



MEDIA RELEASE

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

7 May 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.

Global growth has slowed and leading indicators are pointing towards weaker momentum going forward. The global economic outlook is clouded by elevated global uncertainties. Multilateral institutions are revising their global growth forecasts for 2025 downwards. The International Monetary Fund (IMF), in its April 2025 World Economic Outlook, has revised down global growth by 0.5 percentage point to 2.8 per cent for 2025, against a backdrop of tariff-induced trade tensions. Economic activity in both advanced and emerging economies is anticipated to grow at lower rates compared to the January 2025 forecast.

Global inflation has continued to decline so far in 2025, although inflation remains above central banks' targets in some advanced economies. However, the imposition of tariffs and uncertainty surrounding the pace, timing and magnitude of any potential tariff wars, may have contrasting effects on inflation in 2025. On one hand, higher tariffs and supply chain disruptions may feed into higher import prices and trigger inflationary pressures for importing economies. On the other hand, slower growth, especially among advanced and emerging economies, may compress demand and lower inflation for importing economies. The net impact will largely depend on country-specific circumstances. According to the IMF, global inflation is projected to average 4.3 per cent in 2025, slightly higher compared to the January 2025 forecast.

Regarding the domestic economy, data available so far suggest that GDP growth has slowed in the first quarter of this year. Tourist arrivals declined in 2025Q1, mostly on account of fewer European tourists visiting the island. However, April figures have been encouraging. The IMF's downward revision to the growth outlook for some of the major trading partners of Mauritius could negatively impact domestic growth momentum for 2025, mainly through the trade channel. Accordingly, the Bank has revised down its growth projection for 2025. Real GDP growth is now more likely to be in the range of 3.0 to 3.5 per cent for 2025, compared to the previous forecast of 3.5 to 4.0 per cent. With global uncertainty and imposition of US tariffs, the country's export sector could face additional headwinds, with growth prospects being further tilted on the downside.

Headline inflation has been declining and stood at 2.5 per cent in March 2025 – its lowest value since June 2021. However, the Bank projects headline inflation to increase in the coming months and to close the year at around 3.5 per cent. This projection is lower than the previous forecast of 3.7 per cent. The future course of inflation in Mauritius will depend on the interplay of external and domestic factors. Inflation in 2025 could

rise with the tariff-induced imported price increases and the stickiness of services inflation due to wage increases. However, this may be mitigated by likely declining commodity prices due to lower global demand.

The Bank continues to actively monitor the level of excess liquidity prevailing in the banking system. Latest developments point to the treasury Bill yield differentials for the 3-month maturity moving back into positive territory following the 50 basis point rate hike at the previous MPC meeting. The appreciation of the Rupee against the US dollar alongside the upward adjustments to yields contributed to the positive interest rate differentials, thus helping to improve foreign exchange market conditions.

While recognising that downside risks to the domestic growth outlook are real due to heightened uncertainty regarding future tariff hikes and trade wars, the MPC also acknowledged that inflation in Mauritius may change direction and take an upward trajectory in 2025.

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

The MPC shall remain vigilant to the evolving balance of risks between growth and inflation and shall closely monitor the domestic and external environment.

The MPC stands ready to meet in between its regular meetings and take appropriate actions 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 21 May 2025.