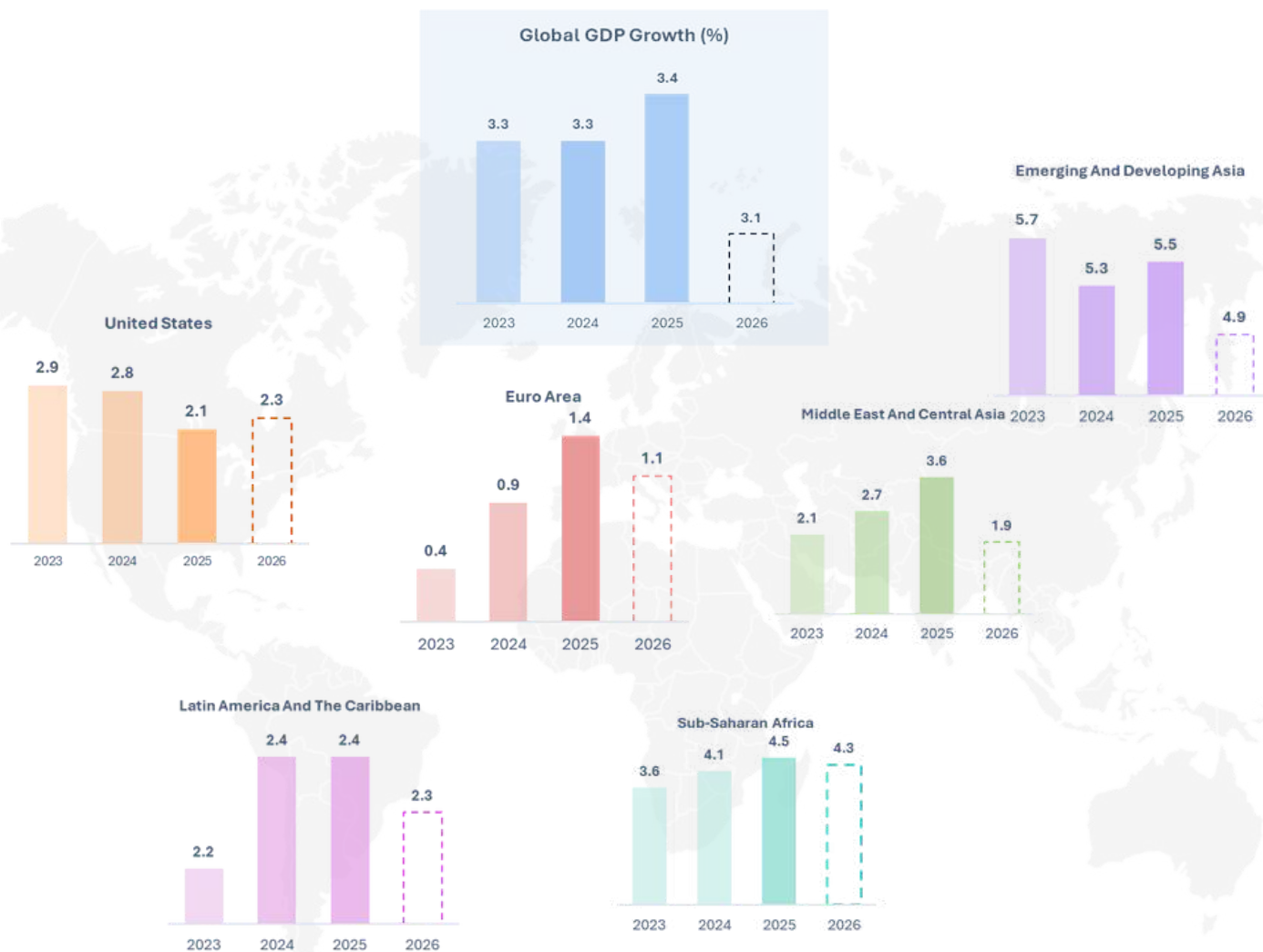




# MCCI ECONOMIC *NAVIGATOR*

*Geopolitical Tensions and  
the Mauritian Economy*

**January - May 2026**



***“The global economy has, to date, withstood a series of shocks, yet another one, this time a military conflict engulfing the Middle East since the end of February, is testing this resilience.” - IMF***

In its latest World Economic Outlook, released in April 2026, the IMF now expects global growth of 3.1% in 2026 and 3.2% in 2027, down from 3.3% for 2026 in the January 2026 Update, while the projection for 2027 is unchanged at 3.2%. This forecast assumes that the Middle East conflict will be relatively short-lived, with disruptions to oil and gas production easing by mid-2026. At the 10 March data cut-off, oil futures suggested prices of USD 82.22 per barrel in 2026 and USD 75.97 in 2027.

For advanced economies as a group, the 2026 forecast is unchanged from the January 2026 Update, at 1.8%. The United States, as a net energy exporter, is now expected to grow by 2.3% in 2026, down from 2.4%. The Euro area forecast has been cut from 1.3% to 1.1%, reflecting its continued reliance on natural gas.

The Middle East and Central Asia grouping records the largest 2026 downgrade among the IMF’s main regional groupings. Growth is now projected to slow from 3.6% in 2025 to 1.9% in 2026, before recovering to 4.6% in 2027. The 2026 forecast has been lowered by 2.0% on the growth forecast scale compared with the January update, reflecting the direct impact of the conflict on energy production, transport infrastructure, the Strait of Hormuz, trade routes and financial conditions.

Source: IMF

Iran is expected to contract by 6.1%. Saudi Arabia’s 2026 growth forecast has been cut from 4.5% to 3.1%, while Qatar is projected to contract by 8.6%, mainly due to disruption in LNG production. By contrast, India’s forecast has been lifted slightly, from 6.4% to 6.5%, supported by momentum from a strong 2025 outcome and the reduction in additional US tariffs from 50% to 10%.

Sub-Saharan Africa is now expected to grow by 4.3% in 2026, down from 4.6% in the January update. Within the region, oil exporters are expected to benefit from stronger current-account balances, while oil importers face rising external pressures.

The IMF Article IV mission concluding statement of May 2026 reports that the Mauritian economy grew by 3.2% in 2025, supported by sustained activity in services, tourism and financial services in particular, and held back by a contraction in construction. The mission now projects growth to slow further to 2.8% in 2026, showing adverse spillovers from the war in the Middle East, with the sharpest immediate effect falling on tourism. Inflation is expected to rise in 2026 on higher international fuel and food prices, before easing through 2027.

## Six-month revisions - October 2025 WEO → April 2026 WEO

World GDP 2026	World inflation 2026	World trade 2026	Brent (USD/bbl)	P(global infl > 5%)	P(US infl > 4%)
3.1% <b>—</b> 3.1%	3.7% <b>▲</b> 4.4%	2.3% <b>▲</b> 2.8%	USD 66 <b>▲</b> <b>USD 82</b>	25% <b>▲</b> <b>38%</b>	17% <b>▲</b> <b>33%</b>
<b>0.0pp</b>	<b>+0.7pp</b>	<b>+0.5pp</b>	<b>+USD 16</b>	<b>+13.0pp</b>	<b>+16.0pp</b>

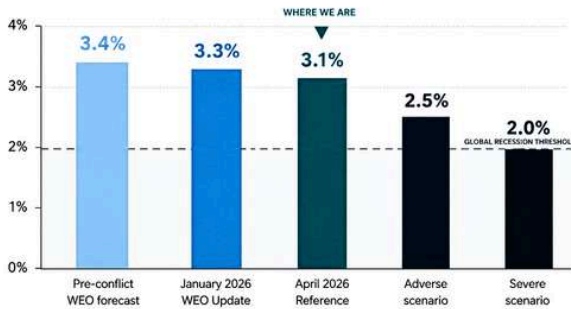
Source: IMF World Economic Outlook, April 2026, Table 1.1 (six-month revisions from October 2025 WEO baseline).

The IMF April 2026 report describes a global economy under the shadow of war. IMF were preparing to revise global growth upward to 3.4% in 2026; the war has frozen that trajectory and forced a 0.3 percentage-point downgrade to 3.1%, leaving global growth below its pre-conflict path.

### GLOBAL PULSE / GROWTH

## How 2026 World GDP could land

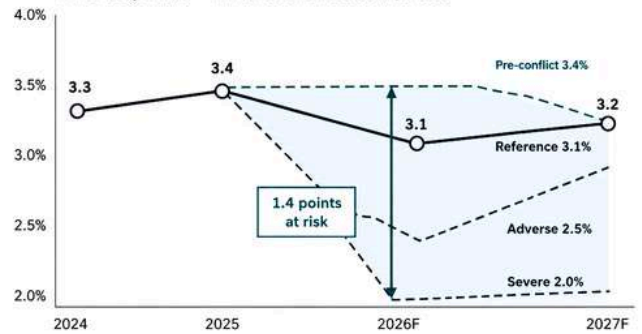
Five forecast points: pre-conflict WEO forecast, January 2026 WEO Update, April 2026 reference forecast, plus adverse and severe scenarios.



Source: IMF World Economic Outlook, April 2026, Figure 1.8 • Global recession threshold: GDP growth below 2.0%

## World GDP under IMF scenarios

Annual real growth, % — IMF World Economic Outlook, April 2026



Source: IMF World Economic Outlook, April 2026, Figure 1.8 and Table 1.1

The IMF's downside scenarios recast the inflation outlook. In the adverse case, oil averages around USD 100 per barrel and gas prices rise by 160%; headline inflation consequently reaches 5.4% in 2026, before easing to 3.9% in 2027.

The severe case is more persistent: oil averages around USD 110 in 2026 and USD 125 in 2027, gas prices rise by 200%, and global inflation climbs to 5.8% before moving higher still to 6.1% in 2027.

The IMF's risk assessment points to the same message; it now estimates a higher chance that inflation will exceed 5% at 38%, compared with 25% in October 2025. For commodity-importing emerging markets, currency depreciation against a firmer USD adds a further channel of pressure, raising the local-currency cost of fuel, food, fertilisers and freight. Hence, even where domestic demand remains orderly, the external price burden can feed through to households, firms and monetary conditions.

In the severe scenario, the result is a sharper deceleration in world activity: global growth falls to 2.0% in 2026, a level the IMF describes as close to a global recession. Since 1980, such an outcome has occurred only four times, most recently during the global financial crisis and the COVID-19 pandemic.

The rebound is subdued rather than immediate; world output expands by 2.2% in 2027, even as headline inflation moves from 5.8% in 2026 to 6.1% in 2027. This points to a more difficult adjustment phase, where growth remains weak while prices remain high.

Across both downside scenarios, the 2026/27 loss does not come from commodity prices alone. At least half of the drag reflects second-round effects, as higher inflation expectations and tighter financial conditions feed through to investment, consumption and trade. Emerging markets bear a heavier burden, with the effect close to twice that faced by advanced economies.

## OUTPUT COST OF CONFLICT

Percent deviation from baseline real GDP, average post-World War II conflict



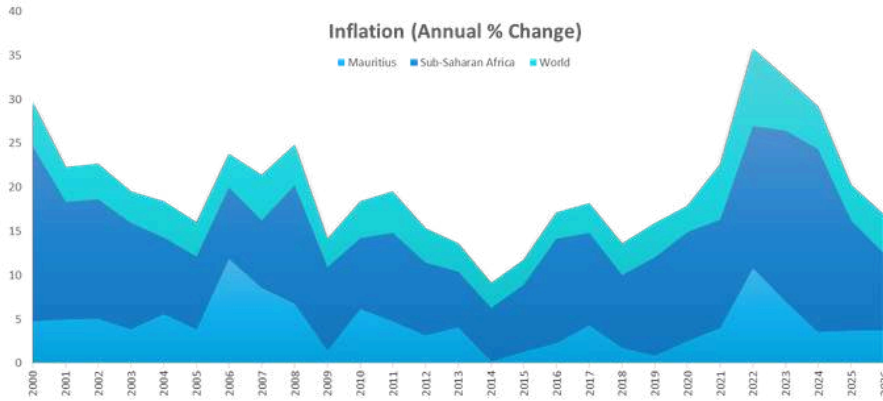
# -6.7%

5-YEAR GDP LOSS

average post-World War II conflict cost

~42% hits in Year 1

Source: IMF World Economic Outlook, April 2026, Chapter 3, Figure 3.4 Panel 1 (belligerent economies). Year 1 share of 5-year loss: 2.795 / 6.659 = 42.0%.



Global headline inflation is now projected at 4.4% in 2026, up from 4.1% in 2025, before easing to 3.7% in 2027. Rather than signalling a new inflation cycle, the IMF presents this as a pause in the wider disinflation process, with price pressures renewed by energy and trade-cost shocks.

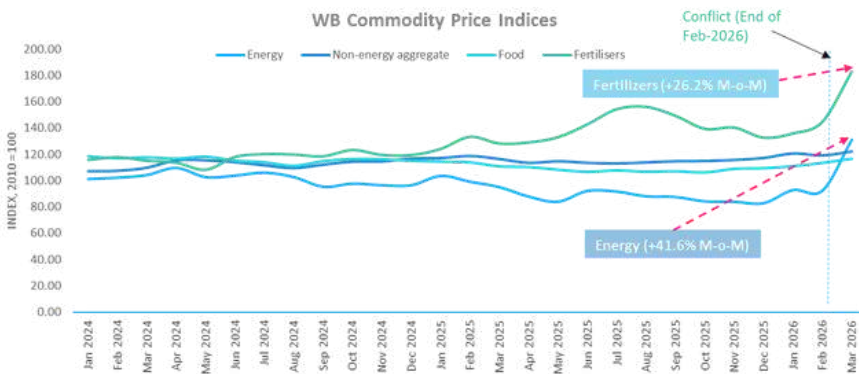
The renewed pressure is concentrated in energy and energy-linked items: gas, fuels, fertilisers, freight, and food products exposed to fertiliser costs. Core inflation rises only slightly, suggesting that the shock is supply-led rather than demand-led. As such, monetary policy can help contain second-round effects, but it cannot by itself resolve supply costs. Fiscal policy, logistics management and private-sector cost discipline therefore become part of the adjustment.

