

Priscilla Muthoora Thakoor: Current economic conditions and outlook

Statement by Dr Priscilla Muthoora Thakoor, Governor of the Bank of Mauritius, at the post Monetary Policy Committee (MPC) press conference, Port Louis, 12 November 2025.

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Ladies and gentlemen, members of the media, good afternoon and welcome to the Bank of Mauritius.

I am very pleased to address you in my first press conference to brief you about the meeting of Monetary Policy Committee (MPC) which took place earlier today.

I take this opportunity to reiterate my dedication to fulfilling the Bank's mandate of maintaining price stability and promoting balanced economic development.

The Bank's monetary policy will remain proactive, data-driven, and adaptive to changing economic conditions. It will continue to be guided by comprehensive analysis of both global and domestic economic and financial trends. It will also be grounded in principles of transparency and accountability.

At today's 76th MPC meeting, the Committee reviewed recent economic and financial developments and assessed their implications for the Mauritian economy. I shall now provide an overview of the key elements discussed during our policy deliberations.

International Economic Developments, Outlook, and Risks

Let me start with the discussion on recent international economic developments, the outlook, and risks at the global level.

The global economy has so far shown signs of resilience. The anticipated disruptions from trade tariffs that clouded the outlook earlier this year have been mitigated as importers have built up their stock of goods ahead of expected tariff deadlines.

We also see a relative stabilisation in the global trade environment, reflecting a de-escalation of the US-China stand-off and bilateral trade negotiations between the US and a number of countries.

Major international institutions, notably the IMF, WTO and OECD, have revised upwards their global growth projection for 2025. This upgrade reflects a combination of factors, including milder-than-expected impact of trade tensions, fiscal stimulus in major economies like Europe and China and a boom in AI-driven investment that has supported productivity and economic activity.

Inflation dynamics across main trading partners have been mixed. Some advanced economies continue to face inflationary pressures, driven by the persistence of services inflation and growing signs of pass-through from the tariff measures to

prices. Among emerging economies, China experienced deflation for the second successive month in September 2025 while inflation in India dropped to a low level on the back of sharp declines in food prices.

Several central banks have paused or reduced the pace of their easing cycles.

They are instead adopting a prudent wait-and-see stance in light of the prevailing uncertain economic environment. Both the European Central Bank and the Bank of England have kept their policy rates unchanged at their respective meetings in October and November 2025. The US Fed, on its part, opted to lower its policy rate in October 2025. The Fed noted uncertainty regarding the economic outlook, acknowledging a weakening labour market. However, it underscored the recent rise in inflation and indicated that any future rate reductions would be contingent on new data, ongoing economic developments, and an assessment of prevailing risks.

Risks to the global growth outlook remain tilted to the downside. An increase in trade policy uncertainty could weigh on investment and dampen growth. On the labour market side, a negative supply shock from tighter immigration policies could reduce the potential output of economies that are highly dependent on specific skills. These downside risks to growth could be mitigated by a reduction in trade policy uncertainty and tariffs through bilateral agreements. Increased use of AI by businesses and reskilling of employees could boost output by increasing productivity growth.

Risks to inflation are skewed to the upside. A rise in bilateral tariff rates could feed into goods prices and cause disruptions in supply chains. An escalation in geopolitical tensions in oil-producing regions could threaten global energy supply, pushing up prices. A continued boom in the technological sector could raise demand pressures, leading to inflationary risks. On the other hand, a fall in crude oil prices resulting from increased production quota from the OPEC+ could help cushion inflationary pressures.

Domestic Economic Developments, Outlook and Risks

Ladies and Gentlemen, I shall now turn to domestic economic developments and the outlook and risks to our economy.

