



BANK OF MAURITIUS

PRESS RELEASE

Released at noon on 21 October 2004

CHANGE IN THE LOMBARD RATE

The Bank of Mauritius has increased the Lombard Rate by 25 basis points from 9.50 per cent to 9.75 per cent per annum with effect from noon today, 21 October 2004, taking into consideration the recent evolution of domestic and international economic conditions.

An upward risk to the general price level is present. This risk stems mainly from non-monetary factors like the increases in the world price of oil. Pre-emptive measures with a view to dampening inflationary pressures in the foreseeable future are deemed necessary. Moreover, in the light of the evolution of certain domestic financial data and increasing interest rates abroad, the restoration of a better interest rate parity is desirable. The increase in the Lombard Rate is a step towards retaining the attractiveness of key domestic financial instruments.

The current interest rate policy stance is expected to maintain Mauritius' economic growth prospects. The economy is poised to grow in the years ahead at around its trend growth rate. Sustained growth in consumption, pick-up in private sector investment coupled with positive prospects for the exports sector have been considered when taking the interest rate decision. The favourable economic outlook in our major exports markets is expected to benefit our economy.

It is recalled that the Bank of Mauritius reduced the Lombard Rate by 25 basis points on 29 January 2004 to 9.50 per cent per annum.

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