

## BANK OF BOTSWANA

### Public Notice

#### ADJUSTMENT OF BANK RATE

The Bank of Botswana increased the Bank Rate with effect from today by 25 basis points from 14.25 to 14.50 percent.

The Bank increased the Bank Rate on the basis of its assessment of the inflationary outlook. While international inflationary pressures remain relatively benign, inflation in Botswana has continued to rise over the past five months, mainly as a result of the 12 percent devaluation of the Pula in May 2005 and the recent increases in fuel prices. The rate of increase in the rate of inflation, from 6.2 percent in May to 10 percent in September, is above the upper end of the Bank's revised inflation objective of 4-7 percent, and is expected to rise further due to price increases that were recently implemented for petrol and telecommunications services.

The Bank is taking a proactive stance with respect to monetary policy in order to maintain expectations of low and stable inflation and to signal the Bank's commitment to an eventual decline in inflation in the medium-term. The Bank will continue to closely monitor economic and financial developments and will take such action as may be necessary to meet its policy objectives.

Financial institutions are expected to ensure that, when adjusting their interest rates, they maintain a reasonable balance between lending and savings rates.

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