

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, 11 February 2026.

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Good afternoon, ladies and gentlemen, members of the media.

Welcome to the press conference for the 77th meeting of the MPC, and the first of 2026.

At today's meeting, the Committee reviewed key global and domestic developments and discussed their potential implications for the growth and inflation outlook of the Mauritian economy.

Considering these developments, the Committee unanimously decided to maintain the Key Rate, that is, the policy rate, at 4.50 per cent per annum.

Inflation has evolved as projected, with headline inflation reaching 3.7 per cent in 2025. According to latest staff projections, headline inflation will be around 3.6 per cent in 2026. The projected rate is within the Bank's inflation target range of 2-5 per cent and very close to the mid-point medium-term target of 3.5 per cent.

However, core inflation, driven by services inflation, remains elevated. It could start to moderate during the second half of the year in the absence of shocks.

The domestic economy has been resilient, reflecting the strong performance of the tourism sector and sustained growth in financial services. Staff project that the economy could grow between 3.3-3.5 per cent in 2026, depending on the pace of implementation of capital projects. This forecast represents an upward revision compared to the initial forecast of around 3 per cent released at the November 2025 MPC meeting.

The Bank remains committed to its objectives of price stability and orderly and balanced economic development. The interest rate decisions of the MPC will continue to be data-driven and evidence-based, carefully balancing the risks to the inflation outlook against the risks to the growth outlook.

I will now elaborate on the international and domestic factors that shaped the MPC's decision during the meeting.

Global Economy

Let me start with a review of recent global economic developments. The global economy performed better than expected in 2025, as US tariffs had a lesser effect on growth and inflation than projected. Robust activity in major emerging markets, sustained global trade, a surge in investment in digital technologies, including AI, as well as fiscal stimulus in several economies, contributed to this positive outcome.

Major international institutions, notably the IMF, World Bank and United Nations, have upgraded their global growth projections for 2026. However, geopolitical tensions at the start of the year, and most recently in the Middle East, have highlighted the ongoing complexity and uncertainty of the global landscape. Financial markets have experienced heightened volatility, with the US dollar depreciating against major currencies and gold attaining record levels.

Global inflation is projected to remain on a downward trajectory. Price pressures are easing across most regions, in part owing to muted commodity price developments. Nonetheless, some countries are still experiencing inflationary pressures due to strong demand boosted by fiscal spending and wage growth.

Most central banks have opted to keep rates unchanged since the beginning of the year, while closely monitoring the evolving outlook and the balance of risks. In line with market expectations, the US Federal Reserve, Bank of England, and the ECB have kept interest rates on hold at their latest monetary policy meetings. Their future interest rate paths may nevertheless vary in line with their respective economic outlook. The Reserve Bank of Australia was among the rare central banks that opted to raise interest rates to counter growing inflationary pressures.

Domestic Economic Activity

Turning to domestic developments, the Bank forecasts that growth will be in the range of 3.3-3.5 per cent in 2026 compared to an estimate of 3.1 per cent in 2025. Activity will continue to be driven by key service-oriented sectors, notably 'Financial and insurance activities', 'Accommodation and food service activities' and 'Wholesale and retail trade'. The pace of implementation of capital projects and the renewal of the African Growth and Opportunity Act (AGOA) could boost real GDP growth.

Tourist arrivals reached a record level of 1,436,250 in 2025. This represents an increase of 3.9 per cent compared to 2024. Gross tourism earnings rose substantially year-on-year, totaling Rs103.4 billion or USD2.2 billion. This corresponds to an increase of 11.5 per cent in US dollar revenue from tourism on a year-on-year basis. The tourism sector is projected to sustain its solid performance in 2026.

The labour market showed signs of continued improvement. Unemployment has been on a declining trend and, at 5.6 per cent in 2025Q3, hit its lowest rate in two decades. Wages are on an upward trend, although their growth has moderated.

Lending to the private sector continued to expand in support of economic activity. In December 2025, private sector credit grew by 11.4 per cent, underpinned by solid growth in both corporate and household segments. Corporate credit risks were well contained, while household debt servicing capacity remained firm. The overall quality of the credit portfolio of banks contributed to the resilience of the banking sector.

The current account deficit is estimated to have widened to 6.7 per cent of GDP in 2025 but is projected to improve substantially to 4.8 per cent of GDP in 2026. This projected positive development, in part, rests on the premise of a lower trade deficit on account of

lower imports of petroleum products and motor vehicles. It also reflects projections of upbeat activity in the tourism and financial sectors, which will contribute to higher services exports and primary income.

Inflation

Headline inflation increased to 3.8 per cent in January 2026, from 3.7 per cent in December 2025, due to seasonal factors. Core inflation, which indicates underlying price pressures in the economy, remained higher than headline inflation. On a 12-month average basis, CORE1 inflation was up by 10 basis points to 4.2 per cent, while CORE2 inflation was stable at 6.4 per cent.

