

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 15.5 percent.

While inflation remains above the Bank's objective range of 3 – 6 percent, a more positive outlook is projected. It is anticipated that inflation will decline going into 2009, and move towards the Bank's medium-term objective range. Nevertheless, the outlook for declining inflation could be temporarily threatened by the effect of any increase in consumption taxes and/or administered prices. The Bank is also concerned about indications of generalised higher levels of price increases for several categories of goods and services, which is indicative of second round effects of the past increase in fuel prices and expectations of continuing high levels of inflation.

The second round effects, which could be exacerbated by high levels of growth in government expenditure, credit and incomes, need to be restrained by maintaining a restrictive monetary policy. The high credit growth contrasts with the situation in other countries where lack of credit is constraining economic activity. In the circumstances, 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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