



**BANK OF MAURITIUS**

***PRESS RELEASE***

*Released at noon on 10 February 2005*

## **CHANGE IN THE LOMBARD RATE**

The Bank of Mauritius has increased the Lombard Rate by 25 basis points from 9.75 per cent to 10.00 per cent per annum with effect from noon today, 10 February 2005.

In the light of recent evolution of domestic and international economic conditions, the Bank has deemed it necessary to take further pre-emptive measures to stem inflationary pressures. Inflation went up from 3.9 per cent in 2003 to 4.7 per cent in 2004, mainly due to adjustments in the prices of petroleum products and increased freight charges. In this context, upside risks to inflation exist. Current monetary expansion is considered to be non-inflationary.

Recent exchange rate developments, which reflect the combined effects of international and domestic factors, coupled with the upward trend of interest rates abroad, call for an adjustment of the domestic interest rate. The present increase in the Lombard Rate is also expected to maintain the attractiveness of key rupee-denominated financial instruments.

The present monetary policy decision is consistent with the long-term objective of achieving price stability in view of supporting medium term growth prospects. In 2005, the economy is expected to grow above its trend rate while the medium term economic outlook remains favourable with the noticeable pick-up of private sector investment and sustained growth in consumption.

It is recalled that the Bank of Mauritius raised the Lombard Rate by 25 basis points to 9.75 per cent per annum on 21 October 2004.

*Bank of Mauritius*

*10 February 2005*