

BANK OF BOTSWANA

PRESS RELEASE

Adjustment of Bank Rate

The Bank of Botswana announced today that it is reducing the Bank Rate by half a percent (50 basis points) to 14.75 percent with immediate effect.

The reduction in the Bank Rate reflects a range of positive developments with regard to inflation. The rate of increase in the consumer price index has been on a downward trend since July this year, reaching 7.9 percent on an annual basis in September. Although this was still above the Bank's inflation objective for the year of 4-6 percent, there are reasons to expect that inflation will continue to fall in the coming months. Importantly, commercial bank credit growth and the growth of Government spending have eased to the point where both of these indicators of demand pressures are now at levels that the Bank considers consistent with its current inflation objective. It is also expected that international inflationary pressures will remain benign.

While the overall outlook for inflation is positive, the Bank notes that some uncertainties remain with respect to possible adjustments in wages, salaries and administered prices during the remainder of the year. The Bank will continue to monitor the situation closely and will take appropriate action in light of financial and price developments in the months ahead.

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October 14, 2003.