Minutes of the 76th Monetary Policy Committee Meeting held on 12 November 2025

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The 76th meeting of the Monetary Policy Committee (MPC) was held on Wednesday 12 November 2025 at 09:15 hours at the Bank of Mauritius (Bank). The following members attended the meeting:

- Dr Priscilla Muthoora Thakoor (Governor and Chairman)
- 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 13 August 2025.

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 terms.

3. MPC members were also apprised 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 developments in Mauritius remain closely linked to the global environment in view of the country's relatively high reliance on imports and relatively high passthrough of global commodity price developments and exchange rate movements on domestic price formation.

5. Global inflation dynamics remain mixed due to conflicting factors. Some advanced economies continue to face inflationary pressures, driven by tariff-induced shocks that have perturbed the global trade architecture. Services inflation remains high in many advanced economies as well. Several emerging market and developing economies have experienced a slowdown in their inflation rates due to the combined effects of tariff-induced global demand compression in the first half of 2025 and lower commodity prices.

6. The net impact of these factors on importing countries remains largely country-specific. In the US, for instance, inflation has increased to 3.0 per cent in September 2025, driven by tariff-induced shocks. In the Euro area, inflation increased to 2.2 per cent in September 2025 on the back of stubborn services inflation. Inflation in the UK stalled at 3.8 per cent for the third month in a row in September 2025, well above the Bank of England (BoE) target of 2 per cent, due to higher prices for transport-related items, despite lower prices of food and non-alcoholic drinks. China experienced deflation for the second consecutive month in September 2025 on the back of sharp declines in food prices and sluggish domestic demand. Inflation in India dropped to a low of 1.5 per cent in September 2025, driven by a significant fall in food inflation.

7. Global food prices experienced a modest decline in September 2025. The Food and Agriculture Organisation (FAO) Food Price Index – which tracks monthly changes in the international prices of a set of globally traded food commodities – averaged 128.8 in September 2025, down by 0.7 per cent from August mainly on the back of declines in the prices of cereals, dairy, sugar and vegetable oil. The FAO and the World Bank project the decline in food prices to continue in 2025. However, adverse climate-related shocks could reverse this downward tendency and tilt the balance of risks to global food prices on the upside.

8. Crude oil prices maintained a general downtrend, supported by rising oil inventories in the US and agreement by OPEC+ countries to raise oil production in November 2025 to regain market share amid persistent worries over a supply glut in the Northern hemisphere. The Freightos Baltic Index, a metric to assess shipping cost pressures, continued on its steep downward trajectory as a result of softening demand. The index reached 1,529 by mid-October 2025 on the back of easing trade tensions between the US and China and a gradual normalisation of shipping activities after the frontloading period which saw a peak of 3,779 in June 2025.

9. In its latest edition of the World Economic Outlook (WEO) released in October 2025, the IMF projected global inflation at 4.2 per cent in 2025, representing a downgrade of 0.1 percentage point (pp) compared to the April 2025 WEO. However, global inflation for 2026 has been revised upward by 0.1 pp to 3.7 per cent. Inflation for advanced economies is projected to stabilise at 2.5 per cent in 2025 but to decline to 5.3 per cent, from 7.9 per cent in 2024, for emerging market and developing economies, a downgrade of 0.2 pp compared to the April 2025 projection.

10. Central banks globally are cautiously leaning towards a forward-looking and data-driven approach towards monetary policy. Since the beginning of 2025, the vast majority of policy rate decisions has been to leave their policy rates unchanged, taking into consideration *'stagflation'* risks, i.e., the risks that the inflation and growth outlooks may move in opposite directions against a background of elevated uncertainty. In other instances, country-specific circumstances, namely favourable inflation outcome and subdued demand, have provided leeway for central banks to

turn dovish by lowering their policy rates. Only a minority of central banks opted for a hawkish stance by tightening rates on the back of inflation risks and higher-than-expected growth to contain the rate hikes. Of 387 MPC decisions taken globally in 2025, 122 decisions were about tightening rates, 247 decisions have been to maintain the status quo, as opposed to 18 decisions to raise rates.

