

BANK OF BOTSWANA

Press Release Monetary Policy Decision

At the meeting held today, the Bank reduced the Bank Rate by 1.5 percentage points, from 13 percent to 11.5 percent.

Although inflation continues to be above the Bank's objective range of 3 – 6 percent, it is expected to maintain a downward trend over the medium-term. Factors underlying the overall positive outlook for inflation include the world-wide economic recession as well as the projected below-trend performance of the domestic economy. The potential for an increase in administered prices and international fuel prices constitutes an upside risk to the outlook. However, the current subdued global economic activity and the associated low inflationary environment, with deflation in some major economies, as well as the weak domestic economic performance, should contribute to lower inflationary pressures.

In reducing interest rates, the Bank recognises that the favourable inflation outlook continues to exist 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 achieve medium-term price stability, which contributes to long run sustainable economic growth.

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