

BANK OF BOTSWANA

PRESS RELEASE

Adjustment of Bank Rate

The Bank of Botswana reduced the Bank Rate today by half a percentage point (50 basis points) to 14.25 percent. This follows a reduction of a similar magnitude on October 14, 2003.

The reduction in the Bank Rate follows continuing positive developments with regard to inflation. In November, inflation declined, for the fifth consecutive month, to an annual rate of 6.6 percent, falling 0.6 percent outside the Bank's current inflation objective of 4 - 6 percent. Indications are that further declines are likely over the next several months. Supporting these developments in inflation, the growth of commercial bank credit and government expenditure continued to slow, and have recently fallen within the ranges that are considered to be consistent with the Bank's inflation objective. It is also expected that international inflationary pressures will remain relatively benign.

In line with its underlying policy objective of first achieving, then maintaining, a low and sustainable rate of inflation, the Bank will continue to closely monitor financial and price developments in the coming months and take whatever action may be necessary to meet its policy objectives. In particular, the Bank will monitor developments with regard to both credit growth and government spending in the light of the recently-announced increases in public sector salaries due to take effect in April 2004.

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December 9, 2003