The IMF's stress cases point to a firmer inflation path; in the adverse case, with oil around USD 100 per barrel and gas prices up 160%, global headline inflation reaches 5.4% in 2026 before easing to 3.9% in 2027. The severe case leaves less room for relief: oil averages about USD 110 in 2026 and USD 125 in 2027, gas prices rise by 200%, and inflation moves from 5.8% to 6.1% over the two years.

The IMF places the probability of 2026 global headline inflation exceeding 5% at 38%, compared with 25% in October 2025. For commodity-importing emerging markets, a firmer US dollar adds another channel of pressure, raising the local-currency cost of fuel, food, fertilisers and freight. Hence, the adjustment is not only about global prices; it also depends on exchange-rate pass-through, import bills and monetary conditions.

The baseline inflation path also becomes less benign. After falling from 5.8% in 2024 to 4.1% in 2025, global headline inflation is projected to rise to 4.4% in 2026, suggesting a pause in post-pandemic disinflation rather than a full reversal. The adjustment is uneven. Advanced economies move from 2.5% to 2.8%, while emerging market and developing economies rise from 5.2% to 5.5%, reflecting greater exposure to energy, fertilisers and exchange-rate pass-through.

"The probability that 2026 global headline inflation will rise above 5% is considerably higher at 38%, compared with 25% in October 2025."



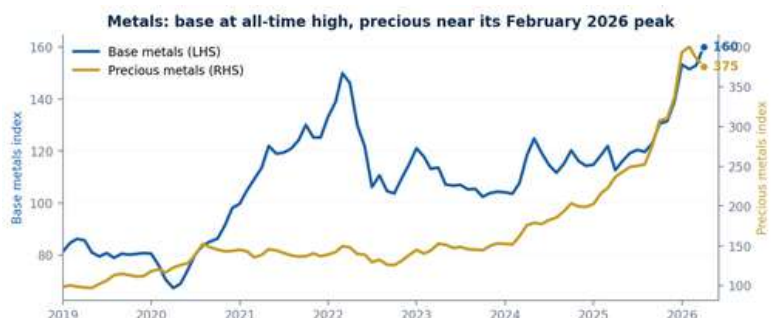
The World Bank Commodity Markets Outlook of April 2026 estimates that the reduction in global oil supply in March amounted to approximately 10 million barrels per day, the largest oil supply shock on record.

Commodity prices show how quickly the inflation shock has moved through global markets. The World Bank commodity index reached 139.8 in April 2026, up 45.0% over the year and at its strongest annual pace since June 2022. The index remained 11% below its June 2022 peak of 158.0, but stood 77% above its January 2020 level of 78.8. The short-run movement is striking: between February and April 2026, the index rose from 101.3 to 139.8, a 38% increase in only two months.

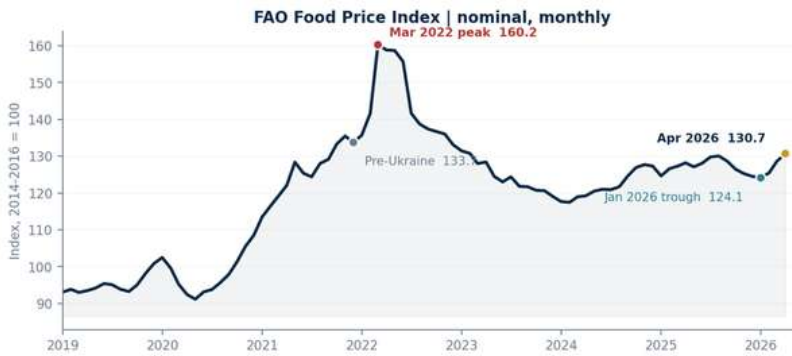
Base metals add a second layer to the commodity shock. The World Bank Base Metals index reached 160 in April 2026, its highest reading on record, rising 4.7% over the month and 42.1% over the year. The increase stems from tight copper and aluminium supply, constraints on Gulf aluminium shipments, and the high energy intensity of refining and smelting. The Gulf's share of around 20% of global aluminium production gives this channel wider relevance, especially as demand for renewable energy systems and electrical infrastructure continues to support metals consumption.

The immediate cause appears to be the outbreak of war in the Middle East in early March 2026, which brought trade through the Strait of Hormuz close to a standstill. Before the conflict, vessels passing through the Strait carried around 35% of global seaborne crude oil trade, 20% of refined petroleum products and 20% of liquefied natural gas. This concentration explains why an interruption in one maritime corridor can move swiftly into energy prices, freight costs and inflation expectations.

Precious metals show the financial side of the same shock. The index stood at 375.3 in April 2026, 58.6% higher than a year earlier and only slightly below its February peak of 400.2. Gold has traded above USD 4,000 per troy ounce since early 2026, supported by reserve diversification among official asset managers, concerns over fiscal deficits in advanced economies, and stronger demand for safe assets. The slight easing in April therefore looks more like a pause after a sharp increase than a change in the underlying price supports.



# Global Food Price Index

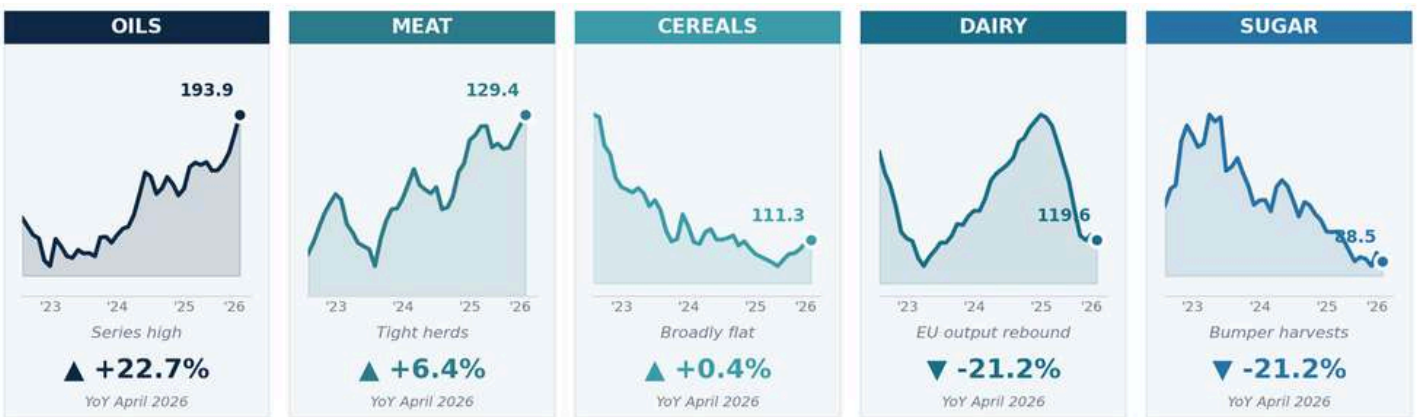


Food prices are again moving upward, though from a level still below the 2022 peak. The FAO Food Price Index reached 130.7 points in April 2026, rising by 1.6% from March and 2.0% from April 2025. This was the third consecutive monthly increase, lifting the index by 5.3% from its January reading of 124.1. Over six months, the gain stood at 3.4%, suggesting that food prices are beginning to move in tandem with the wider rise in global commodity prices.

The longer comparison gives a more balanced reading; at 130.7, the index remains 18.4% below its March 2022 peak of 160.2, yet it is only 2.3% below the 133.7 recorded at the end of 2021, before the war in Ukraine. It also remains 27.5% above its January 2020 level. Hence, while headline food prices have broadly returned to their pre-Ukraine war range, they have not returned to pre-pandemic levels.

For a food-importing economy, the composition of the bill matters more than the headline index alone. A lower index does not necessarily mean easier conditions for importers if fertilisers, freight, oils, cereals or currency costs remain elevated. As such, the policy reading is practical: food-price risks now lie less in the broad index and more in the items most exposed to energy, logistics and exchange-rate pass-through.

APRIL 2026 (LATEST)	ALL-TIME HIGH	BASE PERIOD
<b>130.7</b>	<b>160.2</b>	<b>100.0</b>
+1.6% MoM, +2.0% YoY	March 2022, post-Ukraine	2014-2016 average



## What the divergence means — component by component

Oils	Meat	Cereals	Dairy	Sugar
Biofuel demand + fertiliser pass-through + Hormuz freight extension. 13% of Mauritian food imports facing +22.7%.	Tight US/EU cattle herds and feed-cost pass-through (urea +121% YoY). Beef and ovine setting the price.	Flat +0.4% but fragile: wheat firmed on China, maize on Brazil. Cape rerouting adds basis risk.	European milk-output recovery and softer Chinese demand. Limited Mauritian basket exposure.	Bumper harvests in India and Brazil; lowest sugar reading since December 2020. Specific disinflation.

**Vegetable oils** are now the clearest pressure point within the food basket. At 193.9 in April 2026, the FAO oils index reached a record high reached its highest level since 2022, with palm, soybean, sunflower and rapeseed markets all tightening at once. Palm oil is affected by Malaysian export curbs and lower Indonesian output; soybean oil by biofuel mandates in the United States and Brazil; sunflower oil by Black Sea uncertainty; and rapeseed by European processor demand. The 22.7% annual increase captures the price movement, but the deeper issue is substitution: markets that often offset one another are now moving in the same direction.

**Meat prices** tell a more split story. The index stood at 129.4, up 6.4% over the year, with beef and ovine prices shaped by tight cattle herds in the United States and Europe. Poultry and pork, by contrast, have eased, supported by ample export supply and softer Chinese demand after the introduction of import duties. Hence, the meat index is rising, but not uniformly across categories.

**Cereals** appear calmer at headline level. The index stood at 111.3, only 0.4% above its level a year earlier, yet the composition is less settled. Wheat firmed in late 2025 on Chinese import demand and Black Sea uncertainty; maize rose on Brazilian supply concerns and weather disruption in South America; rice declined as northern-hemisphere harvests arrived. FAO's cereal-output projection above three billion tonnes for 2025-26 suggests adequate global supply on paper. For importers, however, the practical issue is delivery cost. The Hormuz disruption and Cape route rerouting have widened the gap between quoted supply prices and landed costs, thence food security risk now sits as much in freight, insurance and timing as in crop availability.

**Dairy and sugar** are pulling the FAO headline lower. The dairy index stood at 119.6 in April 2026, down 21.2% over the year, making it the largest downward contributor within the food basket. The fall reflects stronger milk output in the European Union after the 2022-23 contraction, a good start to New Zealand's 2025-26 season, and softer Chinese demand. Butter and whole-milk powder account for much of the decline, while cheese has been steadier, owing to its longer production and pricing cycle.

**Sugar** has also eased. At 88.5, the index was close to its lowest level since December 2020, down 21.2% over the year. Large harvests in Brazil and India, a favourable start to India's 2025-26 season, and good crop prospects in Thailand have kept prices low. Hence, dairy and sugar are masking firmer price pressures elsewhere in the food basket.

For Mauritius, the composite reading is more relevant than the FAO headline alone. Once dairy and sugar are stripped out, the food basket closer to Mauritian import needs appears to be rising nearer to 8% over the year, rather than the 2.0% shown by the global FAO index. Cooking oils are the main channel. If they account for around 13% of food imports, their price rise would add roughly three points to the implied food-import cost increase on its own. As such, the Food and non-alcoholic beverages component of the consumer price index is likely to place upward pressure on Mauritius' headline inflation through 2026, even as the global food index appears more stable.

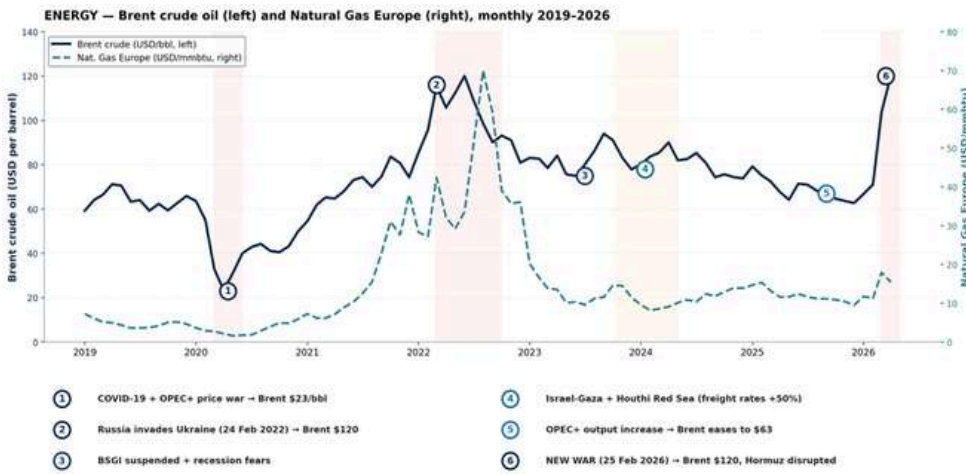
## Where the war shock is concentrated

World Bank Commodity Markets Outlook, 2026f change versus 2025 — reference scenario



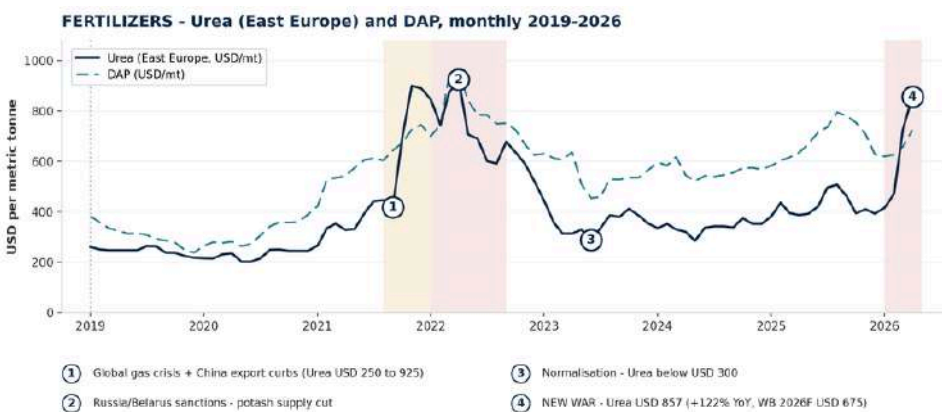
Source: World Bank Commodity Markets Outlook, April 2026, Table 1. Total commodity index excludes precious metals; energy index includes coal, Brent crude oil and natural gas.

