



BANK OF MAURITIUS

NEWS RELEASE

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CHANGE IN THE LOMBARD RATE

The Bank of Mauritius has increased the Lombard Rate by 50 basis points, from 10.00 per cent to 10.50 per cent per annum with effect from noon today, 5 August 2005.

This measure has been taken in the light of recent domestic and international economic developments and the need to contain inflationary pressures in the economy. Inflation has increased from 3.9 per cent during fiscal year 2003-04 to 5.6 per cent in fiscal year 2004-05, reflecting mainly the domestic adjustments to the rise in energy prices and increased freight rates. Oil prices continue to trade at high levels on the international market with some further upside risks to inflation. The increase in the Lombard Rate will also enhance the attractiveness of rupee-denominated assets and help improve savings mobilisation.

The latest estimates of the balance of payments show a deterioration in the outlook for both the current account balance and the overall balance of payments, reflecting mainly the faster growth of imports relative to exports. To avoid undue pressures on the rupee, this worsening of the external sector outlook clearly underlines the need for tighter demand management policies.

It will be recalled that the Bank of Mauritius raised the Lombard Rate by 25 basis points to 10.00 per cent per annum on 10 February 2005.

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