11. The US Fed lowered interest rates by 25 basis points (bps) to a range of 3.75-4.00 per cent at its October 2025 meeting and announced the end of Quantitative Tightening, beginning 1st December 2025 despite an uptick in inflation, against a backdrop of economic uncertainty and softer labour market. The European Central Bank (ECB) left its policy rate unchanged at 2.00 per cent in October 2025, signaling a pause in the easing cycle while inflation is at its target level. The Bank of England (BoE) kept its policy rate unchanged at 4.00 per cent at its November 2025 meeting, citing offsetting factors, namely persistent services inflation amidst signs of cooling off in labour market and growth. Barring the US, all major central banks have revised upwards their inflation forecasts for 2025. According to the Refinitiv polls, the US Fed is expected to deliver one policy rate cut of 25 bps in December 2025, while the BoE is expected to have one policy rate cut of 25 bps in 2025Q4. Meanwhile, the ECB has signaled a pause in its easing cycle for the rest of 2025 and in 2026.

12. Risks to the global inflation outlook remain tilted to the upside and sensitive to geo-political factors. Notable upside risks to the global inflation outlook could arise from widespread trade protectionist measures, fragmentation of global value supply chains, currency depreciations to preserve external competitiveness, and an escalation in geopolitical tensions in oil-producing regions that 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 downside, a fall in crude oil prices resulting from increased production quota from the OPEC+ countries could help cushion inflationary pressures. Lower growth due to tariffs could also reduce global inflation and affect the outlook.

13. While global developments influence inflationary pressures and price developments for net importing economies such as Mauritius, domestic factors also have a non-negligible impact.

14. Headline inflation in Mauritius rose from 3.1 per cent in July 2025 to 3.5 per cent in October 2025, remaining well within the Bank's target range of 2-5 per cent and at the medium-term target of 3.5 per cent. The rise in inflation was largely driven by the *'Transport'* division due to higher taxes on cars, followed by '*Health', 'Restauration and accommodation services'* and *'Insurance and financial services'*. Inflationary pressures were somewhat contained partly due to government subsidies on essential food items. This helped year-on-year (y-o-y) inflation ease from 5.2 per cent in July 2025 to 4.1 per cent in October 2025.

15. The two underlying measures of inflation, namely CORE1 and CORE2 inflation, continue to show signs of stickiness and inertia. Core inflation measures have increased markedly in October 2025, driven mainly by rising labour-induced services costs. On a 12-month average basis, CORE1 inflation, which excludes the price effects of food items, accelerated from 2.9 per cent in July 2025 to 3.7 per cent in October 2025 while CORE2 inflation, which further adjusts for movements in energy and administered prices, rose from 5.0 per cent to 5.9 per cent over the same period. The increase in core measures can be explained by the stubbornness in price developments of services items which are influenced by wage pressures, given the relatively high labour-denomination of services.

16. Although nominal wage pressures were positive in 2025, they have somewhat eased relative to 2024 when one-off items, namely national minimum wages, wage relativity adjustments, interim Pay Research Bureau allowances and the 14th month bonus, contributed to the sharp rise. With labour market conditions improving in 2025Q2, wage pressures, albeit declining, could continue fueling core inflation, looking ahead, should wage adjustments exceed productivity. On a y-o-y basis, CORE1 and CORE2 inflation reached 4.6 per cent and 6.6 per cent, respectively, in October 2025, highlighting the persistence of demand-induced inflationary pressures in the economy.