The pressure is concentrated in energy and fertilisers rather than across all commodities. The World Bank expects the Energy index to rise by 23.6% in 2026, while the Fertiliser index is forecast to increase by 30.7%. European natural gas rises by 25.4% and Japanese LNG by 32.9%. The aggregate commodity index is projected to rise by 15.5%, a lower figure that reflects softer prices in parts of the food basket, especially dairy and sugar. Hence, the overall commodity index understates the strain on importers most exposed to fuel, gas, fertilisers and freight.



Energy is the main source of the 2026 commodity shock. Brent crude rose from USD 68 per barrel in September 2025 to USD 120 by April 2026, a 77% increase in seven months (and a 92% rise measured from the December 2025 low of USD 63). The sharpest movement came in March, when prices rose by 45.9% over the month, the strongest monthly increase since May 2008.

The broader energy index is forecasted to rise by 23.6% higher over the year. Within that basket, European natural gas rose by 25.4%, while Japanese LNG increased by 32.9% as disruption around Hormuz pushed Gulf cargoes onto longer Asian routes. For importers, the effect is therefore not confined to crude oil; it also passes through gas, freight, electricity costs and the wider price of traded goods.



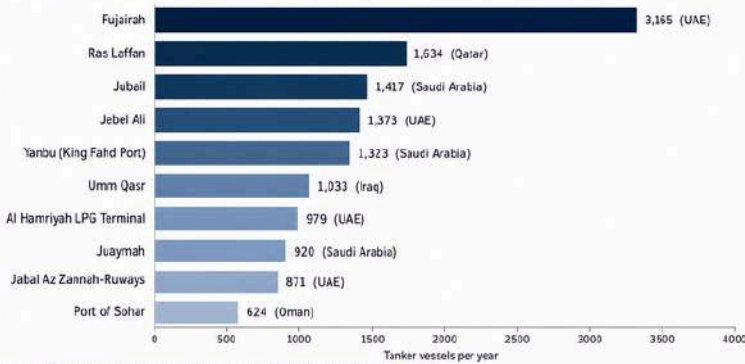
Fertilisers form the second channel of the energy shock. Urea prices reached USD 857 per metric tonne by Q2 2026 April 2026, up 114% over the year up about 122% over the year and within 2% of the April 2022 peak of USD 872 around 7% below the April 2022 peak of USD 925. The pressure reflects geographic concentration.

The Middle East accounts for 40.6% of global urea exports, 20.5% of DAP and MAP exports, and 27.6% of ammonia feedstock used in nitrogen fertilisers. Disruption around Hormuz therefore raises costs across several linked inputs at once. Unlike crude oil, fertilisers do not benefit from an equivalent strategic reserve system, so supply shocks can pass more directly into farm costs, food production and import prices.

# Maritime Trade & Strategic Choke Points

## A. Top 10 tanker ports in the Hormuz region

(combined ~13,300 tankers per year)



Source: IMF PortWatch ports database (2,055 ports, satellite AIS-derived annual vessel counts).

The war's most direct economic transmission channel runs through strategic maritime choke points. The Strait of Hormuz carries roughly one-quarter of global seaborne crude oil trade and about one-fifth of global liquefied natural gas trade. The Bab el-Mandeb, Red Sea and Suez Canal corridor normally handles about 12% of global container traffic, although that share has fallen since the Houthi attacks began in late 2023 and intensified through 2024. Cape of Good Hope diversions have added around 10 days to transit times and about 25% to freight rates. For a small island economy such as Mauritius, the conflict moves from a distant geopolitical event into higher fuel costs, longer delivery times, scarcer freight and pressure on import prices.

The Hormuz region carries a dense concentration of tanker activity. Fujairah in the UAE handles around 3,165 tanker calls a year, making it the largest tanker hub in the Persian Gulf. Together with Ras Laffan in Qatar (1,634), Jubail in Saudi Arabia (1,417), Jebel Ali in the UAE (1,373), the King Fahd Industrial Port at Yanbu in Saudi Arabia (1,323) and Umm Qasr in Iraq (1,033), the six largest tanker ports handle around 9,945 calls a year, close to 10,000. A further tier comprising Al Hamriyah LPG Terminal in Sharjah (979), Juaymah in Saudi Arabia (920), Jabal Az Zannah-Ruways in the UAE (871) and the Port of Sohar in Oman (624) lifts the regional total above 13,300 tanker calls. Should the Strait close even briefly, that volume must either redirect through limited pipeline capacity to the Red Sea or sit at anchor.

Among East African and Indian Ocean peers of similar size, only Mombasa in Kenya (99.8% of national imports) and Djibouti (100%) carry the same degree of dependence on a single port. South Africa, by contrast, diversifies across Durban (66% of imports), Richards Bay (3%) and Cape Town (9%), so a disruption at any one of the three can be absorbed elsewhere within the same country. Mozambique splits trade roughly between Maputo (36%) and Beira (51%). Mauritius has no such second port; the system has no fallback.

Saudi Arabia retains an important alternative route through the East-West pipeline, which ends at Yanbu on the Red Sea. At full capacity of 7 million barrels per day, the pipeline can absorb roughly one-third of the crude that normally transits Hormuz. The capacity does not eliminate the shock, but it cushions direct exposure to a closure. As such, the IMF April 2026 World Economic Outlook trims Saudi Arabia's 2026 growth forecast from 4.5% in the January Update to 3.1%, a cut of 1.4 percentage points, while projecting Iran to contract by 6.1% in the same year. The contrast follows naturally: Iran, lacking a comparable pipeline bypass and facing direct exposure to the war, bears a far heavier macroeconomic cost than its neighbour across the Gulf.

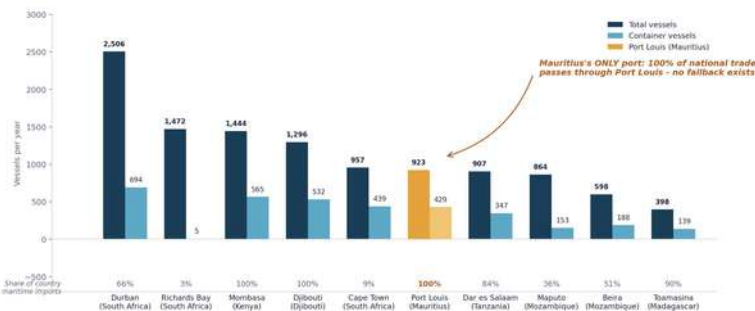
The destination pattern for Gulf crude is heavily Asian. Singapore alone handles around 26,277 tanker calls a year, making it the world's largest tanker hub. Japan's four main tanker ports, namely Chiba (9,275), Mizushima (7,484), Yokkaichi (5,895) and Sakai-Semboku (5,221), together handle close to 27,900 calls. Korea's Ulsan adds 8,643 and Shanghai (Pudong) a further 8,308. Combined, the ten largest Asian tanker hubs handle close to 85,000 tanker calls a year, roughly six times the volume passing through all ten busiest Hormuz region tanker ports combined.

The implication is direct: a disruption at origin does not remain confined to the Gulf. Such a shock moves quickly through Asian refining systems, fuel pricing, bunkering costs and freight markets.

For Mauritius, the relevance is concrete because the island buys into global fuel and shipping markets shaped by Asian demand and routing costs; hence, even without direct exposure to Gulf production sites, the transmission can arrive through import prices, delivery schedules and freight premia. Looking ahead, the policy implication is that Mauritius cannot insure itself against the Strait of Hormuz, but it can build buffers against the indirect effects through strategic petroleum reserves, diversified bunkering arrangements and extended freight contracts.

## B. Port Louis vs East African and Indian Ocean peer ports

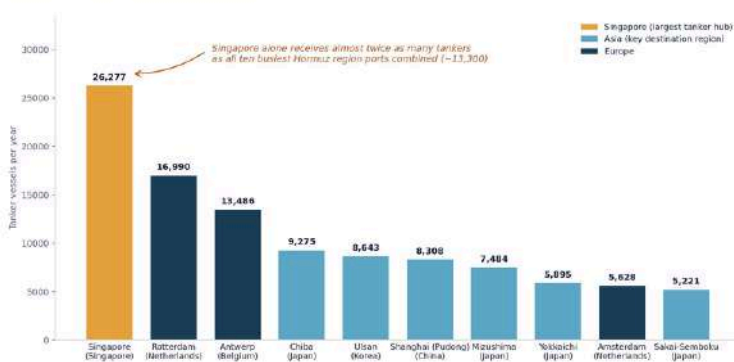
Port Louis carries 100% of Mauritius maritime trade - the single point of failure



Source: IMF PortWatch ports database (2,055 ports, satellite AIS-derived annual vessel counts, share of country maritime imports).

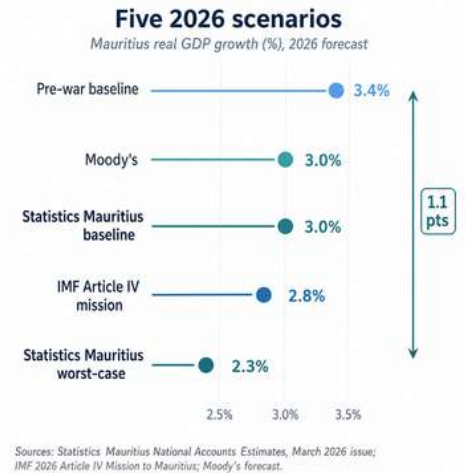
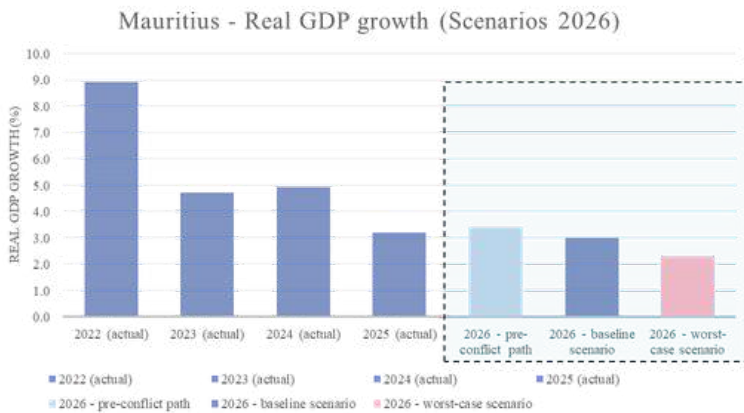
## C. Top 10 global tanker destination ports

where Hormuz oil flows: tanker vessel calls per year



Source: IMF PortWatch ports database (2,043 ports, satellite AIS-derived annual vessel counts).

# The Mauritian Economy



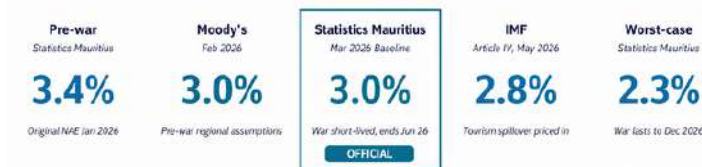
Mauritius now has several published reference points for 2026 real GDP growth, and they point to a narrower but more cautious outlook than before the conflict. Statistics Mauritius, places baseline growth at 3.0%, assuming that the Middle East conflict is short-lived and ends by June 2026. The same release gives a lower scenario of 2.3% if the conflict intensifies and lasts until December 2026. Before the conflict, Statistics Mauritius had expected growth of around 3.4%, supported by tourism and stronger private investment.

Moody's February 2026 Credit Opinion placed growth at 3.0%, although that assessment was framed before the full regional shock had passed through the forecast base. The IMF's more recent figure stands at 2.8%, with tourism spillovers cited as the main channel. The BoM has since aligned with that lower reading, revising its 2026 baseline to 2.8% from an earlier range of 3.3% to 3.5%. As such, the IMF and the Bank now sit at the lower end of the published forecast range, while Statistics Mauritius provides both the baseline and the risk scenario.

