Mauritius economy update: Mounting inflationary pressures

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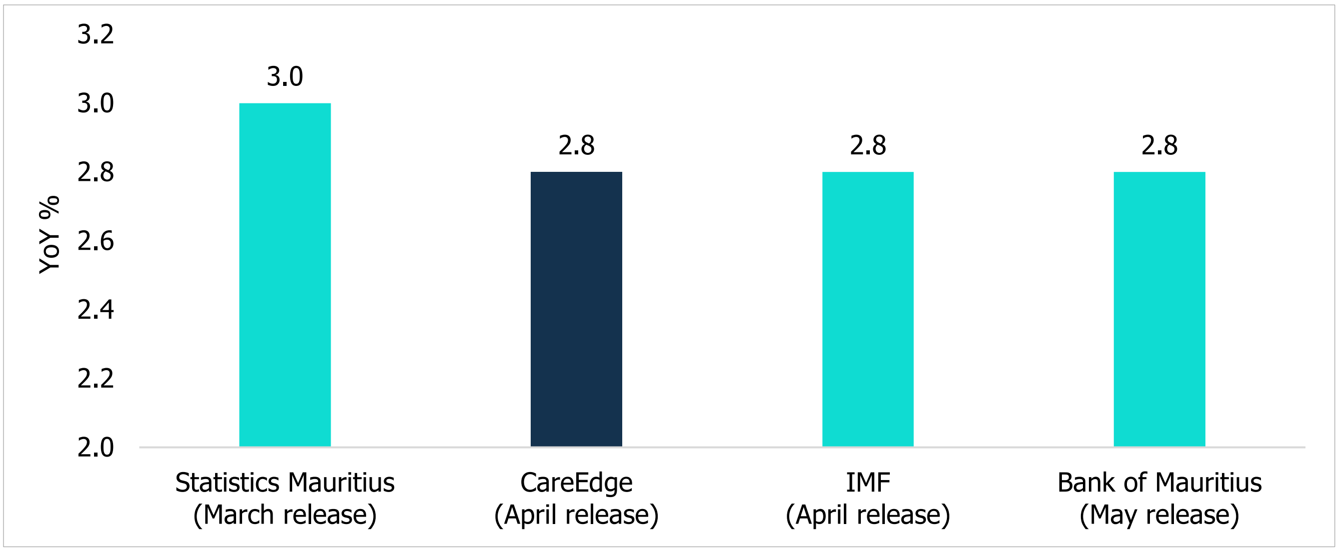
Growth outlook softens as BoM aligns with IMF projections

Mauritius' growth outlook for 2026 has been revised downward, with the Bank of Mauritius (BoM) lowering its baseline forecast to 2.8% to align with recent IMF projections. This downgrade reflects the expected impact of higher fuel and electricity costs on economic activity and household purchasing power, along with broader global uncertainties. While financial services and ICT continue to support domestic growth, overall momentum is projected to moderate. Ongoing geopolitical tensions are driving up input costs and disrupting supply chains, weighing on sectors such as manufacturing, agriculture, and construction.

Despite these headwinds, the economy has shown some resilience, particularly because of early-year gains in the tourism sector. While overall growth is expected to slow and risks to the outlook intensify, the economy remains supported by distinct sectoral strengths.

GDP growth projections for 2026



Source: Statistics Mauritius, IMF, Bank of Mauritius, CareEdge Computation[1]

Tourism sector resilient despite external headwinds

Tourist arrivals increased a marginal 0.07% year-on-year (YoY) to 115,165 in May 2026. Over January-May 2026, cumulative arrivals rose 3.2% YoY to 579,373, supported by stronger inflows earlier in the year. Tourist arrivals remained concentrated from Europe (64%); within this market, France and Germany represented 37% and 14% of arrivals, respectively, and recorded YoY growth of 1.6% and 18.4%. Arrivals from India also increased 18.9% YoY over the same period. However, arrivals from the United Kingdom, a key tourism source market for Mauritius, dropped 14.2% YoY. This reveals ongoing diversification of source markets and increasing traction in Asia, even as Europe continues to underpin Mauritius' tourism base.