17. A deconstruction of inflation into various sub-groupings shows interesting dynamics and provides insights on the future evolution of inflation in Mauritius. Services inflation remained steady on a y-o-y basis, while food inflation declined from a peak of 8.5 per cent in June 2025 to 3.2 per cent in October. Weather-related disturbances could, however, reverse this tendency. The evolution of core measures of inflation and the persistence of wage-induced services inflation suggest that domestically-generated inflation is weighing more than imported inflation. Imported inflation has remained relatively low due to the recent global disinflationary trend, marked by moderating international commodity prices and freight costs and the relative stability of the rupee exchange rate. This is also mirrored in the easing of food inflation, as aforementioned. Supply-side shocks originating from abroad could well reverse this tendency as well.

18. Finally, a granular micro-analysis of the components of the CPI basket shows that the share of items whose price increased by more than 5 per cent fell from 33.4 per cent in July 2025 to 23.6 per cent in October 2025. The proportion of items contributing to between 2-5 per cent inflation rates has increased from 14.8 per cent to around 27.0 per cent. Meanwhile, the proportion of items whose prices increased by less than 2 per cent dropped marginally from 51.8 per cent in July 2025 to 49.4 per cent in October 2025.

19. ***Looking ahead, the Bank now projects headline inflation at around 3.7 per cent in 2025, lower compared to the previous forecast of 4.0 per cent at the August 2025 MPC meeting.*** This new forecast is supported by favourable global commodity prices, lower inflation in key trading partners and the recent decline in domestic petroleum prices, albeit wage inflationary pressures continue to exist domestically.

20. The outlook for inflation in Mauritius continues to remain subject to significant upside risks, mainly stemming from abroad. The benign environment for food and imported inflation could very well reverse. The likelihood that tariff wars may generate higher inflationary pressures through disruptions in global supply chain and a re-configuration of the global trade architecture,

whilst inducing high maritime-related costs is still real. 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. Considering the country's relatively high openness and high propensity to import, these developments may inevitably feed into domestic price formation.

21. On the downside, a fall in crude oil prices resulting from increased production quota from the OPEC+ countries and compressed demand in major economies due to tariff-induced industrial slowdown could help cushion inflationary pressures through a weaker US dollar. Furthermore, a stronger rupee against the US dollar due to positive risk-adjusted interest rate differentials in the financial market may help shield inflation in Mauritius from external developments. The inflation outlook for net importing economies such as Mauritius is thus largely scenario-based. The Bank's assessment is that the balance of risks for the outlook for inflation remains tilted on the upside, after weighing these offsetting risk-based factors, both externally and domestically. Inflation for 2026 is projected at 3.6 per cent, closer to the Bank's medium-term target of 3.5 per cent, but remains subject to these upside risks.

Growth Developments, Risks and Outlook

22. Growth developments in Mauritius are tied to global developments. The global economy has so far proven resilient, as countries continue to adapt to significant changes in trade, fiscal, monetary and immigration policies globally. The anticipated disruptions from the trade tariffs have turned out to be rather moderate, supported by various factors, including front-loading activities by businesses ahead of expected tariff deadlines, a weaker US dollar and significant investment in the technology sector. Most US trading partners impacted by the tariffs favoured bilateral trade negotiations in order to foster a more stable and global economic environment.

23. Major international institutions have revised their growth projections upwards on the back of the softer than anticipated impact of tariffs. The IMF, in its October 2025 WEO, raised its global growth projection for 2025 to 3.2 per cent – an upgrade of 0.4 pp relative to the April 2025 forecast. Global growth prediction for 2026 was also revised upward by 0.1 pp to 3.1 per cent. The World Trade Organisation, in its October 2025 Global Trade Outlook and Statistics Report, increased its global growth forecast to 2.7 per cent in 2025 and 2.6 per cent in 2026. These represent upward revisions of 0.5 pp and 0.2 pp, respectively, compared to the April 2025 report. The OECD, in its September 2025 Economic Outlook, also upgraded its global growth projection to 3.2 per cent for 2025 – a difference of 0.3 pp relative to the June 2025 forecast. Its growth projection for 2026 remained unchanged at 2.9 per cent.

