

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 percent. The last adjustment of the Bank Rate was a decrease of the same magnitude of 50 basis points on June 18, 2007.

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 to around 9 percent in the first quarter of 2009. The risks to the inflation outlook are 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 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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