BANK OF THE REPUBLIC OF BURUNDI

MONETARY POLICY COMMITTEE

October 18, 2013

PRESS RELEASE

The Monetary policy of the country undergoes interactions with regional and international economic and financial environment. Thus during the first half of fiscal year 2013, monetary policy was conducted in an international context marked by sluggish economic activity.

At the international environment level, global growth rates remained as shy as the last half of the previous year, rising to 2.5% in the 1st half 2013.Pour this same period, countries in sub-Saharan Africa were generally characterized by an unprecedented depreciation of their currencies mainly due to decline in external financing.

The resumption of global economic activity that began in the first quarter of 2013 continued in recent months, reflecting the gradual improvement in economic activity in the developed countries, despite the slowdown recorded in emerging and developing countries. However, the risks of a downward correction remain high partly due to a sluggish business climate in the euro zone, the impact of fiscal consolidation in the United States and tensions on the labor market in developed countries.

As for the countries of the East African Community, it is expected a growth rate of 4.5% in Burundi, 7.5% in Rwanda, 4.8% in Uganda, 5 8% in Tanzania and 6.8% in Kenya.

While the growth of the money supply was about 10% in 2012, the rise in the general price level of 18.2% was mainly driven by the imbalance between supply and aggregate demand, the increase in administered prices and the deficit of the balance of payments. During the first half of 2013, inflation was controlled through exemption of taxes on certain basic products decided by the Government on 15 May 2012.

Persistent deficit in the balance of payments has created strong pressure on foreign exchange reserves, causing the depreciation of the national currency.

At the monetary sector level, the year 2012 was characterized by a lack of bank liquidity. To cope with this situation, the Bank intensified refinancing operations, specifically to finance the coffee campaign which was more abundant than that of 2011. During the first half of 2013, bank liquidity has improved, is resulting in low use of the Central Bank resources by commercial banks and Treasury. This improvement in liquidity has resulted in the decline in interest rates on Treasury bills and correspondingly on the marginal lending facility.

In light of these developments and the future outlook, monetary policy for the last quarter of 2013 will remain based on the use of indirect instruments consisting of reserve requirements, liquidity tenders and marginal lending facility.

To this end, for the fourth quarter of 2013, the Central Bank decided to:

1. Continue the regulation of liquidity through the operations of liquidity tenders;
2. Maintain the reserve requirements rate to 3%;
3. Keep the marginal lending facility rate indexed to the weighted average rate on the 13 week treasury bills plus 3 percentage points;
4. ensure compliance with the ceiling on advances to the State;
5. continue the determination of the exchange rate by market mechanisms and encourage the development of the foreign exchange market

Faced with the uncertainty over the global economy, the BRB will remain vigilant to new developments and adopt appropriate monetary policy measures that will be regularly brought to the attention of the public through the monetary policy statements.

Chairman of the Monetary Policy Committee

Jean CIZA

Governor.