24. Performance among the main trading partners of Mauritius remained largely heterogeneous in 2025Q2, with mixed signals across advanced economies and emerging market and developing economies. In the US, strong consumer spending and declining imports on the back of an easing of front-loading activities helped support quarter-on-quarter (q-o-q) GDP, which expanded by 0.9 per cent in 2025Q2. GDP growth in the euro area slowed to 0.1 per cent. In the UK, economic activity was supported by the construction and services sectors. The economy expanded by 0.3 per cent q-o-q, despite headwinds tied to softer labour market conditions, impact of trade tariffs and a widening current account deficit.

25. Growth developments in major emerging economies were positive in 2025Q2. China's economy maintained its robust growth momentum, registering a q-o-q growth rate of 1.1 per cent on the back of monetary and fiscal support and robust performance of the high-tech sector. India's economy also remained strong. Robust private consumption and investment helped support domestic growth which was broad-based sectorally and which stood at 1.7 per cent q-o-q in 2025Q2. In South Africa, broad-based recovery across key sectors, including manufacturing, mining and trade, backed by robust consumption helped the economy grow by 0.8 per cent.

26. Risks to the global growth outlook remain tilted to the downside, with potential renewed trade policy uncertainty. Front-loading of purchases in the face of tariffs implementation is expected to unwind, going forward, as accumulated inventories are drawn down, which may stall growth momentum. Political uncertainty in the US and Europe may hamper business and consumer confidence. On the labour market side, tighter immigration policies in major parts of the world could reduce the potential output of those economies that are highly dependent on specific skills.

27. As far as the Mauritian economy is concerned, risks to the domestic growth outlook also remain tilted to the downside.

28. The growth momentum has slowed in 2025Q2, driven mainly by contractions in the '*Construction'* and *'Public administration and defence'* sectors. These declines counteracted gains in other economic sectors such as '*Financial and insurance activities'*, *'Accommodation and food service activities'* and *'Agriculture, forestry and fishing'*. As such, real GDP expanded by 3.6 per cent y-o-y in 2025Q2, down from 4.1 per cent in 2025Q1 and 4.2 per cent in 2024Q2.

29. The *'Accommodation and food service activities'* sector experienced a notable rebound in 2025Q2. The sector rebounded by 9.2 per cent following a contraction of 4.4 per cent in 2025Q1, reflecting a recovery in tourist arrivals during the second quarter. Mauritius welcomed 1,145,907 tourists from January to October 2025, representing a growth of 3.7 per cent on a y-o-y basis, with traditional source countries such as France and Germany recording declines that have been offset by a strong performance from non-traditional countries mainly from Eastern and Southern Europe and India. Tourism earnings totaled Rs71.0 billion over the period January to September 2025, higher by 8.7 per cent compared to the same period of 2024. The 2025 outlook for the tourism sector is underpinned by projected tourist arrivals of 1.425 million and record high tourism earnings.

30. On the demand side, consumption expenditure remained the principal contributor to economic growth in 2025Q2. Final consumption expenditure increased by 5.0 per cent, led by growth of 6.3 per cent in household spending while government spending rose marginally by 0.2 per cent, due to fiscal consolidation measures announced in the 2025-2026 Government Budget. Investment expenditure, gauged by Gross Fixed Capital Formation, declined by 0.9 per cent in 2025Q2. On the external front, net exports of goods and services continued to weigh on growth in 2025Q2. Exports of goods and services expanded by 0.5 per cent but this was offset by a rise of 3.8 per cent in imports of goods and services, reflecting continued drag of the external sector on growth performance.

31. Developments in the global macro-financial environment spurred by geopolitical uncertainties since the beginning of 2025 have disrupted global trade flows. For small open economies like Mauritius, the impact on the external balance has been felt mainly in the goods account. Headwinds facing the export sector, coupled with stubbornly high imports of essential items such as food and fuel, alongside a peak in automobile imports around mid-2025, led to a widening the balance of trade deficit.

