

AFRICA RISK CONSULTING

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Mauritius Summary 25 August 2026

India and Mauritius sign a government-to-government memorandum of understanding (MoU) under which the Indian government pledges to provide Mauritius with the energy support by providing fuel and gas supply. In addition, IndianOil Corporation and the Mauritius' State Trading Corporation (STC) also signed a MoU to ensure the STC has reliable access to fuel to prevent any domestic shortages. The Bank of Mauritius's (BoM) (central bank) Monetary Policy Committee (MPC) opts to keep the repo rate at 4.75%, noting that core inflation remains at 5% due to geopolitical tensions in the Middle East. Experts raise concern over Mauritius' medium to long term economic growth rate and strategy.

India and Mauritius sign MoUs to ensure consistent energy supply

India and Mauritius [strengthened](#) their energy partnership by signing a five-year agreement on 24 August under which the **IndianOil Corporation (IOC)** is to supply Mauritius petrol, diesel and aviation turbine fuel (ATF). The agreement was signed between the IOC and Mauritius' **State Trading Corporation (STC)** and is intended to provide Mauritius with assured access to essential petroleum products and reduce the island's exposure to fluctuations in global fuel prices.

Assured access to petroleum products is essential to the island as 90% of the island's primary required energy is [sourced](#) from imported products as Mauritius has no natural oil, gas or coal reserves. This also makes Mauritius vulnerable to global market shifts. While the agreement does not [disclose](#) the volumes or energy products involved or any other commercial and financial terms, the agreement remains critical to supporting Mauritius maintain a stable energy supply.

Apart from the agreement between the IOC and STC, Mauritius and India also signed a government-to-government memorandum of understanding (MoU) on oil and gas cooperation and a sales and purchase agreement with IOC. This sales and purchase agreement covers the supply of oil products not only from the IOC but also from the Indian government. During the signing ceremony, India's oil minister, **Hardeep Puri**, stated that this is the first such [agreement](#) outside **South Asia**.

The IOC-STC and government-to-government agreement further solidifies India's influence and involvement in the Mauritian economy. While India is only considered to be the sixth largest foreign direct investment (FDI) partner into the island, Mauritius and India share strong historical ties and increasingly deep structural economic relations. During India's prime minister **Narendra Modi's** (2024-present) March 2025 [visit](#) to Mauritius, the two governments signed eight MoUs spanning banking, trade, security, and governance cooperation, and unveiled a joint vision for an **Enhanced Strategic Partnership**.

India also operates several public sector undertakings (PSUs), which gives the Indian government a significant presence in some of Mauritius' most prominent sectors. Some of the PSUs operating on the island include **Telecommunications Consultant India (TCIL)**, **IndianOil Mauritius (IOML)** and **State Bank of India**. Furthermore, over the past five years Indian companies, including the PSUs, [invested](#) over \$200m in Mauritius.

For Mauritius, India's deepening economic involvement presents both opportunities and risks. On the positive side, India's involvement provides a stable, politically aligned partner capable of providing energy security, development financing, and strategic maritime support without drawing Mauritius further into the current geopolitical tensions between the **United States (US)** and **China**. This is

especially significant for Mauritius considering the current tension with the US over the **Chagos Islands**.

However, economic over-dependence on a single bilateral partner is a risk. Additionally, as India's strategic competition with China intensifies across the **Indian Ocean** region, Mauritius risks being drawn into great power rivalry dynamics. The island's increasing relations with India could complicate its relationships with other trading and investment partners, especially China, which supported Mauritius at the **United Nations (UN)** over the Chagos Island's dispute and is one of the island's biggest trading partners.

Bank of Mauritius keeps repo rate steady

The **Bank of Mauritius (BoM)** (central bank) **Monetary Policy Committee (MPC)** met on 12 August, opting to keep the repo rate [unchanged](#) at 4.75%, signalling that the central bank is adopting a wait-and-see approach after raising the repo rate 25 basis points in May from 4.5% to 4.75%, the first increase in over a year. This increase also marked Mauritius' highest borrowing costs since 2013 (*see ARC Briefing Mauritius May 2026*).

This decision reflects a delicate balance between controlling inflation and protecting economic growth. Headline inflation rose to 4.4% in July from 3.7% in June, while core inflation [remains](#) elevated at around 5.1%. This inflationary uptick, primarily driven by global fuel prices and elevated freight costs passing through to domestic utilities, transport, and food processing, confirms the BoM's initial May warning that second-round effects were materialising.

However, the BoM simultaneously revised its 2026 inflation forecast downward to approximately 5% from its earlier 5.5% projection, reflecting recent inflation trends and budget measures including additional subsidies on selected staple goods. This modest improvement suggests the government's targeted subsidy interventions have provided some inflationary relief, though the growth outlook remains a source of concern that constrains the BoM's room for further tightening.

Economic activity slowed in the first quarter of 2026 but remained resilient, supported by tourism and financial services, with the bank forecasting growth of 2.8% for 2026, unchanged from May projections. This marks a decline from 3.2% in 2025, meaning that every additional basis point increase in the repo rate carries greater risk of tipping already constrained household and business finances into distress.

For Mauritian consumers, the August repo rate hold provides temporary relief from further mortgage and consumer loan cost increases, but offers no reduction in the elevated borrowing costs already embedded since May. Combined with the cascading tax increases, including the **Fair Share Contribution, Corporate Climate Responsibility Levy, and Qualified Domestic Minimum Top-up Tax**, the 4.75% repo rate compounds the financial squeeze on both households and businesses simultaneously.

