

BANK OF BOTSWANA

Press Release

MONETARY POLICY DECISION

At the meeting held today, the Bank of Botswana Monetary Policy Committee decided to increase the Bank Rate by half a percentage point (50 basis points) to 15.5 percent.

Since October 2007, inflation has trended upwards and has remained above the Bank's objective range of 3 – 6 percent, mainly reflecting the global increase in the price of food and oil. It is now expected that inflation will maintain an upward trajectory in the short-term, up to the fourth quarter of the year, before declining in early 2009. The risks to the inflation outlook continue to be predominantly upward, due to, among others, growing pressure on demand with a likely further increase in fuel prices and associated second-round effects.

In the circumstances, the Bank is taking a further proactive stance by tightening monetary policy with the objective of containing second-round effects and inflation expectations in order to sustain a low medium-term inflation path. The Bank remains committed to responding appropriately to all economic and financial developments to keep inflation under control without undermining sustainable economic growth.

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