

BANK OF BOTSWANA

PRESS RELEASE

Adjustment of the Bank Rate

The Bank of Botswana has raised the Bank Rate by half a percent (50 basis points) to 15.25 percent, following an increase of similar magnitude on October 15, 2002. The Bank Rate is the rate which the Bank of Botswana charges for lending to commercial banks.

The increase in the Bank Rate has been necessitated by the need to control inflation, which rose to 10.3 percent in October 2002. Moreover, the growth of both commercial bank credit and government expenditure remain in excess of levels that the Bank considers to be compatible with sustainable low inflation.

It is the Bank's view that even allowing for the effects of VAT on prices, there is an underlying upward trend in inflation, which remains higher than the Bank's objective as stated in the 2002 Monetary Policy Statement. Therefore, in order to ensure the attainment of monetary stability which is conducive to sustainable economic growth, it essential that both undesirable rates of increase in expenditure and inflationary expectations be controlled.

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