

**BANK OF BOTSWANA**  
**Press Release**  
**Monetary Policy Committee Meets**  
**October 24, 2017**

**Bank of Botswana cuts the policy rate to 5 percent**

**At the meeting held on October 24, 2017, the Monetary Policy Committee (MPC) of the Bank of Botswana decided to reduce the Bank Rate from 5.5 percent to 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 decreased from 3.4 percent in August to 3.2 percent in September 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 resultant low 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 contracted by 10.1 percent in the twelve months to June 2017 compared to a relatively large contraction of 22.9 percent in the corresponding period in the previous year. 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 restrained 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 projected to grow by 3.6 percent in 2017, compared to an estimated 3.2 percent in 2016, and 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 growth in South Africa in 2017 due to persistent subdued demand and low investor confidence could potentially undermine growth by constraining private investment and household consumption.

The current state of the economy, both the domestic and external economic outlook as well as the inflation forecast, provides scope for easing monetary policy to support economic activity without undermining maintenance of inflation within the Bank's medium-term objective range of 3 – 6 percent. Accordingly, the Monetary Policy Committee decided to reduce the Bank Rate by 50 basis points to 5 percent.

Commercial banks are required to make the necessary interest rate adjustments with immediate effect to reflect this policy decision.

The next MPC meeting is scheduled for December 18, 2017.