

BANK OF BOTSWANA

Press Release

MONETARY POLICY DECISION

At the meeting held today, the Bank of Botswana Monetary Policy Committee decided to maintain the Bank Rate at 14.50 percent. The last adjustment of the Bank Rate was a decrease of half a percentage point on June 18, 2007.

Inflation was above the Bank's annual objective range in October and November, with several categories of goods and services recording higher annual rates of price increase. In the short-term, inflation is expected to remain above the 4 – 7 percent range, influenced by high food and oil prices, before falling in the second half of 2008 to the upper end of the current inflation objective. Nevertheless, there is the upside risk to the inflation outlook due to a possible large increase in administered prices as well as a wage-induced increase in demand. Against this background, the Bank considers it prudent to maintain the current relatively tight monetary policy stance with the objective of sustaining the medium-term inflation path and expectations of low inflation.

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