[1] Mauritius at risk – Macroeconomic implications of oil price volatility

Gross tourism receipts rose 8% YoY in April and cumulative earnings for the January-April period increased 22.6% YoY to MUR 39.5 billion, compared to the same period last year. This strong performance reflects higher per-tourist spending and a 7.62% YoY depreciation of the Mauritian Rupee (MUR) against the Euro in April 2026.

Thus far, the tourism sector has demonstrated resilience to external shocks and an ability to adapt through alternative travel routes to Mauritius. More specifically, recent developments aimed at enhancing connectivity, such as the temporary approval granted to Ethiopian Airlines to operate in Mauritius, are expected to support access to new markets through its extensive global and African network.

However, downside risks still cloud the outlook, primarily because of higher airfares and softer global consumer confidence stemming from the Middle East conflict. Nevertheless, cumulative year-to-date performance suggests resilience of Mauritius against its regional peers. For instance, over January-April 2026, tourist arrivals in the Maldives contracted 4.9% YoY, whereas Mauritius recorded a 4.0% YoY expansion. This highlights Mauritius' continued competitiveness, though sustaining this edge will depend on how effectively the sector navigates ongoing external pressures.

Gross tourism earnings and arrivals

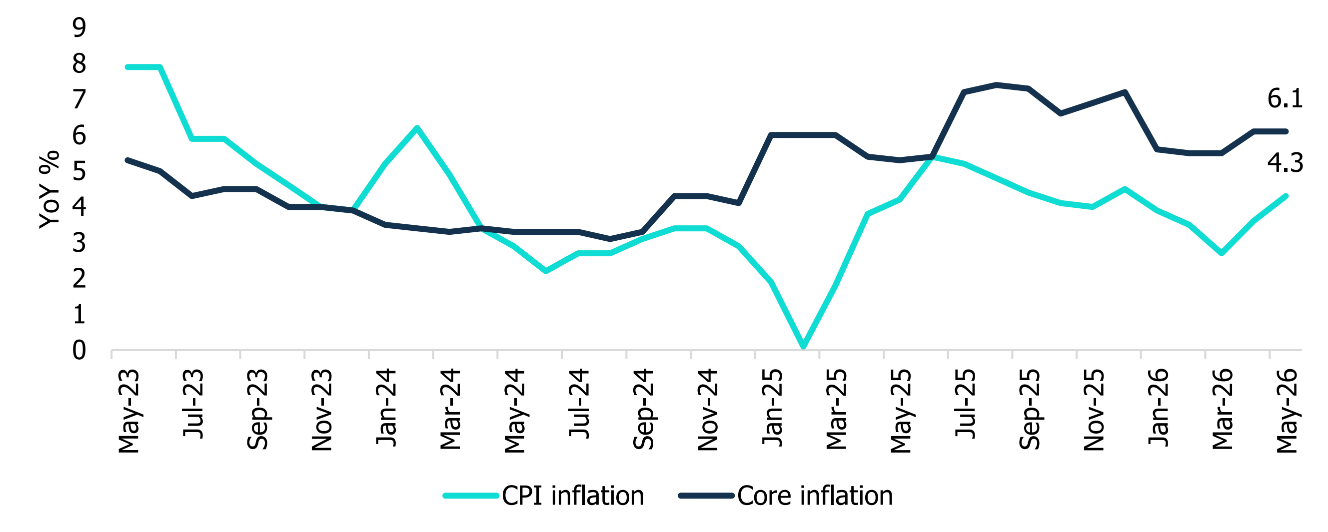
Source: Statistics Mauritius

Inflationary pressures resurface amid rising energy costs and supply constraints

Headline inflation accelerated to 4.3% YoY in May 2026 from 3.6% in April, reflecting broad-based price pressures. This acceleration was driven by key components such as housing, water, electricity, gas and other fuels (4.2% YoY), transport (2.1% YoY), and furnishings, household equipment and routine household maintenance (1.6% YoY). Core inflation, on the other hand, remained unchanged at 6.1%; persistent domestic service and wage-driven price pressures have kept it high.