The domestic economy grew by 3.6 per cent in 2025Q2. This performance was mainly driven three sectors, namely *'Financial and insurance activities'*, *'Accommodation and food service activities'* and *'Agriculture, forestry and fishing'*. The tourism sector experienced a notable rebound in 2025Q2, reflecting a recovery in tourist arrivals following an exceptionally subdued first quarter. Economic activity was partly dragged down by contractions in the *'Construction'* and *'Public administration and defence'* sectors. On the demand side, consumption expenditure remained the principal contributor to economic growth in 2025Q2.

Real GDP growth for 2025 is forecast at 3.1 per cent, reflecting the improved prospects for the *'Accommodation and food service activities'* sector. Tourist arrivals are expected at around 1,425,000 for the year, with tourism earnings reaching record levels of around Rs100 billion compared to Rs93.6 billion in 2024. The overall economic expansion is likely to be constrained by lingering weaknesses in the *'Construction'* and *'Manufacturing'* sectors.

Goods exports face several challenges which contribute to a relatively large current account deficit. As a ratio to GDP, the current account deficit widened to 8.6 per cent in 2025Q2, from 6.1 per cent in 2024Q2. This was mainly due to higher deficits on the goods and secondary income accounts that offset a higher surplus in the services account.

The current account deficit is forecast to widen slightly from 6.4 per cent in 2024 to 6.5 per cent in 2025. Tourism and financial services are expected to contribute positively to exports of services. However, the overall external performance is marred by the continuing high goods imports, as well as ongoing uncertainty in the manufacturing sector linked to the renewal of the AGOA, the impact of US tariffs on Mauritian products and potential repercussions from the political turmoil in Madagascar.

On a positive note, the Mauritius IFC is projected to continue to attract adequate financial flows in 2025. Global cross-border investment activities remain resilient despite uncertainty surrounding the international trade landscape. An overall balance of payments surplus of Rs15.0 billion is forecast for 2025.

Looking ahead to 2026, growth is expected to remain stable at around 3 per cent, supported by the '*Accommodation and food service activities*' sector. Activity in '*Financial and insurance activities*', '*Wholesale and retail trade*' and '*Information and communication*' are also expected to remain robust, continuing to provide impetus to overall growth.

The growth outlook for Mauritius remains subject to downside risks. On the external front, persistent uncertainties regarding trade tariffs between the US and other major economies may undermine global economic growth and negatively affect the domestic export sector. Furthermore, political developments in some of our key economic and trading partners could restrict external demand and adversely influence overall growth. On the domestic front, structural weaknesses within the manufacturing sector, alongside subdued activity in construction, may continue to pose challenges to economic expansion.

Regarding inflation, we note that headline inflation maintained an upward trajectory in October 2025. This was largely driven by the '*Transport*' division due to higher taxes on cars, followed by '*Insurance and financial services*', '*Health*' and '*Restoration and accommodation services*'. However, year-on-year inflation eased, primarily due to government subsidies on essential food items. Additionally, core inflation measures picked up, driven mainly by rising services costs.

Barring no major supply shock, headline inflation for 2025 is forecast at around 3.7 per cent, slightly down from the previous projection of 4.0 per cent. This new forecast is supported by favourable global commodity prices, receding inflation in key trading partners and the recent decline in domestic petroleum prices. Looking ahead to 2026, inflation is expected to converge towards the mid-point of the Bank's target range, settling at around 3.6 per cent on the back of easing global inflation and declining international oil and food prices.

The inflation outlook for Mauritius remains exposed to upside risks, primarily originating from external sources. These include additional tariffs by the US and an

escalation of geopolitical tensions that could disrupt global supply chains and further exacerbate global inflationary pressures. Due to the nation's considerable reliance on imported goods, the potential for imported inflation continues to be a significant concern. Additionally, the increasing frequency of climate-related hazards introduces unpredictable supply-side shocks, which could drive up food prices.

Money Market

I will now elaborate on the implementation of monetary policy.