The distance between the pre-conflict upper estimate of 3.5% and the Statistics Mauritius lower scenario of 2.3% is a useful measure of the growth at risk. On the current-price GDP base, each 0.1 difference in real growth is worth roughly MUR 750 million to MUR 800 million in output. The wider range therefore points to several billion rupees of activity that could be gained or deferred depending on energy prices, freight costs, tourism routing, construction execution and private investment. Any translation into public revenue or employment should be treated as indicative unless the underlying tax-intensity and labour-output assumptions are set out clearly.

## Five 2026 forecasts: the spread is 1.1 percentage points

Real GDP growth (%), 2026F — by source and assumption



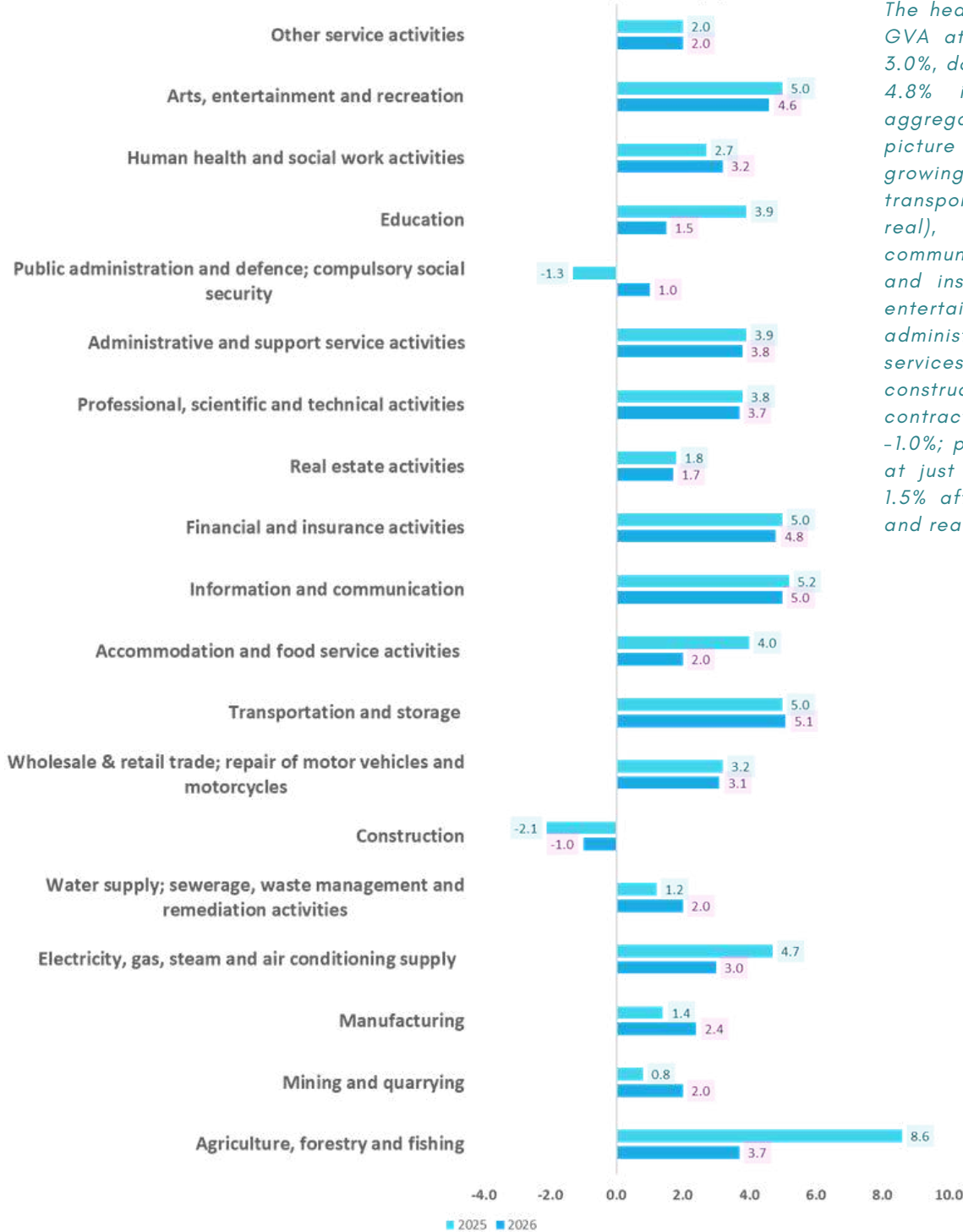
## What separates the published forecasts?

The forecasts differ less on the direction of travel than on the channel each institution gives most weight to. The IMF, using the more recent assessment, places the sharper near-term adjustment in tourism. Statistics Mauritius recorded real GDP growth of 3.2% in 2025, led by services: financial and insurance activities added 0.6 to growth, while trade, agriculture, accommodation and transportation each contributed around 0.3 to 0.4. Construction was the main drag, contracting during the year. For 2026, the original arrivals assumption of 1,480,000 tourists has become harder to sustain as higher airfares, longer routings and softer travel conditions weigh on the sector. The IMF also expects inflation to rise in 2026 on higher fuel and food prices, before easing in 2027.

Moody's reads the same shock through the sovereign balance sheet. Its February 2026 Credit Opinion maintained Mauritius at Baa3 with a negative outlook, with fiscal deterioration, including a deficit of 9.3% of GDP in FY2025, as the main rating concern. The May 2026 follow-up was more balanced, acknowledging tangible fiscal progress: the deficit had narrowed to about 5.5% of GDP through February 2026 from 9.3% at end-FY2025, supported by 7.8% revenue growth and a 3.9% fall in expenditure.

Statistics Mauritius sits between these two readings and its baseline forecast of 3.0% assumes that the Middle East conflict is short-lived and ends by June 2026, while its lower scenario of 2.3% assumes that the conflict intensifies and lasts until December. As such, the domestic forecast framework is built around the duration of the external shock, while the IMF places more weight on tourism spillovers and Moody's on fiscal and debt metrics. The practical reading is therefore straightforward: growth, tourism, inflation and public finance are now moving in tandem, and the second half of 2026 will determine which forecast proves closest to the realised path.

GVA at Basic Prices - Sectoral Real Growth Rates (%)



The headline real growth rate for GVA at basic prices in 2026 is 3.0%, down from 3.1% in 2025 and 4.8% in 2024. Beneath this aggregate slowdown the sectoral picture is uneven. The fastest-growing sectors in 2026 are transportation and storage (+5.1% real), information and communication (+5.0%), financial and insurance (+4.8%), arts and entertainment (+4.6%), and administrative and support services (+3.8%). At the other end, construction is forecast to contract for a second year at -1.0%; public administration grows at just 1.0%; education slows to 1.5% after 6.0% growth in 2024; and real estate adds 1.7%.

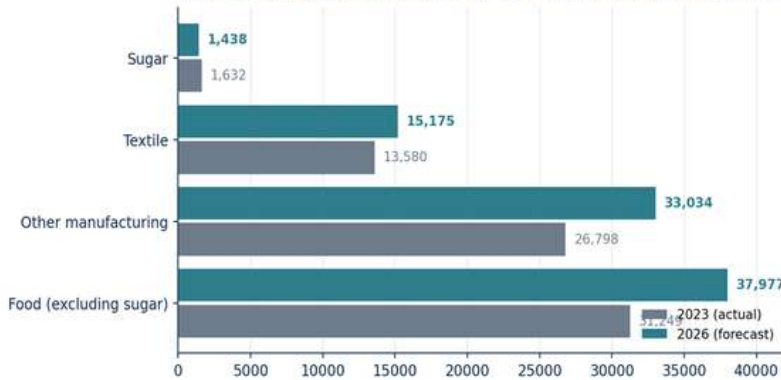
The contribution-to-growth data gives the sectoral story greater precision. Financial and insurance activities add 0.6 to projected 2026 GVA growth, making the sector the largest single contributor and accounting for about one-fifth of the 3.0% headline. Wholesale and retail trade adds 0.4, while transportation, manufacturing and professional services each contribute 0.3. By contrast, eight sectors add 0.1 or less, and construction subtracts 0.1 from the total. The forecast therefore rests on a compact group of service and trade activities, with construction still in adjustment. This composition points to a practical policy priority: sustaining the higher-performing service base while helping investment, construction and productive sectors regain firmer traction.

## Contribution of GVA (Current Basic Price) 2026



**Manufacturing** remains the largest single industry by share, at 12.8% of GVA in 2026. **Financial and insurance activities** sit a fraction behind at 12.4%. The order has been close for several years and the two sectors will continue to compete for the top position. **Wholesale and retail trade** comes third at 11.3%, having held its share through the consumption growth of the last three years. **Accommodation and food service activities** at 7.6% reflect the post-pandemic tourism recovery, of which more below. **Public administration and defence**, at 6.2%, has slipped from the 6.6% peak of 2024. Below the top six, the structural story becomes one of services diversification. Professional, scientific and technical activities (5.9%), transportation and storage (5.7%), human health and social work (4.9%), education (4.5%), real estate (4.6%) and information and communication (4.2%) each contribute a meaningful slice. Each is also rising in absolute MUR terms, even where its share is flat or slightly declining. As such, the headline architecture conceals a steady shift towards higher-skill services even as the manufacturing bloc retains its statistical dominance.

Manufacturing sub-sectors: GVA at current basic prices, MUR Million



For textiles, the absolute output of MUR 15.2 billion remains below the 2018 nominal level and well behind the 2019 inflation-adjusted equivalent. Hence the country's structural exit from labour-heavy textile production continues, with the workforce shrinkage now mirrored in slower decline rather than outright collapse. In sugar, figures point towards a consolidation of cane to power generation. Therefore, the manufacturing-share question for the medium term is whether 'Other manufacturing', precision components, pharmaceuticals, jewellery and medical devices, can grow fast enough to offset the structural drag from textile and sugar.

## Outlook: three watchpoints for the second half of 2026

The 3.0% GVA growth forecast for 2026 is below the 4.8% cyclical peak recorded in 2024. Its composition is also more concentrated. Financial services, transport and ICT account for much of the expansion, while construction remains in adjustment. The second half of the year will therefore test whether growth can broaden beyond a compact group of service activities.

- First, the office economy remains exposed to international regulatory and tax changes. The OECD Pillar Two minimum-tax regime, Indian capital-flow reforms and EU substance requirements all raise recurring compliance demands for global business activities. As such, the recent contribution from the global business segment should not be treated as automatic. Sustaining this activity will require continued attention to substance, specialist skills, treaty access and service quality.
- Second, the gradual decline in manufacturing's share narrows the diversification cushion once provided by textiles and sugar. This increases the economy's sensitivity to external regulatory, financial and market shocks. The investment pattern compounds the issue: real estate accounts for 39.6% of GFCF, while the sector grows by only 1.7%. A more balanced allocation of investment across export-oriented and productivity-linked activities would strengthen medium-term resilience.
- Third, construction remains an important signal for private investment. Its two-year contraction suggests that firms have been cautious in committing capital. Monetary conditions have also tightened: in May 2026, the BoM raised the Key Rate by 25 basis points to 4.75%, responding to imported-inflation risks linked to the Hormuz disruption. This reduces the likelihood of near-term interest-rate easing unless inflation clearly softens.

The year-end test is therefore practical. Three indicators deserve close attention: whether the office economy can hold real growth in the 4.5-5.0% range; whether construction returns to positive growth; and whether slower tourism arrivals can be offset by higher spending per visitor. Each will reveal more about the structure of the Mauritian economy than the 3.0% headline alone.

## Quarterly Index of Industrial Production (QIIP)



The Index of Industrial Production, the latest short-term gauge of industrial output, grew by 1.7% in 2025. The annual reading is restrained and broadly consistent with the wider GDP narrative. The fourth quarter was stronger, rising 14.2% from the previous quarter and 1.3% from the same quarter of 2024, although this quarter-end lift appears to reflect the usual seasonal pattern in manufacturing. Beneath the headline, the sectoral split is more revealing. Manufacturing, which carries 85% of the industrial-output weight under the 2018 base, recorded a clear divide: Non-EOE manufacturing grew by 1.9%, while EOE manufacturing contracted by 1.3% and sugar milling fell by 1.9%.

The divide within manufacturing has become more pronounced over the past four years. The Non-EOE sub-index rose from the 2018 base of 100 to 114.6 in 2025, supported by gains in beverages, furniture, printing, and plastic and non-metallic products. In the year to Q3 2025, beverages grew by 4.3%, furniture by 14.1%, printing by 6.0%, and plastic and non-metallic products by 9.5%. By contrast, the EOE sub-index declined to 78.1, placing it 21.9 points below its 2018 base. The EOE detail points to a broad adjustment across export-oriented segments: wearing apparel fell by 2.6%, textiles by 8.0%, jewellery by 34.6%, and computer and electronic products by 3.7%, all measured year on year to Q3 2025.

This reading suggests that industrial growth is being supported mainly by domestic-oriented manufacturing, while export-oriented manufacturing remains under pressure. Hence, the industrial story is not one of broad weakness, but of sectoral rebalancing: parts of manufacturing linked to local demand and selected inputs are gaining ground, while several EOE activities continue to adjust to cost, demand and competitiveness conditions

Statistics Mauritius places the index at 100.9 in March 2026, down 5.0% from 106.2 in March 2025. The same release shows an 11.0% month-on-month rebound from the February 2026 low of 90.9, but that movement appears largely seasonal. The annual comparison carries the stronger signal: output at the start of the second quarter is below its level a year earlier, pointing to softer industrial momentum. Hence, the index does not point to a broad industrial setback on its own; rather, it reinforces the picture of a slower and more uneven expansion in 2026.

### Three implications follow for the Mauritian industrial outlook.

First, the 1.7% increase in industrial output in 2025 rested mainly on Electricity, which grew by 4.7%, and Non-EOE manufacturing, which rose by 1.9%. Without these two areas, the industrial reading would have been weaker, suggesting that the recovery was concentrated rather than broadly shared across the sector.

Second, the EOE sub-index, at 78.1, points to a longer adjustment in export-oriented manufacturing. The decline reflects the combined effects of changing trade patterns, cost pressures, exchange-rate competitiveness against regional peers, and the after-effects of the post-2022 commodity shock. The response therefore needs to go beyond short-term support. A more durable recovery would require product upgrading, market diversification, skills renewal and closer links between export manufacturing and higher-value supply chains.

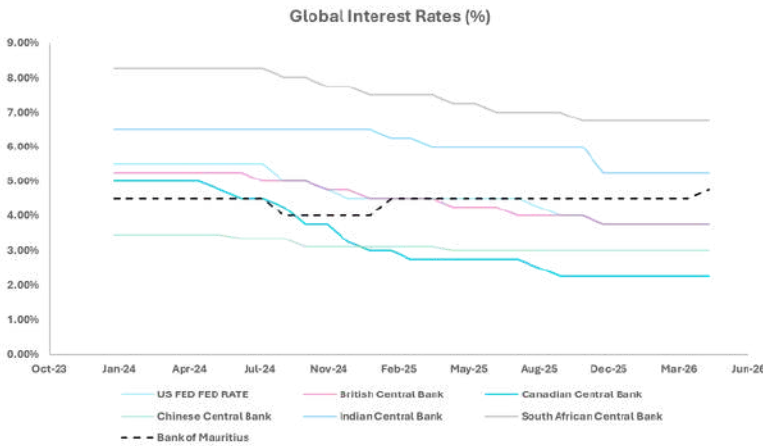
Looking ahead, the IMF data point less to a broad industrial downturn than to a sector in rebalancing, where domestic-oriented production is holding up better than several export-facing activities.

### What this means for Mauritius

The 1.7% increase in industrial output in 2025 was supported mainly by Electricity and Non-EOE manufacturing. By contrast, the export-oriented segment remains in a longer adjustment phase: the EOE index stood at 78.1 in 2025, compared with the 2018 base of 100. This points to a structural loss of industrial depth in areas that once carried a larger share of Mauritius' export production.

The March 2026 reading, down 5.0% year-on-year, adds an early warning signal. It is consistent with the IMF's softer 2.8% growth outlook for 2026, although any further revision would depend on whether second-quarter output stabilises. As such, the March figure should be read as a prompt for closer monitoring rather than as a full-year conclusion.

Within EOE manufacturing, the sharpest declines are in jewellery, down 34.6%, and textiles, down 8.0%. The policy implication is that any sector support should be tightly targeted, evidence-based and time-bound. The cumulative fall since 2018 suggests that the issue is not only cyclical demand weakness, but a deeper adjustment in competitiveness, product mix and market access.



### What this means for Mauritius

Five reinforcing price shocks have struck the Mauritian economy in the first five months of 2026, and the May 2026 MPC decision is best understood as a defensive response to the cumulative weight of those shocks rather than to any one of them alone.

The Brent crude price has risen from USD 62.72 per barrel in December 2025 to USD 120.42 per barrel in April 2026, a 92.1% increase in four months reflecting the closure of the Strait of Hormuz on the back of the war in the Middle East. The Mauritian rupee has slipped from MUR 46.55 per USD in December 2025 to MUR 47.19 in April 2026, a depreciation of 1.4% over the same window.

At their April 2026 meetings, four of the five large advanced-economy central banks kept policy rates unchanged, while the Bank of Japan recorded three dissenting votes out of nine in favour of an increase. The common thread is the war-related commodity shock. Institutions that had previously guided markets towards further easing are now waiting for clearer evidence on whether higher energy, food and freight costs will pass through into services prices and wage behaviour.

The Federal Reserve’s target range remains at 3.50% to 3.75%, after 50 basis points of easing over the previous twelve months. The European Central Bank deposit rate stands at 2.00%, following a two-point easing cycle that ended in June 2025. The Bank of England has kept Bank Rate at 4.00%, after cutting by 50 basis points across the year.

Japan remains the exception; the Bank of Japan raised its policy rate to 0.75% in January 2026 and has signalled the possibility of another increase mid-year. Were that to happen, it would be the first rate increase among the group since the global pause began. India is also on hold, with the Reserve Bank of India keeping the policy rate at 5.50% after a full point of easing over twelve months. China continues to loosen financial conditions more quietly, relying on the loan prime rate framework rather than a headline policy-rate move.

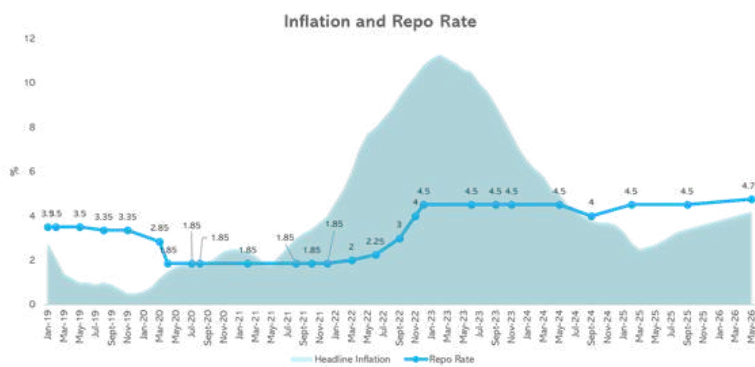
The policy implication is clear: the easing cycle has not ended, but it has been delayed. For small open economies such as Mauritius, this matters because global rates, exchange-rate pressure and imported inflation now need to be read together. A firmer US dollar and dearer commodities reduce the room for domestic monetary easing, even where local growth is softening.

The BoM policy rate remained at 4.50% for 13 consecutive months from April 2025 to May 2026, the longest pause in the post-2022 cycle. On 20 May 2026, the Monetary Policy Committee voted unanimously to raise the rate by 25 basis points, taking it to 4.75% per annum. The nominal rate, however, does not fully capture the policy constraint.

Inflation conditions leave limited room for near-term easing. CORE2 inflation remained elevated in early 2026, while the Bank’s baseline now expects headline inflation to average around 5.5% in 2026. On a backward-looking basis, the real policy rate therefore remains negative even after the rate increase. In practical terms, Mauritius is carrying a nominal rate that is high by regional comparison, yet still below the inflation profile projected for the year.

The May decision was shaped by the Middle East conflict, the disruption around Hormuz and the risk of imported inflation feeding into domestic prices. The first-round CEB tariff adjustment from 1 May 2026 now sits within a wider cost package covering oil, freight and fertilisers. This matters because the shock is not confined to one administered price. It reaches transport, utilities, food processing and services costs, thence raising the risk of second-round effects. The MPC has also signalled that it can meet outside its usual calendar should energy markets, supply chains or domestic prices require a policy response.

Even if domestic growth conditions later support easing, a rate cut ahead of larger monetary authorities could widen carry-trade pressures and weaken the rupee channel. The Bank has therefore chosen to tighten rather than hold, citing the inflation outlook and the need to keep medium-term expectations anchored. Subject to a clearer inflation downturn or a resolution of the Hormuz disruption, the working assumption is that the policy rate remains at 4.75% through much of the second half of 2026.

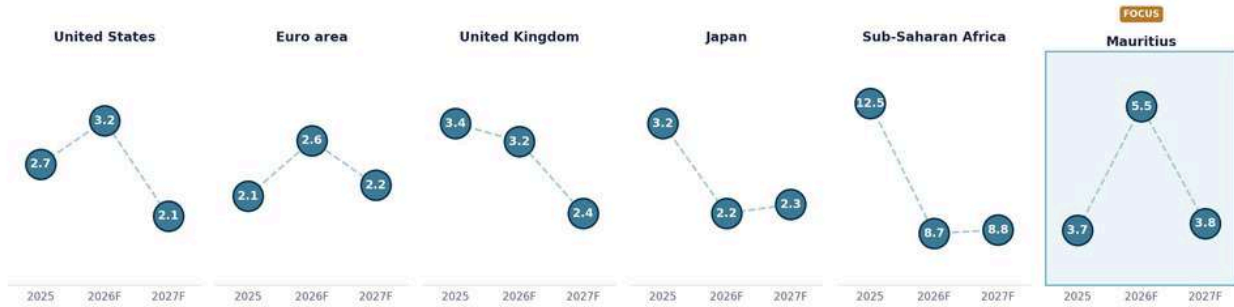


Federal Reserve	ECB	Bank of England	Bank of Japan	RBI India	Bank of Mauritius
<b>3.50-3.75</b>	<b>2.00</b>	<b>4.00</b>	<b>0.75</b>	<b>5.50</b>	<b>4.75</b>
%	%	%	%	%	%
▼ -0.50 pts	▼ -2.00 pts	▼ -0.50 pts	▲ +0.25 pts	▼ -1.00 pts	▲ +0.25 pts (May)
12-mo change	12-mo change	12-mo change	12-mo change	12-mo change	12-mo change
<b>HOLD</b>	<b>HOLD</b>	<b>HOLD</b>	<b>HIKE</b>	<b>HOLD</b>	<b>HIKE (NEW)</b>

Source: Federal Reserve, ECB, Bank of England, Bank of Japan, Reserve Bank of India, Bank of Mauritius (media release of 20 May 2026).

## Inflation paths across major economies

Headline CPI, period average (%) — IMF WEO April 2026; BoM May 2026 baseline for Mauritius 2026



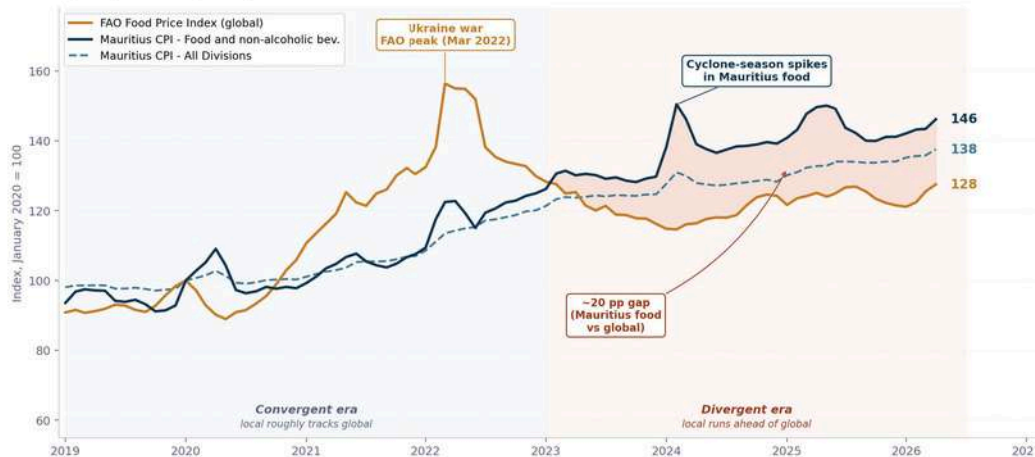
Source: IMF World Economic Outlook database, April 2026 vintage (period-average CPI, percent change).  
 Mauritius 2025 = Statistics Mauritius / BoM MSB April 2026, Table 5 (12-month average headline CPI, Dec 2025 = 3.7%).  
 Mauritius 2026F = BoM MPC media release of 20 May 2026, baseline scenario: "headline inflation expected to average around 5.5 per cent in 2026". Mauritius 2027F = IMF WEO April 2026.

Headline inflation rose to 3.6% Y-o-Y in April 2026, compared with 2.7% in March 2026 and 3.8% in April 2025. On the 12-month average measure, inflation stood at 4.2% for the period ending April 2026, against 2.6% a year earlier. The CPI, on the January-December 2023 = 100 base, reached 111.0 in April 2026, up from 107.1 in April 2025. On the month, the index rose by 1.4 points, or 1.3%, signalling a clear reacceleration after the softer first-quarter readings.

CORE1 inflation, which excludes food, beverages, tobacco and mortgage interest on housing loans, reached 5.5% Y-o-Y in April 2026 and 4.5% on a 12-month average basis, compared with 3.1% and 2.4%, respectively, in April 2025. CORE2 inflation, which also excludes electricity, gas, other fuels and administered-price items, stood at 6.1% Y-o-Y and 6.3% on a 12-month average basis, against 5.4% and 4.4% a year earlier.

