector credit expanded at an annual pace of 11.4 per cent in December 2025, supported by increases in both household and corporate borrowing of 12.3 per cent and 10.8 per

cent, respectively. Household indebtedness remains elevated compared with historical patterns. Corporate leverage is considered broadly sustainable. With only limited sectoral exceptions, corporates continue to benefit from favourable earnings and cash-flow conditions. The ratio of Non-Performing Loans to total corporate credit stood at 5.9 per cent. Repayment capacity for both households and firms remains sound, partly supported by rising real wages.

46. Overall, financial stability risks are assessed as manageable. Stress-testing results point to a banking sector that is well-capitalised and liquid, with sufficient buffers to withstand plausible adverse scenarios.

MPC Decision

47. The MPC conducted a comprehensive review of recent global and domestic economic developments, under different scenarios. It assessed their implications using the Bank's forward-looking, scenario-based approach, while also taking stock of economic outcomes since the previous three MPC meetings.

48. Heightened uncertainty in the international environment continues to create challenges for both inflation and growth, requiring central banks to evaluate risks carefully. Policy responses must therefore be tailored to national conditions, with decisions calibrated in terms of scale, direction, and timing.

49. For most of 2025, the MPC judged inflation risks in Mauritius to be tilted to the upside, while risks to growth were skewed to the downside. Developments since then, both externally and locally, suggest that risks to the growth outlook remain broadly tilted to the downside while those for inflation now appear more balanced, leaving the Committee once again to navigate a complex policy trade-off.

50. Against this backdrop, members agreed that maintaining a prudent, wait-and-see stance is appropriate, while closely monitoring the evolution of risks.

51. Accordingly, the MPC unanimously resolved to maintain the Key Rate at 4.50 per cent per annum.

52. Holding the policy rate steady provides room for gradual economic adjustment, and preserves the flexibility to respond, should unexpected shocks arise. This strategy also supports the anchoring of medium-term inflation expectations, strengthens policy credibility in an uncertain climate, and is consistent with the Bank's objective of sustaining price stability.

53. The MPC will continue to adopt a data-dependent and forward-looking approach. It remains prepared to convene outside its regular schedule, if necessary, in order to fulfill the Bank's dual mandate of price stability and orderly and balanced economic development.

54. The next meeting is scheduled for 20 May 2026.

Note:

1. The headline inflation rate is calculated by using the annual average method which compares the average level of prices during a twelve-month period with the average level during the corresponding previous twelve-month period.
2. Year-on-year inflation is calculated as the change in the CPI for a given month compared with the same month of the preceding year in percentage terms.
3. CORE1 excludes food, beverages and tobacco components and mortgage interest on housing loan from headline inflation.
4. CORE2 excludes food, beverages and tobacco, mortgage interest on housing loan, electricity, gas, other fuels and items whose prices are controlled from headline inflation.