Under the new flexible inflation targeting regime adopted in 2023, the Bank continued to issue its own securities to mop up excess liquidity, mainly at the shorter end of the yield curve. Since the last MPC meeting in August 2025, the Bank issued BoM Bills for a total amount of Rs34 billion and redeemed an amount of Rs40.5 billion. The amount of outstanding BoM securities issued for liquidity management purposes stood at Rs65.2 billion as of 10 November 2025.

The overnight deposit facility is another monetary policy instrument and offers banks the necessary flexibility to manage their excess rupee liquidity. An average amount of Rs55 billion was placed on overnight deposit with the Bank at the rate of 3.00 per cent during the period 13 August to 10 November 2025.

Interbank market activity remained subdued, with the volume of overnight interbank transactions staying low, albeit a pick up noted as from mid-October.

Between 13 August and 10 November 2025, the overnight interbank rate evolved within the interest rate corridor of 3.00 per cent to 6.00 per cent, albeit closer to the lower bound.

Foreign Exchange Market

Flows within the domestic FX market continued to increase. Between 13 August and 10 November 2025, FX turnover stood at US\$3.4 billion - of which FX inflows were US\$1.6 billion and FX outflows were US\$1.8 billion - representing an increase of US\$296 million compared to the corresponding period of 2024. Most inflows originated from the financial and accommodation sectors while outflows were to the wholesale and retail trade sector.

Since the last MPC meeting, the Bank intervened to sell US\$100 million on the market, specifically targeting importers of essential goods and SMEs. Total FX interventions by the Bank since the beginning of the year amounted to US\$190 million, compared to US\$335 million over the same period in 2024.

The rupee continues to reflect key economic fundamentals of demand and supply, as well as international currency movements. Between 13 August and 10 November 2025, the rupee exchange rate depreciated by 0.9 per cent against the US dollar but appreciated by 1.7 per cent against the Pound sterling and 0.1 per cent against the euro.

Financial Stability and External Vulnerability

Let me say a few words about financial stability and external vulnerability.

Risks to financial stability remain moderate. Bank credit to the private sector grew at an annual rate of 11.6 per cent in September 2025, backed by household and corporate credit growth of 11.9 per cent and 11.3 per cent, respectively. Risks are well contained in the corporate sector, though vulnerabilities in the household sector edged up due to increasing leverage. Overall, banks have managed risks prudently and the latest stress tests indicate that the banking sector has robust capital and liquidity buffers to absorb plausible shocks going forward.

The Gross Official International Reserves (GOIR) of the country remain broadly adequate as a buffer against potential external shocks. Gross Official International Reserves declined marginally from Rs438.4 billion (US\$9.6 billion) as at end-September 2025 to Rs437.3 billion (US\$9.5 billion) as at end-October 2025. This represented 13.0 months of import cover (based on the import bill for calendar year 2024).

MPC Decision

Ladies and Gentlemen, I will now announce the decision of the MPC.

The MPC deliberated that, in light of prevailing economic conditions, a cautious wait-and-see approach is appropriate. Incoming data show an easing of wage pressures and inflation stabilising near the medium-term target, allowing the current policy stance to be maintained.

This policy stance also takes into account the high level of uncertainty over global growth, trade tensions and global commodity prices. All of these factors exert a significant influence on domestic inflation and growth. By keeping rates unchanged, the Bank allows gradual adjustments, avoids sending mixed signals, and retains flexibility to respond to unforeseen shocks. This approach enhances policy credibility and supports the long-term goal of price stability.

As a result, the MPC unanimously decided to keep the Key Rate unchanged at 4.50 per cent per annum at its meeting today.

The MPC will continue to closely monitor economic development and stands ready to meet in between its regular meetings and take appropriate actions to achieve its dual mandate of maintaining price stability and of promoting orderly and balanced economic development.

The calendar of meetings for 2026 is set as follows: **11 February, 20 May, 12 August and 11 November.**

Ladies and Gentlemen, I thank you for your attention. I also seize this opportunity to send you and your family my very best wishes for the New Year 2026.

I shall be happy to answer any question that you may have on monetary policy.