



## **Press Release**

### **Monetary Policy Committee Meets**

**February 13, 2018**

#### **Policy rate unchanged at 5 percent**

**At the meeting held on February 13, 2018, 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. Meanwhile, inflation increased from 2.9 percent in November to 3.2 percent in December 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 upside risks emanating from improving global economic activity and the rise in commodity prices beyond current forecasts. Furthermore, any substantial unanticipated upward adjustment in administered prices and government levies and/or taxes also present upside risks to the inflation outlook.

Real GDP in Botswana grew by 1.8 percent in the twelve months to September 2017 compared to a growth of 2.3 percent in the corresponding period ending in September 2016. The slower growth reflects a 3.8 percent increase in non-mining activity, compared to 4.5 percent in the same period. Mining output, however, contracted by 12.3 percent in the twelve months to September 2017 compared to a decline of 11 percent in the previous period. GDP is projected to expand in the short-to-medium term, driven largely by the recovery in mining activity. Furthermore, the projected accommodative monetary conditions in the domestic economy and expansion in government expenditure in the 2018/19 fiscal year, as well as stability in water and electricity supply, are expected to

support growth of the non-mining sectors. Overall, the economy is expected to operate close to, but below capacity in the medium term.

Global output growth is estimated at 3.7 percent in 2017 compared to 3.2 percent in 2016 and is projected at 3.9 percent in 2018 and 2019, reflecting expected broad-based improvement in economic performance. However, protectionist trade policies, potential build-up of financial vulnerabilities induced by easy financial conditions, geopolitical tensions, political uncertainty and adverse weather conditions could negatively affect the medium-term growth prospects. Regionally, economic expansion in South Africa is projected to remain subdued in 2018 owing to persistent restrained demand and uncertain political environment that weighs on business confidence and investment.

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 retain the Bank Rate at 5 percent.

MPC meetings for the rest of the year are scheduled as follows:

April 30, 2018

June 19, 2018

August 23, 2018

October 22, 2018

December 4, 2018