

BANK OF BOTSWANA

Press Release

MONETARY POLICY DECISION

At the meeting held today, the Bank of Botswana Monetary Policy Committee decided to leave the Bank Rate unchanged at 15.5 percent.

Inflation has been on an upward trend since October 2007 and has remained above the Bank's objective range of 3 . 6 percent, mainly reflecting the impact of past global increase in food and oil prices on domestic price developments. It is now expected that inflation will maintain an upward trajectory in the short term and peak in the first quarter of 2009, before declining towards the medium-term inflation objective in the first half of 2010. Although the risks to the inflation outlook continue to be predominately upward, the current monetary policy stance is expected to moderate demand pressures going forward.

In the circumstances, the Bank considers that the current level of interest rates is sufficient to restrain the second-round effects of past increases in fuel prices and other input costs and influence expectations towards a low medium-term inflation path without stifling economic growth. The Bank remains committed to responding appropriately to all economic and financial developments to keep inflation in check.

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