BoM governor, **Priscilla Muthoora Thakoor**, explicitly signalled that future policy decisions will remain data-dependent, guided by inflation trends and broader economic developments. With inflation forecast at 5%, GDP growth at 2.8%, public debt near 88% of GDP, and the pension reform U-turn adding fiscal slippage, Mauritius faces a narrowing policy corridor where both tightening and easing carry significant economic risk. This is a precarious position that directly compounds US-headquartered **Moody's** Baa3 negative outlook concerns that have defined the island's credit risk narrative throughout 2026.

Concern over the island's long term economic growth

Experts have raised concerns over Mauritius' long term economic growth prospects, arguing that the country currently does not have a next big sector to focus on for promoting economic growth. Economist **Sanjay Matadeen** [noted](#) in an interview with local media on 27 July that as Mauritius enters the final quarter of 2026, it is confronting a convergence of structural pressures that collectively signal the exhaustion of its post-independence development model. Matadeen argued that

the country has successfully reinvented itself since its independence in 1968, building its economic growth in sequential phases by first capitalising on the sugar industry then focusing on textiles, then building its tourism industry, and finally growing the financial services sector, but questions over the next area of focus remain.

The **International Monetary Fund's (IMF) Article IV** consultations for 2025 and 2026 have underscored his argument, noting that the government needs to focus on diversifying its economic growth (see *ARC Briefing Mauritius Jul 2025 & Jul 2026*). To further bolster economic growth beyond 3% a year, the government would need to focus on broadening its revenue stream and bolstering other sectors beyond tourism, financial services and sugar industry.

The forward-looking risk for Mauritius is how it is going to stimulate economic growth over the medium to long term (next 3-10 years). The economy is facing elevated debt levels, which limits fiscal stimulus capacity, a repo rate which constrains private credit growth (see above), cascading corporate taxes that erode investment attractiveness; and the pension reform reversal signals that the government lacks the political capacity to implement necessary structural reforms.

While Matadeen's argued that Mauritius has "*repeatedly demonstrated its ability to reinvent itself*", this may be too optimistic an outlook. An ARC source who works in the Mauritian banking sector noted in 2025 already that the future of economic growth is an issue:

"The economy went from sugar and textiles to tourism and now offshore business centres. Tourism and offshoring will continue but what carries Mauritius into the future? Not sure if the current generation of politicians are the thought leaders on this. And this reflects in the island's brain drain - better educated population is aware of the opportunities elsewhere."

Planner

6 – 9 Dec 2026 **(Mauritius) 18th United States-Africa Business Summit**

Q4 2026 **(Mauritius) Bank of Mauritius** (central bank) **Monetary Policy Committee (MPC)** meeting

Chronology

19 Aug 2026 **Port Louis (Mauritius)** *Africa News Agency*. The **Mauritius Chamber of Commerce and Industry** and the **Zimbabwe National Chamber of Commerce** signs a memorandum of understanding (MoU) to bring together thirty Zimbabwean operators and Mauritian entrepreneurs from agribusiness, tourism and financial services sectors;

18 Aug 2026 **Port Louis (Mauritius)** *Government Information Services*. The **United Nations Industrial Development Organisation (UNIDO)** starts its preparatory work for its elaboration of a new strategic plan for Mauritius' industrial sector whereby UNIDO experts are meeting with key stakeholders;

18 Aug 2026 **Antananarivo (Madagascar)** *L'Express*. **Mauritius** and Madagascar are strengthening bilateral business ties through a business forum in Antananarivo focused on trade opportunities, partnerships and market expansion, with Mauritius already receiving 13% of Madagascar's exports;

17 Aug 2026 **Durban (South Africa)** *Government Information Services*. Prime minister **Navinchandra Ramgoolam** attends the 46th Ordinary Summit of Heads of State and Government of the **Southern African Development Community (SADC)**, underscoring the importance Mauritius attaches to strengthening regional cooperation;

13 Aug 2026 **Port Louis (Mauritius)** *Government Information Services*. Mauritius begins its preparations for the **United Nations Framework Convention on Climate Change** with the environment, solid waste management and climate change minister, **Rajesh Bhagwan**, opening the official preparation sessions;

13 Aug 2026 **Antananarivo (Madagascar)** *L'Express*. At the **Moris-Mada Business Connect Summit, Mauritius'** labour minister **Muhammad Reza Cassam Uteem** announces plans to increase the recruitment of Malagasy workers to address Mauritius's aging workforce and labour shortages in key sectors;

13 Aug 2026 **Port Louis (Mauritius)** *Government Information Services*. The **Indian Navy** strengthens its cooperation with the **National Coast Guard (NCG)** and the **Mauritius Police Force (MPF)** as part as a continued effort to reinforce a security partnership between India and Mauritius with Naval Staff Chief, **Admiral Krishna Swaminathan**, visiting the NCG headquarters;

10 Aug 2026 **Port Louis (Mauritius)** *BW Police World*. The **Central Bureau of Investigation (CBI) Academy**, which is part of **India's** external affairs ministry, conducts a two-week training for the Mauritius' **Financial Crimes Commission (FCC)** officers to prevent growing cybercrimes on the island;

4 Aug 2026 **Port Louis (Mauritius)** *Government Information Services*. The Mauritian and **Saudi Arabian** government signs a memorandum of understanding (MoU) to promote cooperation between the two countries and further facilitate and exchange of information and services;

3 Aug 2026 **Port Louis (Mauritius)** *Le Mauricien*. The government plans to revive several long-delayed urban terminal projects, including those in **Curepipe, Quatre-Bornes, Vacoas, Rose Hill** and Port Louis, with a focus on improving public transport integration, easing congestion, and supporting surrounding businesses;

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