



Press Release

Monetary Policy Committee Meets

June 27, 2019

Bank Rate unchanged at 5 percent

At the meeting held on June 27, 2019, the Monetary Policy Committee (MPC) of the Bank of Botswana decided to maintain the Bank Rate at 5 percent. Inflation was below the lower bound of the Bank's objective range of 3 – 6 percent in April and May 2019, mainly reflecting base effects associated with the increase in public transport fares and electricity tariffs in the second quarter of 2018. Nonetheless, in the medium term, inflation is forecast to remain within the Bank's 3 – 6 percent 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 and government levies and/or taxes, beyond current forecasts. However, modest growth in global economic activity, technological progress and productivity improvement present downside risks to the outlook.

Real GDP grew by 4.5 percent in 2018, compared to a lower expansion of 2.9 percent in 2017. This was mainly attributable to the continued good performance in non-mining sectors and the recovery in mining output. Mining output expanded by 7.4 percent in 2018, compared to a contraction of 11.1 percent in 2017. Non-mining GDP grew by 4.1 percent in 2018, compared to 4.8 percent in 2017.

GDP is projected to increase by 4.2 percent in 2019. The significant influences on domestic economic performance include conducive financing conditions as indicated by accommodative monetary policy and sound financial environment that facilitate policy

transmission, intermediation and risk mitigation. Moreover, it is anticipated that the increase in government spending, as well as implementation of initiatives, such as the doing business reforms, should also be supportive of economic activity. The latest Business Expectation Survey indicate that businesses are optimistic about economic developments in 2019 and expect a higher rate of growth compared to 2018. Overall, the economy is projected to operate close to, but below full capacity in the short to medium term, thus posing no upside risk to the inflation outlook.

Global output growth is expected to ease to 3.3 percent in 2019, from an estimated expansion of 3.6 percent in 2018. The moderation in global growth was due to various factors, including inter-alia: trade and geopolitical tensions which have the possibility to hamper confidence, investment and growth; continuing policy uncertainty; possible slower growth in China; a “no-deal” Brexit; tightening financial conditions; and high debt levels. Regionally, the South African Reserve Bank revised the forecasts for GDP growth for 2019 downwards to 1 percent from 1.3 percent. This results from the larger than expected slowdown in the first quarter, attributable to weak business and consumer confidence.

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 inflation reverting to within the objective range of 3 – 6 percent in the medium term. Consequently, the MPC decided to retain the Bank Rate at 5 percent.

A full update of the Bank’s outlook for the domestic economy and inflation will be published in the Monetary Policy Report a week after the MPC meeting of August 29, 2019. The remaining MPC meetings for 2019 are scheduled as follows:

August 29, 2019
October 31, 2019
December 5, 2019