

# **BANK OF BOTSWANA**

## **Press Release**

### **MONETARY POLICY DECISION**

The Bank of Botswana reduced the Bank Rate today by 50 basis points, from 15 percent to 14.5 percent. The last time the Bank adjusted monetary policy, was in February 2006 when the Bank Rate was increased by half a percent.

The reduction in the Bank Rate reflects the positive outlook for the path of inflation. Since May 2006, inflation has maintained a downward trend and in May 2007 it was within the Bank's annual inflation objective range of 4 – 7 percent for the third consecutive month. The current level of inflation is more reflective of the influence of the Bank's monetary policy stance and foreign price developments on domestic inflation in the absence of shocks to prices such as a relatively large increase in administered prices. Going forward, there is a likelihood of short-term volatility in inflation due to recent faster price increases in South Africa and supply shortages for some goods and services. Nevertheless, over the medium-term, restrained demand conditions due to relatively restrictive monetary policy and moderate increase in government spending, reinforced by low inflation expectations should ensure price stability as indicated by the Bank's annual and medium-term inflation objectives.

The Bank will continue to monitor economic and financial developments and will respond appropriately to meet the policy objectives. Financial institutions are expected to ensure that, when adjusting interest rates, they maintain a reasonable balance between lending and savings rates.

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For further information please contact:

Mr Chepete Chepete

Public Relations Officer

Tel. 360 6580