



Press Release

Monetary Policy Committee Meets

June 19, 2018

Bank Rate unchanged at 5 percent

At the meeting held on June 19, 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 decreased marginally from 3.4 percent in April to 3.3 percent in May 2018, and was within the objective range.

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 the potential rise in administered prices, commodity prices and government levies and/or taxes beyond current forecasts. However, restrained global economic activity, technological progress and productivity improvement present downside risks to the outlook.

Real GDP in Botswana grew by 2.4 percent in 2017 compared to the 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 at a faster rate 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, as well as relative 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 and is projected at 3.9 percent in 2018 and 2019, reflecting 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, South African GDP contracted by 2.2 percent in the first quarter of 2018. However, growth is still expected to be better in 2018 than in 2017, against the backdrop of higher commodity prices and more positive 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. Consequently, the Monetary Policy Committee decided to retain the Bank Rate at 5 percent.

MPC meetings for the remaining half of the year are scheduled as follows:

August 23, 2018

October 22, 2018

December 4, 2018