

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 half a percent, from 15.5 percent to 15 percent.

Although inflation remains above the Bank's medium-term objective range of 3 – 6 percent, a positive outlook for price stability is projected and it is anticipated that inflation will move towards the Bank's inflation objective in 2009. There is, nevertheless, the likelihood that, in the short-term, the impact of the recent increase in the alcohol levy would outweigh the effect of the recent decrease in fuel prices, thus resulting in a temporary rise in inflation. However, looking ahead, underlying inflationary pressures are subdued, as the rate of global inflation is falling and as domestic economic activity is likely to weaken as a result of the impact of global developments emanating from the financial turmoil in developed economies.

The anticipated decline in inflation in the medium-term, together with the prospect of a slowdown in output growth, 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, without undermining sustainable economic growth.

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For further information please contact:
Mr Chepete Chepete
Public Relations Officer
Tel. 360 6580