



## MEDIA RELEASE

### **The Monetary Policy Committee of the Bank of Mauritius keeps the Key Rate unchanged**

*13 August 2025*

The Monetary Policy Committee (MPC) of the Bank has unanimously decided to keep the Key Rate unchanged at 4.50 per cent per annum at its meeting today.

The global economy continues to face significant uncertainty even though some recent trade deals have offered a degree of relief for specific countries. In its July 2025 World Economic Outlook Update, the International Monetary Fund (IMF) revised its global growth forecasts upward to 3.0 per cent for 2025 and 3.1 per cent for 2026. The improved projections reflect positive ongoing tariff negotiations, especially between the US and China. However, risks to the global growth outlook are tilted to the downside.

Global inflation remains above many central banks' targets, despite recent declines. The IMF projects global inflation to average 4.2 per cent in 2025 and 3.6 per cent in 2026. Central banks globally have become strategically more cautious and data-dependent in their approach towards monetary policy. Since the beginning of 2025, a vast majority of policy rate decisions has been to maintain interest rates unchanged, taking into consideration the balance of risks to the inflation and growth outlooks due to tariff and trade-related uncertainties.

On the domestic front, GDP growth has been softer in 2025Q1 compared to same quarter last year. The 'Accommodation and food service activities' sector contracted in 2025Q1, but more recent data on tourist arrivals and earnings indicate that the sector bounced back in 2025Q2. Mauritius welcomed 658,909 tourists in 2025H1, up by 2.1 per cent compared to 2024H1. July 2025 has recorded very encouraging results with a 10.2 per cent year-on-year (y-o-y) growth rate. On the demand side, activity was largely supported by resilient consumption. Whereas the Bank had projected GDP growth for 2025 to be within a range of 3.0-3.5 per cent at the May MPC meeting, latest developments including the fiscal consolidation roadmap of the government and lingering uncertainty point towards a GDP growth rate closer to 3.0 per cent for this year.

Inflation in Mauritius has been on the rise recently. Headline inflation edged up for the fourth consecutive month to 3.1 per cent in July 2025 while y-o-y inflation remained elevated at 5.2 per cent. The increase in inflation largely reflected the impact of budgetary measures, which include higher taxes on demerit goods and additional excise duties on vehicles. However, given that these one-off effects should ease, inflation is expected to remain within the Bank's medium-term target range of 2 - 5 per cent. Headline inflation is projected at around 4.0 per cent in 2025, roughly 0.5 percentage point higher compared to the previous forecast of 3.5 per cent.

The Bank continues to monitor the level of excess liquidity prevailing in the banking system and resumed the issuance of BoM securities as from July 2025. Conditions on the foreign exchange market are normalizing with the exchange rate reflecting domestic economic fundamentals and international market conditions. Compared to same period last year, FX inflows have increased by USD 866 million since the beginning of the year to date. The banking sector is assessed to remain robust, stable and resilient to potential downside shocks.

Considering the prevailing global and domestic economic uncertainties, the MPC deliberated that it was judicious to stay prudent and maintain the status quo at this juncture. While the current uptick in inflation may be viewed as transitory, the risks over the medium-term arising from tariff-induced global inflation could be more entrenched.

In such an environment, the MPC viewed that keeping the policy rate unchanged at this stage is the most appropriate decision after taking into account both inflation and growth outlooks. This stance would also support domestic FX market conditions through positive interest differentials, keep inflationary pressures at bay, and prevent a de-anchoring of inflation expectations.

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

The MPC's decision was a finely balanced decision, in light of both global and domestic economic uncertainties.

The MPC remains forward-looking and stands ready to meet in between its scheduled meetings and take appropriate actions on a data-dependent basis to achieve its dual mandate of maintaining price stability and promoting orderly and balanced economic development.

The Minutes of today's meeting shall be released on 27 August 2025.

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Q1- Quarter 1

Q2 – Quarter 2

H1- Semester 1

H2 – Semester 2

FX – Foreign Exchange