Services inflation and domestically-generated inflation remained the main contributors to overall headline and core inflation. Imported inflation has been contained by the absence of significant external price shocks and relatively stable exchange rate of the rupee vis-à-vis the US dollar.

Headline inflation is forecast to rise modestly during the first half of 2026 before subsiding to around 3.6 per cent by the end of the year. Core inflation is also projected to peak during the first half of the year in the absence of adverse shocks.

Headline inflation is projected to remain within the Bank's target range of 2-5 per cent, assuming the usual domestic seasonal trend, a favourable global commodity price outlook, and a relatively muted price environment in main trading partner countries,

Results from the Bank's Inflation Expectations Survey suggest that inflation expectations remain anchored. However, underlying and domestically-driven price pressures indicate that continued vigilance is warranted regarding inflation dynamics.

Money Market

Let me now touch on money market developments. The Bank continued to actively manage liquidity conditions in the banking system. From the last MPC meeting up to the end of January 2026, the Bank has issued BoM Bills for a total amount of Rs26 billion and 2-Year BoM Notes for an amount of Rs4.0 billion. At the same time, banks placed an average of Rs58 billion in the Bank's overnight deposit facility, which effectively contained the rupee excess reserves at a daily average of Rs2.3 billion. The amount of outstanding BoM securities issued for liquidity management purposes, excluding overnight deposits, stood at Rs58 billion as of 30 January 2026.

The overnight average interbank rate has been relatively stable, moving close to the lower bound of the interest rate corridor, at around 3.25 per cent. The yield curve has slightly shifted downwards since the last MPC meeting.

Financing costs have declined since the last MPC meeting until December 2025. The weighted average interest rates on new loans to corporates and households dropped to 6.44 per cent and 7.18 per cent, respectively. There was a marked decrease of 50 basis points in new housing loan rates, to 5.49 per cent.

The Bank remains attentive to money market developments and monetary policy transmission. It will continue to undertake open market operations, including the issue of its own securities, to remove the structural excess liquidity from the system.

Foreign Exchange Market

In the foreign exchange market, the rupee exchange rate reflects domestic FX demand and supply conditions, as well as international currency movements. Between the November 2025 MPC meeting and 30 January 2026, the rupee gained 0.8 per cent against the US dollar but depreciated by 2.0 per cent against the euro and 3.8 per cent against the Pound sterling.

Turnover on the domestic foreign exchange market increased markedly, indicating higher liquidity and an improvement in market sentiment. Between 13 November 2025 and 29 January 2026, FX turnover rose to US\$3.46 billion, that is, US\$633 million more compared to the same period in the preceding year. FX inflows and outflows were broadly balanced. Most inflows originated from the financial and accommodation sectors, while outflows were mainly driven by the wholesale and retail trade sector.

The recovery in the domestic FX market reduced the need for FX intervention. The Bank intervened to sell an aggregate amount of US\$220 million in 2025 compared to US\$370 million in 2024. Since the last MPC meeting, the Bank has sold US\$40 million to banks.

The Gross Official International Reserves (GOIR) of the country remained comfortable, providing adequate buffers against potential external shocks. The GOIR stood at US\$10.3 billion at end-December 2025 and at US\$10.2 billion as at end-January 2026, respectively representing 14.3 months and 13.9 months of import cover.

Risks to the outlook

I will now say a few words about risks. The balance of risks surrounding the domestic growth outlook remains tilted to the downside. Several threats to the global economy could negatively affect global demand and confidence and, in turn, weigh on domestic growth. These include escalating geopolitical tensions, setbacks to technology-driven investment, rising trade fragmentation and climate-related shocks.

Positive developments that raise global growth prospects, as well as investor and consumer confidence, may strengthen the domestic growth outlook. On the domestic front, the pace of implementation of investment projects will be a key determinant of economic performance.

The risks to domestic inflation appear balanced. On the upside, persistent geopolitical tensions could lead to increases in global commodity prices and freight costs and undermine global supply chains. Climate shocks could have a negative impact on food prices. However, lower than expected global growth and domestic demand constitute downside risks to the inflation outlook.

Concluding Remarks

To conclude, there was consensus within the MPC that maintaining the monetary policy stance unchanged best aligned with the Bank's mandates of price stability and balanced economic growth.

The global economy is expected to grow moderately as uncertainties around geopolitical developments, trade policy, and uneven investment trends persist. Global inflation is anticipated to continue slowly trending downwards although lasting upside risks warrant caution by central banks.

Domestic economic growth is projected to be close to potential, while headline inflation is expected to remain well within the Bank's target range over the medium term. Nonetheless, considering elevated core inflation, as well as continuing risks to the growth and inflation outlook, the MPC considered it prudent to allow time to observe incoming data and ensure that inflation remains sustainably close to the mid-point of the target range.

The MPC will continue to closely monitor economic developments and the evolution of the outlook and risks. It 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.

Thank you for your attention.

I shall be pleased to take any questions that relate to monetary policy.