



Press Release

Monetary Policy Committee Meets

December 18, 2017

Policy rate unchanged at 5 percent

At the meeting held on December 18, 2017, the Monetary Policy Committee of the Bank of Botswana decided to maintain the Bank Rate at 5 percent. The outlook for price stability remains positive as inflation is forecast to be within the 3 – 6 percent objective range in the medium term. Inflation decreased from 3 percent in October to 2.9 percent in November 2017.

Subdued domestic demand pressures and the modest increase in foreign prices contribute to the positive inflation outlook in the medium term. This outlook is subject to downside risks emanating from sluggish global economic activity and the potential fall in commodity prices. Conversely, any substantial unanticipated upward adjustment in administered prices and government levies and/or taxes and any increase in international commodity prices beyond current forecasts present upside risks to the inflation outlook.

GDP in Botswana grew by 3.1 percent in the twelve months to June 2017 compared to a contraction of 0.7 percent in the corresponding period ending in June 2016. The improvement in growth reflects a 4.9 percent increase in non-mining activity, from 3.3 percent in the same period. However, output in the mining sector decreased by 10.1 percent in the twelve months to June 2017, albeit smaller than the large contraction of 22.9 percent in the previous period. It is projected that domestic non-mining output will be below trend in the short-to-medium term, constrained by continued modest growth in household incomes and moderate economic expansion in major trading partners.

Nevertheless, gradual economic recovery is expected in the medium term in response to anticipated improvement in external economic conditions.

Global output is forecast to grow by 3.6 percent in 2017, compared to an estimated increase of 3.2 percent in 2016, and by 3.7 percent in 2018, reflecting expected improvement in performance in both advanced and emerging market economies. However, uncertainty surrounding global trade policy and openness, as well as moderation of growth in China, could adversely affect the medium-term growth prospects. Regionally, the projected weak economic expansion in South Africa in 2017 due to persistent subdued demand and low investor confidence could potentially undermine domestic growth prospects by constraining private investment and household consumption.

The current state of the economy and the outlook for both domestic and external economic activity suggest that the prevailing monetary policy stance is consistent with maintaining inflation within the objective range of 3 – 6 percent in the medium term. Therefore, the Monetary Policy Committee decided to keep the Bank Rate unchanged at 5 percent.

MPC meetings for 2018 are scheduled as follows:

February 13, 2018

April 30, 2018

June 19, 2018

August 23, 2018

October 22, 2018

December 4, 2018