



BANK OF MAURITIUS

PRESS RELEASE

Released at noon on 5 February 2003

CHANGE IN THE LOMBARD RATE

On 11 December 2002, the Bank of Mauritius reduced the Lombard Rate by 25 basis points from 11.25 per cent to 11.00 per cent.

The Bank has taken into consideration the continuing uncertain prospects for world economic growth notwithstanding successive reductions of key European and American interest rates to current historically low levels. The domestic inflation rate is expected to remain subdued in the range of 3 to 5 per cent in the medium term with the result that any negative short term real interest on savings deposits would tend to be offset in the medium term. The stable exchange rate of the rupee is conducive to sustaining a relatively low inflation environment. It is expected that a lowering of lending rates would stimulate investment in the economy and further enhance business confidence.

Taking the abovementioned factors into consideration as well the swelling up of liquidity in the domestic forex market and exchange rate developments in recent months, the Bank of Mauritius has reduced the Lombard Rate by 50 basis points from 11.00 per cent to 10.50 per cent effective noon today, 5 February 2003.