

BANK OF BOTSWANA

PRESS RELEASE

Devaluation of the Pula

Pursuant to Section 21 of the Bank of Botswana Act, His Excellency the President has authorised the devaluation of the Pula by 7.5 percent, with immediate effect. The devaluation follows my recommendation, after consultation with the Bank of Botswana.

The Pula is pegged to a basket of currencies comprising the South African rand, the US dollar, the euro, the British pound, and the Japanese yen with weights reflecting Botswana's trading patterns. A critical element in Botswana's overall exchange rate strategy is to maintain a stable and competitive real exchange rate of the Pula, primarily through control of domestic inflation but also, when necessary, by changing the fixed nominal exchange rate of the Pula against the basket. A stable real exchange rate is important in achieving macro-economic stability, sustained diversified development and job creation.

Over the past few years the real exchange rate of the Pula has gradually appreciated. This has eroded the competitive position of Botswana's exporters and domestic producers competing with imports, which slows development. The devaluation is necessary to counter the effects of this real appreciation, and to improve the competitiveness of Botswana's products in domestic, regional and international markets.

The official exchange rates quoted by the Bank of Botswana will reflect this adjustment with effect from February 6, 2004.

B. Gaolathe  
Minister of Finance and Development Planning

February 5, 2004