32. Moreover, the deficit on the secondary income account grew larger, mainly on account of higher taxes paid to foreign governments by Global Business Companies (GBCs). Consequently, the country's overall current account deficit as a percentage to GDP expanded to 8.6 per cent of GDP in 2025Q2, from 6.1 per cent in 2024Q2. In contrast, the services account and the primary income account, both, recorded a surplus, with a robust performance of the tourism sector strongly supporting the remarkably higher surplus in services account. Nonetheless, the higher deficits on the goods and secondary income accounts more than offset the surplus in the services and primary income accounts.

33. On a calendar year basis, the current account deficit is projected to reach 6.5 per cent of GDP in 2025, a 0.1 pp deterioration relative to 2024. Uncertainties in the global macro-financial landscape and those tied to the renewal of the African Growth and Opportunity Act are lingering

threats that could materialise into external shocks to the economy. The export sector is expected to face challenges linked to the imposition of US tariffs on Mauritian exports and the political turmoil in Madagascar, an important exports market destination as well as a vital element of the global supply chain of major Mauritian export enterprises.

34. The financial account balances are expected to remain resilient in 2025. Despite challenges to the global economic environment and persistent geopolitical uncertainties, Mauritius is expected to continue attracting financial flows, with global cross-border investment activities using the Mauritius IFC, remaining resilient. The overall balance of payments is expected to register a surplus of Rs15.0 billion in 2025 and should contribute to improving domestic FX conditions, supporting the rupee and mitigating inflation risks.

35. ***The Bank now projects 2025 growth performance for the Mauritian economy at 3.1 per cent and 2026 growth at 3.0 per cent.***

Money Market, Foreign Exchange Market and Financial Stability

36. The Bank is pursuing its monetary and foreign exchange market operations in an orderly manner to strengthen transmission of monetary policy.

37. The excess liquidity situation in the domestic financial market is being managed to ensure that financial instrument yields at the shorter end of the maturity spectrum are being aligned with monetary policy signals. As discussed at previous MPC meetings, liquidity management and yield alignment are crucial to avoid negative yield differentials with currencies such as the US dollar, which may contribute towards weakening the rupee and re-kindling inflation.

38. On the liquidity management front, the Bank has been issuing its own securities, namely BoM Bills, for a total amount of Rs34 billion since the last MPC meeting. The bulk of rupee excess

liquidity was absorbed by the overnight deposit facility. Banks have been managing their liquidity by making extensive use of the overnight deposit facility, with an average amount of Rs55 billion placed under this facility at the rate of 3.00 per cent during the period 13 August to 10 November 2025. The outstanding amount of BoM securities, excluding the overnight deposit facility, stood at Rs65.2 billion as at 10 November 2025.

39. The Bank's market operations helped steer short-term yields closer to its policy rate. The overnight interbank rate, however, remained closer to the lower bound between 3.25 per cent and 3.55 per cent due to rather subdued interbank market activity.

40. Foreign exchange (FX) turnover continues to improve on the domestic market FX. Measures taken by the Bank since November 2024 to eliminate market imperfections and restore order in the domestic FX market have helped increase the availability of FX. As discussed in the previous MPC meeting, a comparison of performance from the beginning of the year until the previous MPC date, relative to the same period in 2024, showed improvements in flows in the domestic FX circuit. This positive performance has continued since the last MPC meeting. 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. The financial and accommodation sectors remain the major foreign currency generating sectors triggering inflows into the market while the wholesale and retail trade sector, mostly importers, remains the user of foreign currency, generating outflows.

41. Since the last MPC meeting, the Bank intervened to sell US$100 million on the market, specifically targeting importers of essential goods and SMEs, to ensure no bottlenecks in their operations as year-end festivities approach. Total FX interventions by the Bank since the beginning of the year amounted to US$190 million and are complementary to restoring order flows in the FX market.