## Mauritian food prices have decoupled from the global benchmark since 2022

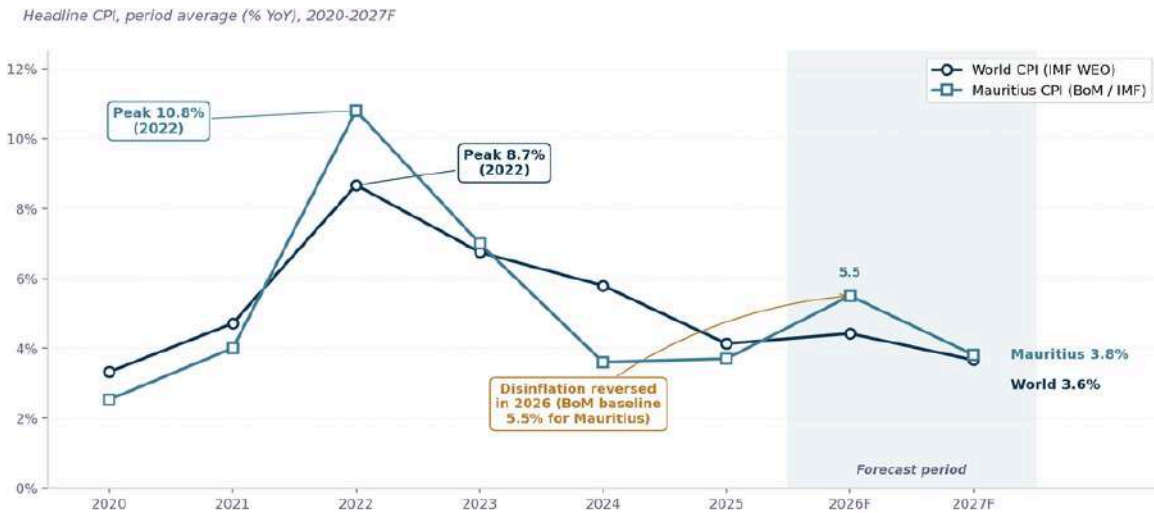
Index, January 2020 = 100; monthly observations



Sources: FAO Food Price Index, May 2026 release (global, monthly); Statistics Mauritius, CPI Historical Series, Table 3 (Food and non-alcoholic beverages = Division 01; All Divisions = composite headline CPI, base 2023 = 100, rebased to Jan 2020 = 100).

The gap between headline inflation and CORE2 inflation is instructive. CORE2 exceeds headline inflation by about 2.5 on the Y-o-Y measure and 2.1 on the 12-month average measure. This suggests that the earlier easing in headline inflation owed much to food, fuel and administered-price effects, while services and domestic cost structures remained firmer. Moreover, the April rise in headline inflation, alongside the increase in CORE1 from 4.2% to 5.5% over the month, indicates that disinflation had not broadened evenly across the basket.

## Inflation Trends



Source: IMF World Economic Outlook database, April 2026 (World 2020-2027; Mauritius 2027 = period-average CPI). Mauritius 2020-2025 = Statistics Mauritius / BoM MSB April 2026 Table 5 (12-month average headline CPI at December). Mauritius 2026F = BoM MPC media release of 20 May 2026, baseline scenario: headline inflation expected to average around 5.5% in 2026.

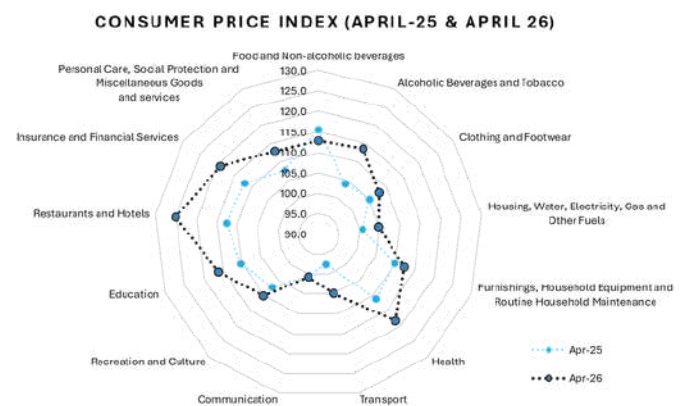
Three indices, rebased to January 2020 = 100, are compared: the global FAO Food Price Index, the Mauritian CPI for Food and non-alcoholic beverages, and the Mauritian headline CPI. From 2019 to end-2022, the three series moved within a relatively narrow range. The global FAO index rose sharply to 156 at the March 2022 Ukraine peak, while the Mauritian Food CPI reached 123.

The more recent rebound in world prices, stemming from the disruption around the Strait of Hormuz, has yet to show through at home, since import costs feed into domestic prices only partially and with a lag. Cyclone season, moreover, appears to leave a lasting rise in the price level rather than a passing deviation. Local food inflation is therefore shaped by domestic agricultural resilience, the buffers held across supply chains and the degree of retail pass-through, each of which can move prices independently of the global benchmark.

*Y-o-Y inflation fell from 5.4% in June 2025 to 2.7% in March 2026, suggesting that the immediate price pulse had eased by the end of the first quarter. The 12-month average, however, continued to rise, because it still carried the higher monthly readings recorded earlier in the period. Both measures are useful, but they answer different questions: the Y-o-Y rate gives the better signal of recent price momentum, while the 12-month average describes the inflation burden already accumulated over the past year.*

The inflation turn is global, but the Mauritian pass-through is unusually direct. Imported energy, higher freight costs and the domestic electricity-tariff adjustment are all arriving within the same two-quarter window. This compresses the adjustment period for households and firms, as fuel, transport, utilities and food costs move together rather than in sequence.

The more telling signal is CORE2 inflation at 6.3% on the 12-month average measure. This suggests that underlying price pressure is no longer confined to volatile imports or administered prices. Services costs and domestic pricing behaviour remain firm, indicating that the 2022-2023 price shock may have lifted inflation expectations above the pre-pandemic norm. Hence, the policy challenge is not only to absorb the current energy shock, but to prevent temporary cost increases from becoming embedded in wages, contracts and business pricing.



## Sectoral Exposure to Conflict Transmission Channels - MCCI Economic Research Assessment

	Fuel prices	Electricity (CEB +15%)	Freight & insurance	Imported inflation	External demand	MUR weakness
Tourism & hospitality	Severe	High	Severe	High	High	High
BPO / ICT / Data centres	Mod	Severe	Mod	Mod	High	High
Export-oriented manufacturing	High	High	Severe	High	Severe	High
Agro-industry & cold chain	High	High	High	Severe	Mod	Mod
Construction	High	Mod	High	Severe	Mod	High
Wholesale & retail trade	High	Mod	High	Severe	Mod	Mod
Financial & insurance	Mod	Mod	Mod	Mod	High	Mod
Public sector & utilities	Severe	High	Mod	Mod	Low	Mod

■ Low   
 ■ Moderate   
 ■ High   
 ■ Severe

No sector is fully insulated, but the channels of exposure differ. Tourism and hospitality are most exposed through fuel, airfares and imported operating costs. Higher freight charges also raise the cost of food, beverages, equipment and replacement parts. Statistics Mauritius forecast of 0.9% for 2026, real growth for the tourism satellite sector reflects this combination of higher input costs, travel-cost sensitivity and softer demand conditions.

BPO, ICT and data-centre operators are more exposed through electricity. Where power accounts for 8% to 15% of operating costs, a 15% tariff increase can raise total operating costs by roughly 1.2 to 2.25 on the percentage scale before any offsetting efficiency measures. This matters for investment decisions, especially where locations such as Egypt and Madagascar offer lower industrial power tariffs. A balanced strategy could therefore combine tariff predictability with energy-efficiency incentives and clearer renewable-power options for large users.

Export-oriented manufacturing faces the widest set of pressures. Textiles are especially exposed, with exports already down 5.5% in 2025 before the full effect of dearer energy, freight and imported inputs.

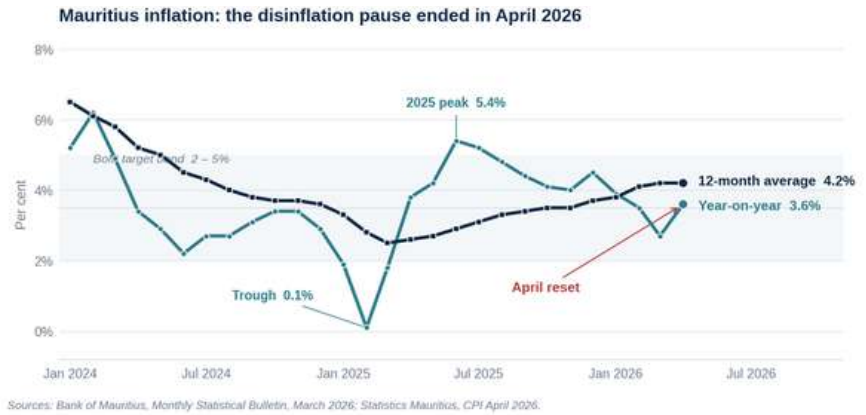
Agro-industry, cold-chain operators and construction face strong exposure through imported inputs. Fertilisers, cement, steel, equipment, fuel and refrigerated logistics all sit close to the energy and freight shock. The Construction Price Index rose by 4.6% Y-o-Y in March 2026, from 145.1 in April 2025 to 151.6, and this was before the more acute conflict-related cost pressure had fully passed through. The implication is that tender prices, project timelines and working-capital needs may remain under pressure through the second half of the year.

Wholesale and retail trade face a different mix. Electricity accounts for only around 2% to 4% of operating costs, so the tariff channel is manageable in direct terms. The larger exposure comes through imported goods, freight, warehousing and distribution. Given the import-heavy structure of the consumer basket, retailers are likely to pass through much of the cost increase over a three to six month horizon, although the pace will depend on demand conditions and stock turnover.

Financial and insurance services face limited direct cost pressure from electricity, with power estimated at only 1% to 2% of operating costs. Their main exposure is external demand. In the IMF's severe scenario, growth in emerging markets excluding China is reduced by 1.9 on the percentage scale, which matters for Mauritius' global business segment. Hence, the sector is less exposed to the domestic cost shock than to international investment flows, client activity and cross-border financial conditions.

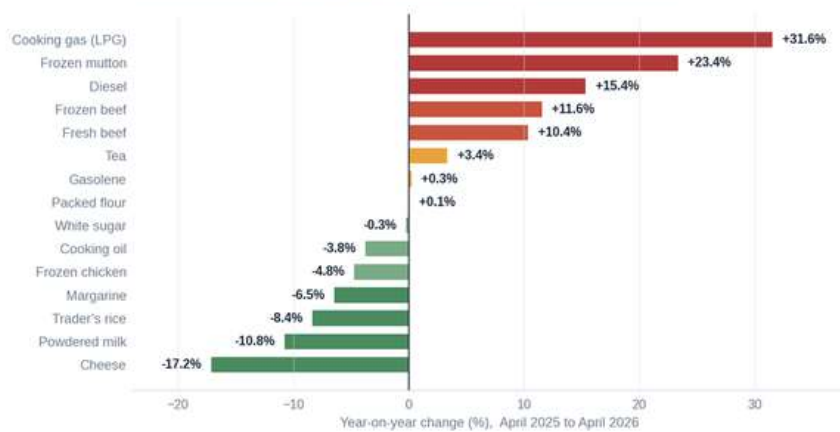
*Tourism, BPO and export-oriented manufacturing are the three sectors with the broadest exposure across fuel, freight, electricity, imported inputs, exchange-rate pressure and external demand. They should therefore receive the closest attention in the budget framework, not through open-ended support, but through targeted, time-bound measures tied to cost relief, energy efficiency, skills, market access and export performance.*

During the first quarter of 2026, the two inflation measures were sending different signals. Y-o-Y inflation fell from 5.4% in June 2025 to 2.7% in March 2026, suggesting that recent price momentum had eased. The 12-month average, however, continued to rise as the higher mid-2025 readings moved through the rolling calculation.



April narrowed that gap. Y-o-Y inflation rose to 3.6%, while the 12-month average remained at 4.2%, leaving the two measures only 0.6 apart on the percentage scale. The earlier contrast, where the annual rate pointed to easing while the average measure reflected accumulated price pressure, has therefore converged. The message is now clearer: inflation has not returned to its early-2026 comfort zone, and the second quarter begins with renewed pressure in the price index.

Retail commodity prices: the April reset on LPG, diesel and meat



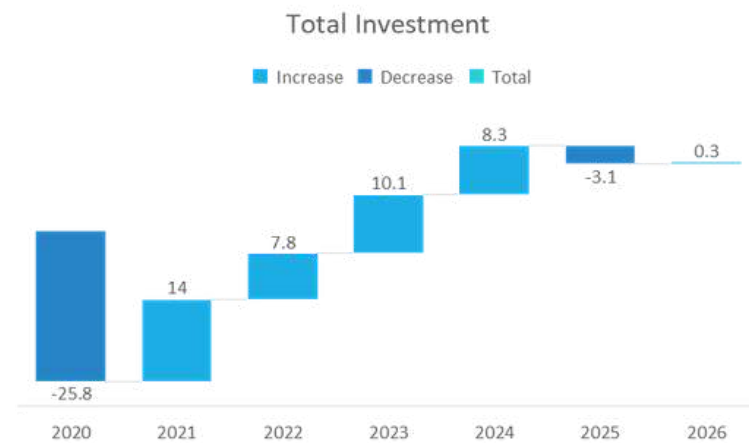
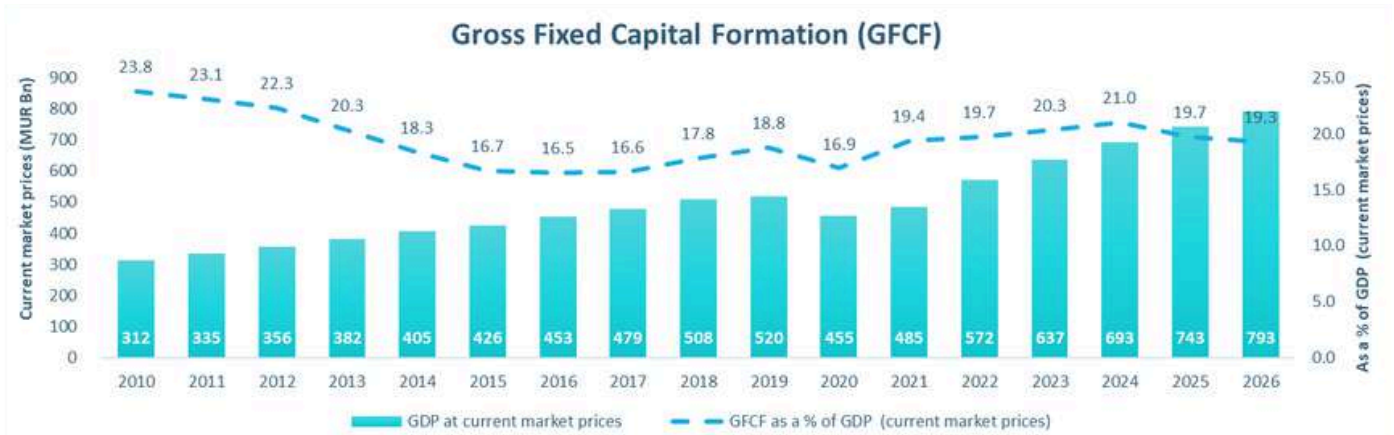
Average retail prices for April 2026 show that imported energy pressure and administered-price adjustments have reached the Mauritian consumer basket at the same time. The sharpest movement came from cooking gas, with the 12 kg LPG cylinder rising from MUR 190 to MUR 250, a 31.6% Y-o-Y increase. Diesel rose by 15.4% to MUR 68.03 per litre, reinforcing the transport and distribution cost channel.

