



Press Release

Monetary Policy Committee Meets

April 30, 2018

Bank rate unchanged at 5 percent

At the meeting held on April 30, 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. Inflation fell from 3.2 percent in February to 2.8 percent in March 2018.

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 potential 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. Modest demand pressures and the restrained increase in salaries present downside risks to the outlook.

Real GDP in Botswana grew by 2.4 percent in 2017 compared to a faster growth of 4.3 percent in 2016. The slower growth reflects a lower increase of 4.2 percent in non-mining activity, compared to 5.5 percent in the previous year. Mining output, however, contracted significantly by 11.2 percent in 2017 compared to a decline of 3.5 percent in 2016. GDP is projected to expand in the short-to-medium term, driven largely by growth in the services sectors and recovery in mining activity, in line with the positive global economic prospects. 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 economic activity in the non-mining sectors. Overall, the economy is expected to operate close to, but below full capacity in the medium term.

Global output growth is estimated at 3.8 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 and adverse weather could negatively affect the medium-term growth prospects. Regionally, economic expansion in South Africa is projected to improve in 2018 on the back of the positive outlook arising from higher commodity prices and a recovery in investor sentiment.

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:

June 19, 2018

August 23, 2018

October 22, 2018

December 4, 2018