Mauritius' inflation outlook is increasingly tilted to the upside, with BoM projecting headline inflation to average 5.5% in 2026, breaching the target range of 2-5%. This reflects the spillover effects of the Middle East crisis, which has raised global energy prices. Higher fuel prices are likely to transmit to transport services and other energy-intensive sectors, contributing to second-round inflationary effects and keeping core inflation elevated. Additionally, food inflation is expected to remain under upward pressure due to persistent supply chain constraints.

Monthly CPI and core inflation



Source: Statistics Mauritius

Key rate hike in May signals inflation concerns

At its May 2026 meeting, the BoM's Monetary Policy Committee (MPC) raised the key rate by 25 basis points to 4.75%, reflecting heightened concerns over inflation, particularly from higher fuel prices, freight and logistics costs, as well as the risk of further pass-through to domestic prices.

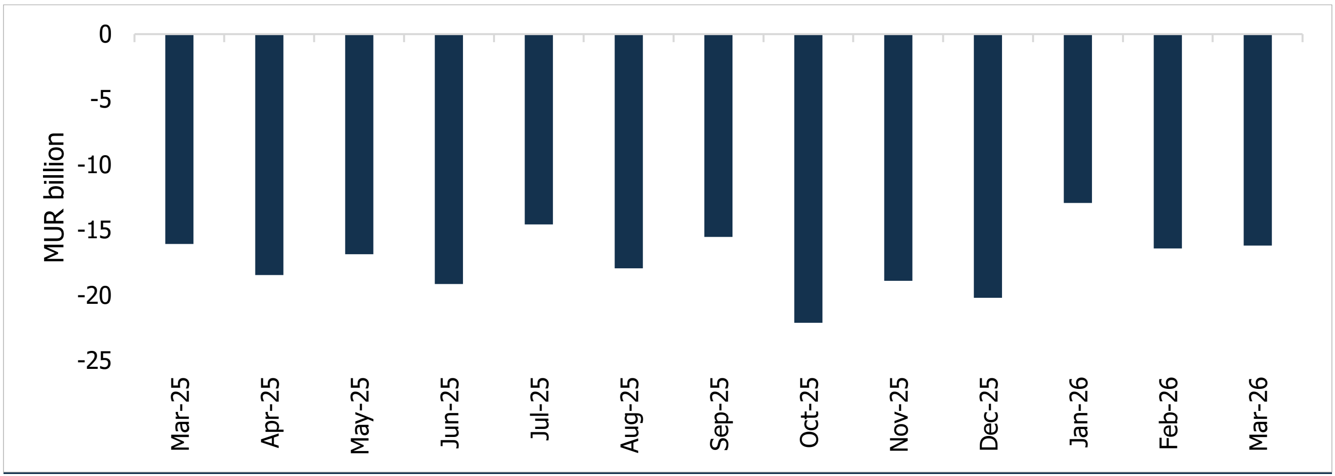
The MPC judged that inflation risks outweigh potential downside risks to growth. In this context, the rate hike is a proactive policy response to anchor inflation expectations and contain second-round effects, while supporting macroeconomic stability.

Muted trade performance in March amid earlier declines

In March 2026, Mauritius' merchandise trade deficit was broadly unchanged at MUR 16.2 billion compared with MUR 16.1 billion in March 2025. The marginal widening in the deficit was driven by a 1.3% contraction in exports, while imports remained stable. Exports declined due to a 30.3% drop in 'manufactured goods[2]', reflecting weaker external demand and/or production constraints. This downturn was, however, partially offset by a 14.1% increase in exports of 'food and live animals', which provided some support to overall export performance.

[2] Consists of manufactured goods classified chiefly by material and miscellaneous manufactured articles.

