

CHANGE IN THE LOMBARD RATE

The Bank of Mauritius has reduced the Lombard Rate by 25 basis points from 10.25 per cent to 10.00 per cent per annum with effect from noon today, 12 September 2003.

Further easing of monetary policy stance of the Bank of Mauritius was warranted after a careful review of latest economic and monetary developments. Monetary expansion remained within non-inflationary limits and further scope for bank credit expansion subsists. Growth in our main export markets remains fragile amidst additional interest rate cuts and clear indication of sustainable growth is yet to show up.

The inflation outlook continues to improve with subsiding inflationary pressures pursuant, *inter alia*, to the policy stance of the Bank in the recent past. The inflation rate is expected to further decline to around 4 per cent for 2003. The relative stability of the exchange rate of the rupee is favourable to sustaining a low inflation environment while concurrently retaining the attractiveness of rupee-denominated risk-free financial assets.

The current easing of the monetary policy stance of the Bank should go to reduce borrowing costs and support the growth of investment, both of which are expected to exert a positive influence on growth prospects of the economy.

It may be recalled that the Bank of Mauritius had reduced the Lombard Rate by 25 basis points on 7 May 2003 to 10.25 per cent per annum.

Bank of Mauritius

12 September 2003