



## **Press Release**

### **Monetary Policy Committee Meets**

**13 June 2024**

#### **Monetary Policy Rate cut to 2.15 percent**

**At the meeting held on 13 June 2024, the Monetary Policy Committee (MPC) of the Bank of Botswana reduced the Monetary Policy Rate (MoPR) by 25 basis points from 2.4 percent to 2.15 percent.**

#### **INFLATION**

Headline inflation was 3.1 percent in April 2024 and is projected to remain within the 3 – 6 percent objective range into the medium term. The risks to this inflation trajectory were assessed to be balanced.

The MPC observes that inflation could be higher than projected if international commodity prices increase beyond current forecasts, supply and logistical constraints persist and geoeconomic fragmentation escalates. Furthermore, inflation may be heightened by possible upward adjustment in prices controlled by government (administered prices) that are not factored in the current projection and any increase in domestic food prices due to the prevailing El Niño induced drought conditions in Southern Africa. However, these upside risks are offset by the possibility of weaker domestic and global economic activity, as well as any decrease in international commodity prices.

## **ECONOMIC PERFORMANCE**

As reported in April, real gross domestic product (GDP) grew by 2.7 percent in 2023, compared to 5.5 percent in 2022. The slowdown was attributable to subdued performance across most sectors of the economy, including the mining sector. Meanwhile, economic activity remained restrained in the first half of 2024, due to unfavourable global economic conditions and geopolitical events, as well as domestic structural constraints.

According to the April 2024 World Economic Outlook, global output growth is forecast at 3.2 percent for both 2024 and 2025, the same as in 2023. For Botswana, the Ministry of Finance projects growth to accelerate to 4.2 percent and 5.4 percent in 2024 and 2025, respectively.

The MPC continues to note the potential growth-enhancing economic transformation reforms and supportive macroeconomic policies underpinned by mindset change. These include the stimulus budget announced on 5 February 2024, by the Honourable Minister of Finance; supportive monetary and fiscal policies; improvement in water and electricity supply; implementation of the Economic Reform and Transformation Plan and Transitional National Development Plan; infrastructure projects and initiatives announced in the 2024 Budget Speech; and various new and amended legislation.

## **DECISION**

As we previously observed, the economy is expected to operate below full capacity in the short term and, therefore, not generate demand-driven inflationary pressures. Furthermore, inflation is forecast to remain low but within the objective range in the medium term, averaging 3.6 percent in 2024 and 4.5 percent in 2025. Similarly, businesses also expect inflation to be within the medium-term objective range; thus, inflation expectations are aligned to the inflation objective (well anchored). Therefore, the current state of the economy and the outlook for both domestic and external economic activity provide scope to ease monetary policy. Accordingly, the MPC decided to decrease MoPR by 25 basis points to 2.15 percent.

Consequently,

- (a) the 7-day Bank of Botswana Certificates auctions, repos and reverse repos will be conducted at the MoPR of 2.15 percent;
- (b) the Standing Deposit Facility (SDF) Rate is reduced to 1.15 percent, 100 basis points below the MoPR; and
- (c) the Standing Credit Facility (SCF) Rate reduces to 3.15 percent, 100 basis points above the MoPR.

### **MEETINGS OF THE MPC**

The next MPC meetings for 2024 are scheduled as follows:

22 August 2024

31 October 2024

5 December 2024

### **Note to Editors**

The MPC, chaired by the Governor, is a statutory committee established by the Bank of Botswana (Amendment) Act, 2022. The Committee comprises nine members, four of whom are external members.

Mr Cornelius K Dekop	—	Governor (Chairman)
Dr Kealeboga S Masalila	—	Deputy Governor
Dr Tshokologo A Kganetsano	—	Deputy Governor
Mr Innocent Molalapata	—	Director, Research and Financial Stability
Mr Lesego C Moseki	—	Director, Financial Markets
Prof Patricia Makepe	—	External Member
Dr Pinkie Kebakile	—	External Member
Dr Onkokame Mothobi	—	External Member
Dr Taufila Nyamadzabo	—	External Member

### Annex: Inflation Forecast Summary for June 2024 MPC Meeting

	Actual					Forecast									
	2023				2024	2024				2025					2026
	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1
<b>Inflation</b>	6.1	2.0	3.5	<b>5.2</b>	3.6	3.5 (2.6)	4.0 (3.3)	3.2 (3.1)	<b>3.6</b> <b>(3.2)</b>	3.7 (3.8)	4.4 (5.3)	4.8 (5.6)	5.1 (5.3)	<b>4.5</b> <b>(5.0)</b>	5.3 (5.4)

*Note: Figures in parentheses represent the previous MPC forecast (April 2024)*

Factors contributing to the downward revision of the forecast in the medium term include the following:

**Domestically**

1. Base effects associated with the upward adjustment of administered prices in 2024

**Externally**

1. Downward revision in forecasts for international oil prices