



BANK OF MAURITIUS

PRESS RELEASE

Released at noon on 11 December 2002

CHANGE IN THE LOMBARD RATE

On 13 November 2002 the Bank of Mauritius reduced the Lombard Rate by 25 basis points from 11.50 per cent to 11.25 per cent.

Against the backdrop of the reduction by 50 basis points of US Federal Reserve Bank's funds rate on 6 November 2002 and the 50 basis points cut in the European Central Bank minimum bid rate on 5 December 2002 combined with a brighter than expected inflation outlook for the Mauritian economy and the need for alleviating the debt service burden of our household sector and of manufacturing units in our industrial sector, ***the Bank of Mauritius again reduced the Lombard Rate by 25 basis points from 11.25 per cent to 11.00 per cent, effective noon today, 11 December 2002.***

The lowering of the Lombard Rate reflects an additional easing of the monetary policy stance of the Bank of Mauritius that is expected to provide support to business sentiment and growth momentum of the economy.

Inflationary pressures in the economy have significantly diminished due to the anti-inflationary policy pursued by the Bank in recent years. The cut in the Lombard Rate is not expected to jeopardize the long-term goal of achieving sustained price stability. The exchange rate of the rupee has been remarkably stable in the past several months. The rates of return on domestic financial assets (i.e. Treasury bills of various maturities) continue to be higher than the rates of return on major foreign currency denominated risk-free financial assets. The foreign exchange reserves of the Bank of Mauritius have continued to go up.

The public is informed that Treasury bills are on sale at The Mauritius Commercial Bank Ltd, State Bank of Mauritius Ltd, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited.