

BANK OF BOTSWANA

Press Release Monetary Policy Decision

At the meeting held today, the Bank of Botswana Monetary Policy Committee decided to reduce the Bank Rate by one percent, from 14 percent to 13 percent.

While domestic inflation remains above the Bank's inflation objective range of 3 – 6 percent, it is expected to maintain the downward trend that began in November 2008. The constant inflation between February and March 2009 reflects offsetting movements for categories of goods and services, particularly as the increase in food and manufactured items inflation offset the declines in prices for fuel and telecommunications. Factors underlying the outlook include the world-wide economic recession and its stabilising impact on international oil prices, as well as the projected below-trend performance of the domestic economy. Upside risks to this outlook relate to a possible significant rise in administered prices and government levies. However, going forward, the continued decline in global demand due to the world-wide weakening of the global economic activity and lower commodity prices, as well as weaker domestic economic performance, would contribute to lower inflationary pressures.

In reducing interest rates, the Bank recognises the favourable inflation outlook in the medium term, which is the relevant time frame for monetary policy, and provides scope for monetary policy easing. The Bank remains committed to responding appropriately to all economic and financial developments to maintain inflation within the medium-term objective range, which contributes to long run sustainable economic growth.

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