Monthly merchandise trade balance



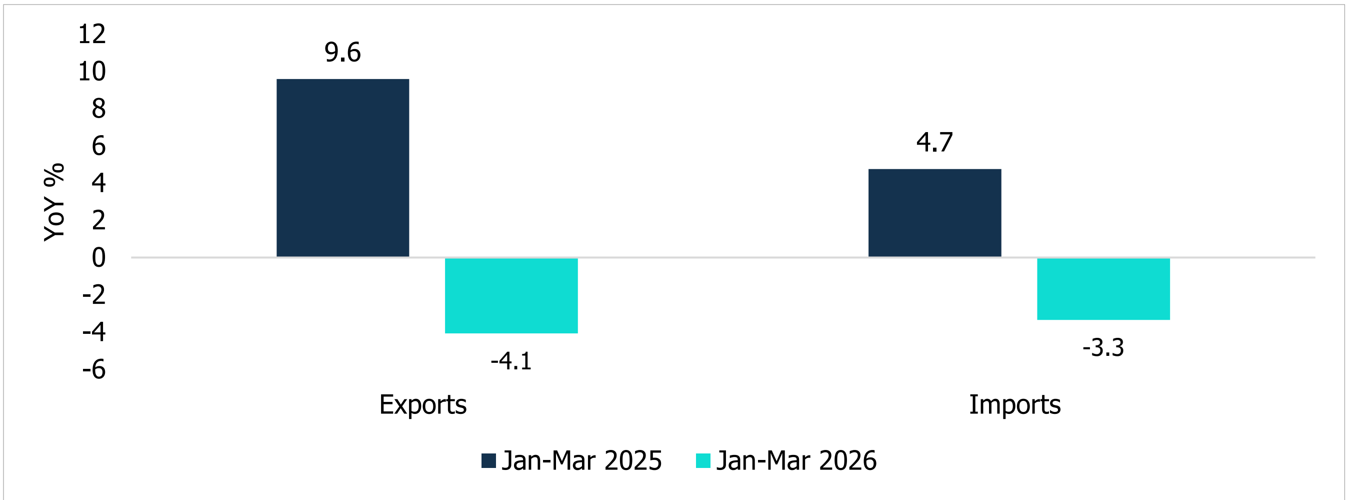
Source: Statistics Mauritius

Cumulatively, Mauritius' merchandise trade deficit narrowed to MUR 45.5 billion in the first quarter of 2026 (January-March) from MUR 47.0 billion in the same period of 2025. The improvement in the trade balance was primarily supported by a 3.3% YoY decline in imports, which outweighed the 4.1% contraction in exports.

The moderation in import demand was driven by reduced purchases of 'manufactured goods classified chiefly by material' (-11.1%), 'mineral fuels, lubricants and related products' (-9.7%), 'machinery and transport equipment' (-7.7%), and 'miscellaneous manufactured articles' (-4.0%). These declines were partially offset by stronger imports of 'food and live animals' (+14.1%) and 'chemicals and related products' (+5.8%).

Exports weakened due to significant declines in 'machinery and transport equipment' (-33.8%), 'miscellaneous manufactured articles' (-21.7%), 'manufactured goods classified chiefly by material' (-16.3%), and 'ship's stores and bunkers' (-2.2%). However, this was partly mitigated by increased exports of 'chemicals and related products' (+15.1%), and 'food and live animals' (+13.7%).

Export and import growth



Source: Statistics Mauritius

Statistics Mauritius projects the merchandise trade deficit to reach MUR 215 billion in 2026 (from MUR 208 billion in 2025), with exports expected to decline by 2.8% to ~MUR 105 billion, while imports are projected to rise by 1.6% to ~MUR 320 billion. Export performance is likely to remain constrained by war-induced weaker external demand and elevated logistics costs, while trade preferences such as African Growth and Opportunity Act (valid until December 2026) are unlikely to fully offset these pressures. On the import side, sustained high fuel prices and broader spillovers from geopolitical tensions are expected to inflate the import bill, particularly for petroleum and transport-related items. Consequently, the trade balance is expected to remain under pressure in the near term.