42. The evolution of the rupee exchange rate reflects domestic demand and supply, as well as international currency movements. The decision by the MPC to hike the policy rate at its first meeting of this year played a role in preventing a sharp weakening of the rupee. Between 13 August and 10 November 2025, the rupee exchange rate was influenced by international currency movements triggered following interest rate decisions of major central banks. 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 during this period. Since the beginning of the year, the rupee appreciated by 3.7 per cent against the US dollar but depreciated by 7.1 per cent against the euro and by 0.5 per cent against the Pound sterling. The Bank shall intervene to mitigate any undue volatility in the exchange rate that are not reflective of economic fundamentals.

43. The country's Gross Official International Reserves (GOIR) situation indicates adequate buffers against external shocks when assessed using various IMF reserves adequacy metrics. The GOIR stood at US$9.5 billion as at end-October 2025, representing 13.0 months of import cover (based on the import bill of calendar year 2024) compared to US$8.4 billion as at end-October 2024.

44. All banks held Capital Adequacy Ratios (CAR) above the regulatory limits, inclusive of the Capital Conservation Buffer and the capital surcharge for the Domestic Systemically Important Banks. The CAR stood at 20.6 per cent in June 2025. In terms of liquidity management, banks maintained a high Liquidity Coverage Ratio (LCR) at 277.8 per cent in September 2025, significantly exceeding the regulatory threshold of 100 per cent. The LCR for foreign currency stood at 188.5 per cent. The introduction and implementation of the Net Stable Funding Ratio (NSFR) has strengthened banks' resilience against maturity mismatch and funding risks.

45. Credit to the private sector expanded robustly at an annual rate of 11.6 per cent in September 2025, backed by household and corporate credit growths of 11.9 per cent and 11.3 per cent, respectively. Corporate sector indebtedness is assessed to be within sustainable bounds,

whereas leverage in the household sector remains elevated relative to its historical trend. With the exception of a few sectors, the corporate sector remains supported by positive cash flows and earnings. The ratio of Non-Performing Loans (NPLs) to total credit for the corporate sector remains at 6.1 per cent. The debt serviceability of households and of corporates is assessed to remain adequate, despite the hike in the Key Rate at the first MPC meeting of the year. Higher real wages have played an important part in supporting their ability to service their debt obligations. The corporate credit market does not exhibit signs of overheating but market pressures continue to linger in the household segment.

46. Overall, risks to financial stability are assessed to remain moderate and contained. Stress test scenarios suggest that the banking sector has robust capital and liquidity buffers to absorb plausible shocks going forward.

MPC Decision

47. The MPC thoroughly reviewed developments taking place at the global and domestic levels and analysed the impact of various scenario-based forward-looking assessments conducted by the Bank, whilst monitoring progress made over the last three MPC meetings.

48. The challenges posed by an uncertain global environment on both the inflation and growth fronts, warrant a careful assessment of the balance of risks by central banks, with the magnitude, direction and patterns of policy decisions, being calibrated to country-specific circumstances.

49. At the last two MPC meetings, inflation risks in Mauritius were assessed to be on the upside while growth risks were assessed to be on the downside. Subsequent global and domestic developments during the year indicate that this scenario has not changed. As such, the MPC was faced with a difficult balancing act yet again.

50. The MPC deliberated that, in light of prevailing economic conditions, a cautious wait-and-see approach is deemed appropriate, whilst being mindful of the evolving balance of risks.

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

52. By keeping rates unchanged, the Bank allows gradual adjustments, avoids sending mixed signals, and retains flexibility to respond to unforeseen shocks. This approach recognises the need to anchor medium-term inflation expectations, enhances policy credibility against a backdrop of elevated economic uncertainty and supports the long-term goal of price stability.

53. The MPC remains data-driven and forward-looking in its approach, and stands ready to meet in between its regular meetings and take appropriate actions to fulfil its dual mandate of maintaining price stability and promoting orderly and balanced economic development.

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

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.