Food prices are also being lifted by protein items. Frozen mutton averaged MUR 634.1 per kg in April 2026, up 23.4% from a year earlier. Fresh beef rose by 10.4% to MUR 660.9 per kg, while frozen beef increased by 11.6% to MUR 480.3 per kg. The goods-side signal is therefore changing: the upward pressure from energy and protein items is now offsetting the earlier easing in cereals and oils that had helped lower inflation through 2025.

The disinflationary basket has narrowed, but it has not vanished. Several items were still cheaper than a year earlier in April 2026: cheese was down 17.2% to MUR 82.7 per 250 g, powdered milk down 10.8% to MUR 238.9 per kg, and trader's rice down 8.4% to MUR 74.5 per kg. Margarine also eased by 6.5%, while frozen chicken fell by 4.8%.

Cooking oil was only 3.8% below its level a year earlier in April, compared with a 14.3% decline in March, in line with the recent rise in the FAO oils index. White sugar was broadly unchanged at MUR 56.7 per kg, down only 0.3% over the year. Subsidised staples remained stable by policy design: government-subsidised rice stayed at MUR 10.80 per kg, while bread maison remained at MUR 2.60 per 100 g.

The reading is therefore balanced, with some food items continue to soften the index, but their disinflationary effect is fading as energy-linked and protein prices rise. Hence, the food basket is shifting from broad relief toward a more uneven pattern, where administered prices, subsidies and selected dairy items contain the headline while oils, gas and meat add renewed pressure, which has been mostly due to imported inflation.



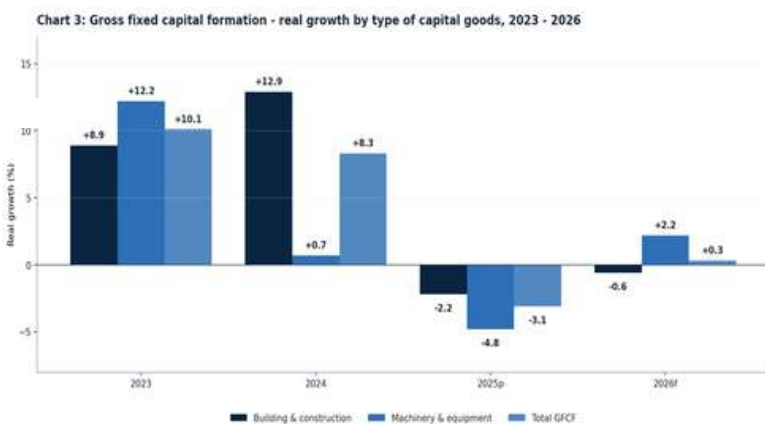
Gross fixed capital formation (GFCF) is the GDP component most exposed to tighter monetary conditions, and the 2026 projection was already subdued before the May rate increase. Total GFCF at current prices is projected at MUR 153.08 billion in 2026, equivalent to 19.3% of GDP, down from 21.0% in 2024 and 19.7% in 2025. The decline in the investment ratio over three years is an important policy signal. The 25-basis-point increase in the Bank of Mauritius Key Rate in May 2026 adds a further financing-cost constraint to an already softer capital-spending cycle.

Using the projected 2026 GFCF base of about MUR 153 billion, a mechanical sensitivity estimate suggests that the rate increase could defer around MUR 300 million to MUR 600 million in nominal investment. This would be equivalent to roughly 0.10 to 0.20 on the percentage scale of GDP growth. The estimate should be read as an indicative range rather than a forecast, but it is consistent with the broader revision in the Bank of Mauritius growth outlook from 3.3-3.5% to 2.8%.

Two qualifications matter:

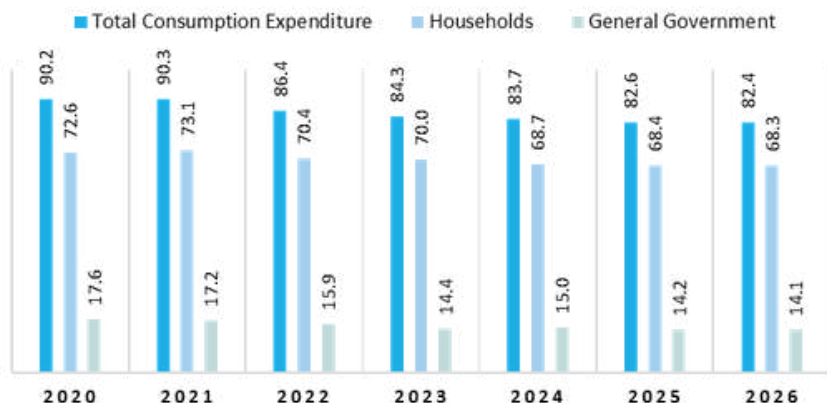
- Projects already financed and contracted are likely to proceed, while the rate increase is more relevant for projects still awaiting capital-budget approval.
- Sectoral composition changes the transmission. Real estate, infrastructure and hotel refurbishment are more rate-sensitive because they require larger upfront financing and longer payback periods. Manufacturing inventories and retail working capital, by contrast, are usually less exposed to long-horizon financing costs.

The construction sector contracted 2.1% in real terms in 2025 and is projected at -1.0% in 2026 (NAE March 2026). The Key Rate hike removes the prospect of a counter-cyclical easing that the original Navigator had pencilled in for the second half of 2026.



The concentration of 39.6% of GFCF in real estate is therefore the main transmission point. A slower real-estate cycle could appear through delayed off-plan sales, slower absorption in the IRS and PDS pipeline, and softer activity across construction materials, contractors, professional services and related suppliers through 2027. The policy reading is constructive: investment support should be selective, favouring projects that raise productivity, earn foreign exchange, reduce import dependence or improve energy efficiency.

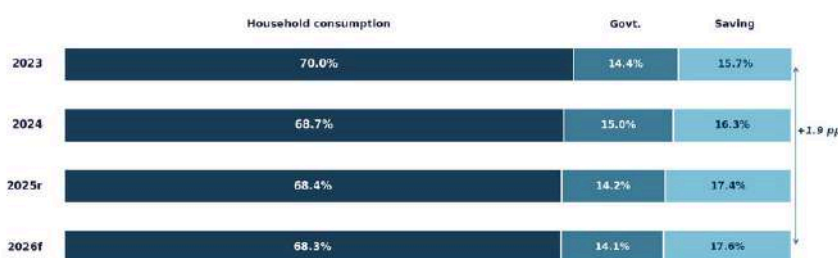
## CONSUMPTION EXPENDITURE (AS A % OF GDP AT MARKET PRICES)



*The country is consuming less of what it produces. The question is whether the saving lift reflects rising prudence or weakening demand.*

### How each rupee of GDP is allocated

Household and government shares fall by 2.0 percentage points combined; saving absorbs the redistribution



Source: Statistics Mauritius, National Accounts Estimates, 31 March 2026, Table 2 - Growth rates and ratios, 2023 - 2026 (rows 21, 22, 23). r: revised; f: forecast.

Real household consumption growth has eased each year: 3.4% in 2023, 3.1% in 2024, 2.9% in 2025 and 2.4% in 2026. Over the three years to 2026, household consumption rises by about 8.6% in real terms, compared with cumulative real GDP growth of 11.5%. Households are therefore gaining in real terms, but at a slower pace than the wider economy.

Since the population is contracting, real spending per household may be rising slightly faster than the aggregate figure suggests. Even so, household consumption is not keeping pace with output per resident, pointing to a gradual shift in income allocation away from current spending and toward saving or debt management.

Households appear to be acting more prudently. Consumer prices rose by roughly 11% over 2024-26, using compounded CPI readings of 3.6% in 2024, 3.7% in 2025 and a Q1 2026 average of 3.4%. Over the same period, nominal compensation of employees rose by 24%, implying real labour-income growth of about 12%. Since consumption growth has been slower than real labour-income growth, part of the income gain appears to have been channelled into saving. This is consistent with the rise in the gross domestic saving ratio from 15.7% to 17.6% of GDP.

Household consumption is slowing while monetary conditions remain tight, with the BoM policy rate at 4.75%. Outstanding household loans stood at MUR 200.4 billion at end-2025, up from MUR 178.8 billion a year earlier. Housing loans accounted for MUR 139.1 billion, while non-housing personal credit stood at MUR 61.4 billion. Hence, part of the rise in saving may reflect delayed purchases, higher debt-servicing needs and precautionary behaviour, rather than purely discretionary thrift.

Statistics Mauritius projects GDP at current market prices at MUR 793 billion in 2026, with real growth of 3.0% and final consumption expenditure of MUR 653 billion. Beneath these headline aggregates, three orderly shifts in the structure of demand stand out. Each is consistent with the published national accounts identities, with only rounding differences of MUR 1 million or less.

- First, final consumption is taking a smaller share of national output. It falls from 84.3% of GDP in 2023 to 82.4% in 2026, a decline of 1.9 on the percentage scale over four years.
- Second, household real consumption growth slows each year, from 3.4% in 2023 to 2.4% in 2026. Third, gross domestic saving rises in tandem, moving from 15.7% to 17.6% of GDP.

The demand-side reading is therefore not one of retrenchment, but of gradual rebalancing: consumption remains the largest component of GDP, while saving gains a larger share of national income. For policy, the issue is whether this higher saving can be channelled into productive investment, especially in sectors that raise capacity, reduce import dependence and support foreign-exchange earnings.

In 2023, every MUR 100 of GDP was allocated roughly as follows: MUR 70 to household consumption, MUR 14 to government consumption and MUR 16 to saving.

By 2026, the allocation changes to about MUR 68 for households, MUR 14 for government and MUR 18 for saving. The 1.9 decline on the percentage scale in total consumption is therefore concentrated in households, while the government consumption share remains close to its 14% norm across the period.

Mauritius is not seeing a collapse in consumption; it is seeing a gradual rebalancing in which households are allocating a slightly larger share of income to saving. The policy question is whether those savings can be channelled into productive investment rather than passive liquidity.

Higher saving can strengthen resilience if it is channelled into productive investment. Yet slower consumption also signals the need to protect household purchasing power, contain imported inflation and ensure that credit conditions do not weigh unduly on essential spending.

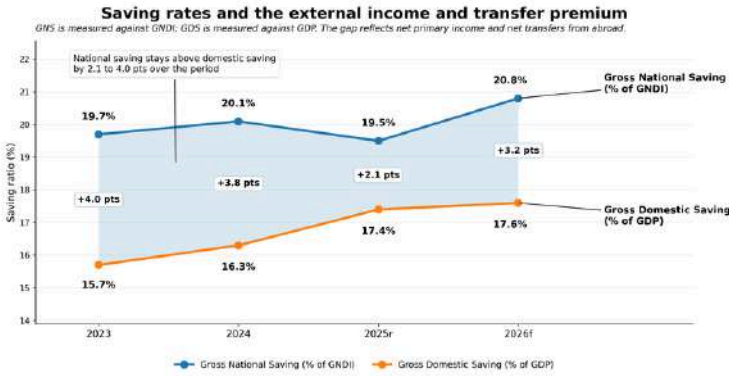
Government final consumption shows a clear timing cycle. Real growth moved from -3.7% in 2023 to +7.9% in 2024, before easing to -0.1% in 2025 and +0.3% in 2026. Indexed to 2023 = 100, the series reads 100.0, 107.9, 107.8 and 108.1. Almost all the cumulative real increase therefore occurred in 2024, while the following two years point to consolidation rather than further expansion.

The split between individual and collective government consumption adds useful context. Individual consumption, covering areas such as health, education and services delivered to specific recipients, rises from MUR 37.5 billion in 2023 to MUR 45.7 billion in 2026, a nominal increase of about 22%. Collective consumption, covering defence, general administration and public order, moves from MUR 54.0 billion to MUR 65.8 billion, also up by roughly 22%. The composition of government consumption has therefore remained broadly stable. The movement is mainly about timing and fiscal stance, not a change in the structure of public consumption.

The 1.9 shift away from consumption is mirrored by higher saving, since gross domestic saving (GDS) is defined as GDP minus final consumption. The GDS ratio rises from 15.7% of GDP in 2023 to 17.6% in 2026. In rupee terms, this represents an increase from MUR 99.8 billion to MUR 139.8 billion, a 40% nominal rise over three years.