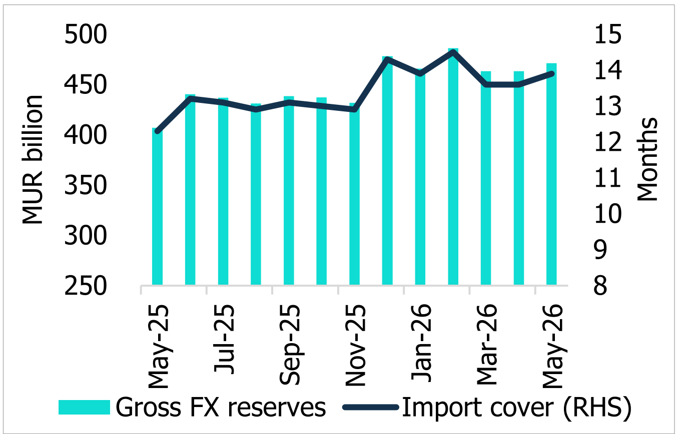
Reserves position robust

Mauritius' gross official international reserves increased to MUR 471.0 billion (USD 9.8 billion) in May 2026, from MUR 463.1 billion (USD 9.8 billion) in April. Resultantly, import cover rose to 13.9 months in May from 13.6 months in April, based on imports of goods and services, excluding global business company (GBC) services. However, under the BoM's enhanced metric incorporating GBC-related imports, import cover was 10.2 months in May, up from 10.0 months in April. This broader measure provides a more comprehensive assessment of external sector resilience and reserve adequacy.

In May 2026, the Mauritian rupee (MUR) averaged MUR 47.8 per USD, reflecting a slight depreciation over April. Over the broader three-month period (March-May), the currency depreciated by 1.4%.

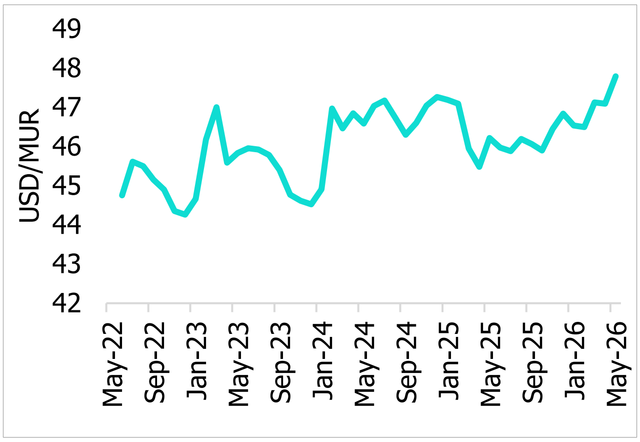
The MUR continues to reflect persistent trade imbalance, with rising demand for foreign currency driven by higher import costs, particularly fuel, amid the ongoing war. At the same time, global factors, including a stronger USD and heightened financial market volatility have heightened pressure, contributing to the MUR's depreciation. Central bank intervention has provided some support. The BoM injected ~USD 40 million between January and mid-May 2026, slightly lower than USD 50 million during the same period in 2025. The recent increase in the key policy rate in May is also expected to support the exchange rate. Looking ahead, trends in tourism inflows and global commodity prices will remain key determinants of exchange rate movements.

FX reserves and import cover



Source: Bank of Mauritius
Note: For 2025, the monthly import cover is based on imports of goods and services for 2024

Currency performance



Source: Bank of Mauritius

Monthly data of key economic indicators

Indicators	Unit	December 2025	January 2026	February 2026	March 2026	April 2026	May 2026
Headline inflation	YoY%	4.5	3.8	3.5	2.7	3.6	4.3
Core inflation*	YoY%	7.2	5.6	5.5	5.5	6.1	6.1
Key policy rate	%	4.50	4.50	4.50	4.50	4.50	4.75
Merchandise exports	MUR bn	9.3	8.7	7.1	9.3	-	-
Merchandise imports	MUR bn	29.5	21.6	23.6	25.5	-	-
Trade balance	MUR bn	-20.2	-12.9	-16.5	-16.2	-	-
Exchange rate (period average)	USD/MUR	46.8	46.5	46.5	47.1	47.1	47.8
Gross official international reserves	MUR bn	478.3	465.7	486.2	463.0	463.1	471.0
Import cover (excl. GBCs services imports)	Months	14.3	13.9	14.5	13.6	13.6	13.9
Import cover (incl. GBCs services imports)	Months	10.3	10.0	10.5	10.0	10.0	10.2
Tourist arrivals	’000	161.4	125.9	107.7	114.9	115.8	115.2
Gross tourism earnings	MUR bn	12.1	11.3	9.3	9.6	9.3	-

Source: Statistics Mauritius, BoM

Note: *Core inflation (denoted by data for category Core 2) excludes ‘food, beverages, tobacco’, mortgage interest, energy prices, and administered prices from the CPI basket.

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