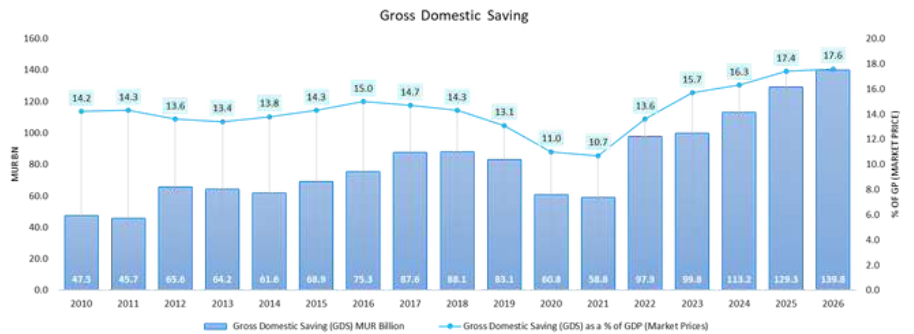
The rise is not evenly spread across the period. Most of the increase occurs in 2024-25, when the saving ratio rises by 1.1; 2025-26 adds a further 0.2. The timing shows that the saving adjustment began before the latest external shock, and may reflect a combination of higher nominal incomes, more cautious household behaviour and a firmer fiscal stance.

Gross national saving (GNS) follows a different path. Measured against gross national disposable income, it records 19.7% in 2023, 20.1% in 2024, 19.5% in 2025 and 20.8% in 2026. The gap between GDS and GNS is analytically useful, because it reflects the role of income and transfers from abroad. For Mauritius, that distinction matters: domestic saving shows what is retained from local output, while national saving captures the wider income base available to finance investment.



Source: Statistics Mauritius, National Accounts Estimates, March 2026, Table 11, GDS = GDP less total consumption; GNS = GNDI less total consumption.

Per capita GDP at current prices rises from MUR 510,161 in 2023 to MUR 638,871 in 2026, a 25.2% nominal gain over three years. In real terms, per capita GDP grows by 4.9% in 2023, 5.2% in 2024, 3.3% in 2025 and 3.2% in 2026. In each year, this is slightly above aggregate real GDP growth, which records 4.7%, 4.9%, 3.2% and 3.0%, respectively.



The reason is demographic and per capita growth exceeds aggregate growth because the resident population is declining. The implied population series, derived by dividing nominal GDP by per capita GDP, moves from about MUR 1.249 million in 2023 to MUR 1.241 million in 2026. This represents a fall of roughly 7,700 residents over three years, or about 0.21% per year.

Higher per capita GDP reflects real income gains in part, but a smaller population base also lifts the ratio. The question for policy is whether higher output per resident is matched by stronger labour participation, productivity gains and investment in sectors able to sustain income growth over time

### Per capita GDP and GNI - the foreign-income premium

Per capita GNI runs 10-12% above per capita GDP across the entire window

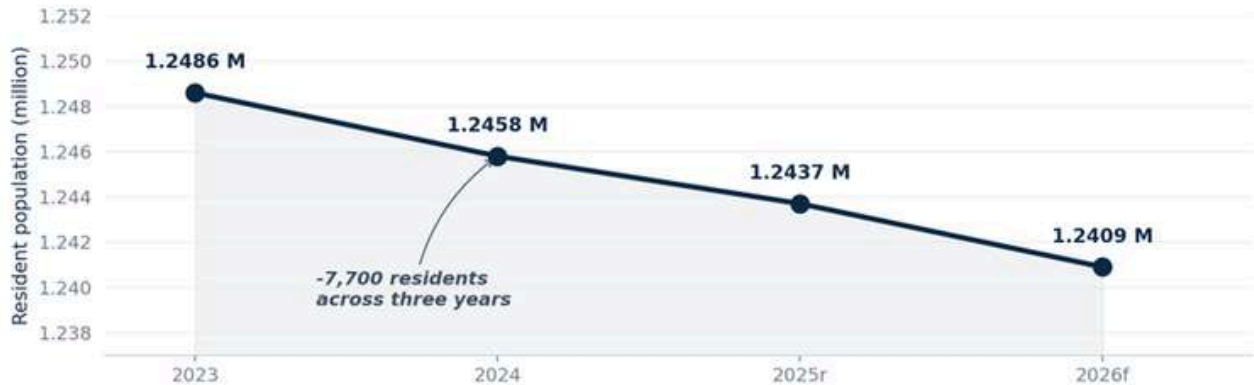


Source: Statistics Mauritius, NAE March 2026 (Table 1), Premium reflects net primary income from abroad less net transfers.

The percentage above each pair shows the GNI premium - the additional income per resident from net foreign primary income and transfers.

## Mauritius is in demographic decline

Implied resident population falls 7,700 across the forecast horizon - the backdrop to per-capita gains



Source: Implied from Statistics Mauritius, NAE March 2026 (Table 1): GDP at market prices / per capita GDP at market prices.

GDP measures output produced within the territory of Mauritius. Gross National Income (GNI) equals GDP plus net primary income from the rest of the world: the primary income residents earn abroad, less the primary income non-residents earn within Mauritius. The ratio (GNI minus GDP) over GDP, here termed the GNI premium, expresses this net income from abroad as a share of domestic output.

The premium has narrowed slightly, from 12.4% in 2023 to 10.8% in 2026, but its scale remains broadly stable. For an upper-middle-income economy, this is an important external-income buffer. Its durability rests on the continued competitiveness of Mauritius' global business and financial services platform, including tax certainty, regulatory credibility, specialist skills and treaty access.

The IMF projects real GDP growth of 2.8% in 2026, slightly below the 3.0% Statistics Mauritius forecast and BoM confirmed the 2.8% baseline in May 2026, aligning the two most recent official readings. Under both projections, per capita real growth remains above aggregate growth because the resident population continues to contract. The income-per-resident reading is therefore constructive, but should be interpreted carefully: part of the gain reflects demographics, not only stronger productivity or investment.

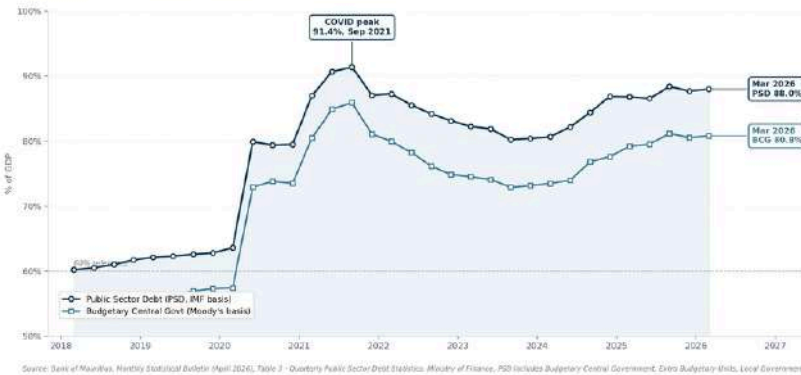
The difference is small, but it matters for the interpretation of income per resident. Under both projections, per capita real growth remains above aggregate GDP growth because the resident population continues to contract.

Two points follow from the consumption and saving accounts for the next budget cycle and beyond.

- First, household consumption growth is moving closer to 2% in real terms, and a further decline in the consumption-to-GDP ratio is plausible through 2027-28 if current trends persist. The more durable route to stronger household demand lies in labour income rather than broad fiscal stimulus. Sustained real wage growth above 3%, if matched by productivity gains, would support faster household consumption, stronger GDP growth and a slightly lower saving ratio. Wage policy, skills development and productivity reforms therefore carry a direct demand-side payoff.
- Second, the narrowing of the domestic financing gap is a genuine improvement in external resilience. Lower reliance on foreign saving reduces exposure to capital-flow reversals, gives the Bank of Mauritius more room to adjust policy without placing undue pressure on the rupee, and supports the recent improvement in the sovereign outlook. The caveat is that part of the gap closure may reflect weaker investment rather than stronger saving alone. GFCF has fallen from 21.0% of GDP in 2024 to 19.3% in 2026. The preferred outcome would be a simultaneous rise in saving and investment, with domestic savings channelled into productive capital formation rather than remaining in passive liquidity.

## Mauritius public debt: 88.0% of GDP at end-March 2026

Quarterly debt-stocks, % of GDP (after consolidation)



**87.98%**  
PUBLIC SECTOR DEBT  
of GDP, end-March 2026

**80.81%** Budgetary Central Government

**8.66%** Public Corporations

**MUR 664,209m** Stock after consolidation

Source: Ministry of Finance, Economic Planning and Development

Mauritian public sector debt stood at 87.98% of GDP at end-March 2026, its highest reading since the post-pandemic peak of 91.4% in September 2021. On the narrower budgetary government measure more often used by international rating agencies, debt stood at 80.8% of GDP.

In MUR terms, the consolidated public sector debt stock reached MUR 664.2 billion. Within this total, budgetary government debt accounted for about MUR 610 billion, while public corporations held MUR 65 billion in gross debt. Around MUR 11 billion was consolidated against general government holdings.

The debt ratio had fallen from its post-pandemic peak to 81.8% by June 2023, helped by nominal GDP growth and primary surpluses. Since mid-2024, however, the ratio has edged upward: 82.2% in June 2024, 86.5% in June 2025, and 87.98% by March 2026.

The increase of 5.8 on the percentage scale over roughly two years aligns with the FY2025 primary deficit cited by Moody's. It is also the main fiscal evidence behind the agency's Baa3 rating with a negative outlook, issued in February 2026. The policy reading is clear: debt remains manageable, but the next budget cycle will need to keep consolidation on course while protecting growth-supporting investment.

Moody's reports general government debt at around 80.8% of GDP on the latest quarterly reading, with a forecast of 82.3% by end-2027.

The IMF Article IV mission statement of May 2026 refers to debt of around 88% of GDP at end-June 2026, using the broader public sector debt measure, which includes public corporations after eliminating inter-entity holdings. Both readings are sourced from Statistics Mauritius, but they measure different debt perimeters.

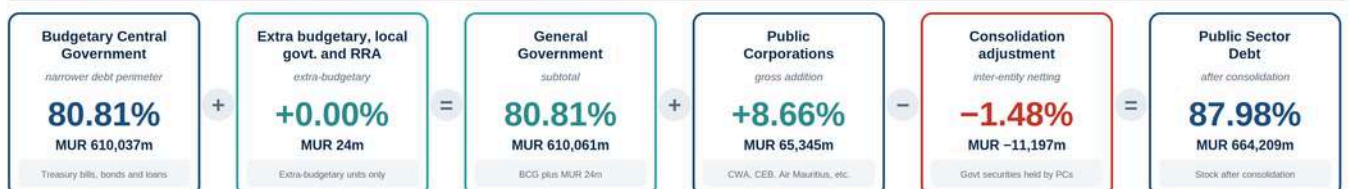
Two implications follow for credit and macroeconomic management. First, the debt path has turned upward after the earlier post-pandemic improvement. Moody's May 2026 Issuer Comment nonetheless acknowledged "tangible progress on fiscal consolidation", with revenue rising by 7.8% through February and expenditure falling by 3.9%. On that interim basis, the deficit narrowed from 9.3% to 5.5% of GDP.

Second, financing conditions have become less tight at the short end. Treasury bill yields have eased from peaks of around 4.5-5.0% in mid-2025 to about 4.0%, reducing the cost of new rollover at the margin. This helps the interest-cost outlook, although the benefit will take time to appear in the headline debt ratio.

### Reconciling Moody's and IMF debt measures: the 7.2 point gap is definitional

How the narrower BCG measure of 80.81% becomes consolidated Public Sector Debt of 87.98%

Min. of Finance, EPD



**Arithmetic check**  
definitional gap: **80.81% + 8.66% - 1.48% = 87.98%**

Exact ratio: MUR 664,209m / MUR 754,930m = 87.98%  
BCG to PSD gap 7.18 points; rounded parts sum to 87.99%

Reference points  
% of GDP, end-period



Source: Ministry of Finance, Economic Planning and Development — public sector debt after consolidation, % of GDP, end-March 2026.



Mauritius entered the 2026 oil and shipping shock with its strongest buffers on the external account. Gross official reserves stood at USD 10.3 billion at end-2025 and rose to USD 10.4 billion by end-February 2026, providing 7.4 months of prospective import cover. That level remains well above the IMF's three-month prudential benchmark for a small island economy.

Receipts reached MUR 103.4 billion in 2025, supported by 1.44 million arrivals. Early 2026 data remain encouraging: Moody's May 2026 issuer comment noted 348,000 arrivals in the first quarter, above the 2023-2025 average of 342,000. This suggests that rerouting of European traffic around the conflict zone has, so far, preserved part of the tourism revenue stream.

Reserves and tourism receipts provide room to manage import payments, fuel purchases and currency pressures. The fiscal balance sheet is the area under closer scrutiny, especially as higher oil prices, electricity costs, social protection needs and debt-service pressures feed into the budget arithmetic watched by rating agencies.

Public sector debt reached 87.98% of GDP in March 2026 on a provisional basis, its highest level in two decades; its highest level since the post-pandemic peak, and above the 70% prudential debt ceiling under the Fiscal Responsibility framework.

Baa3 sits one notch above the sub-investment-grade threshold, which is why the rating attracts attention. The issue is not an immediate financing stress, but the credibility of the medium-term fiscal path.

The current account deficit stood at 7.1% of GDP in 2025, and Moody's projects a widening to 9.6% in 2026 as the oil bill weighs on imports. As such, the policy task is to protect the external buffer while keeping fiscal consolidation credible and preserving investment that supports future growth.



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