



Press Release

Monetary Policy Committee Meets

December 7, 2023

Monetary Policy Rate cut to 2.4 percent

At the meeting held on December 7, 2023, the Monetary Policy Committee (MPC) of the Bank of Botswana reduced the Monetary Policy Rate (MoPR) by 25 basis points from 2.65 to 2.4 percent.

INFLATION

Headline inflation decreased slightly from 3.2 percent in September to 3.1 percent in October 2023, remaining within the Bank's medium-term objective range of 3 – 6 percent. The slight decrease in inflation was mainly due to a broad-based deceleration in food price increases. Inflation is forecast at 3.9 percent for November 2023. The slightly higher forecast inflation for November is mainly due to base effects associated with the decrease in domestic fuel prices effected in 2022. The MPC projects that, going forward, inflation will remain within the objective range into the medium term.

The MPC observes that inflation could be higher than projected if international commodity prices increase beyond current forecasts, supply and logistical constraints persist and the reversal of global economic integration (geo-economic fragmentation) escalates. Furthermore, possible upward adjustment in prices controlled by government (for example, electricity and water tariffs) that is not factored in the current projection and any increase in domestic food prices due to

the projected El Niño conditions in Southern Africa may lead to higher inflation. However, inflation could be lower than currently anticipated because of the possibility of weaker domestic and global economic activity, possible disinflationary effects of higher monetary policy rates globally, and any decrease in international commodity prices.

ECONOMIC GROWTH

Real gross domestic product (GDP) grew by 5 percent in the twelve months to June 2023, compared to a growth of 6.7 percent in the year to June 2022. The slowdown is mainly due to lower growth in mining production.

According to the October 2023 World Economic Outlook, global output growth was 3.5 percent in 2022, and is forecast to moderate to 3 percent and 2.9 percent in 2023 and 2024, respectively. For Botswana, the Ministry of Finance projects GDP growth to moderate to 3.8 percent in 2023 and recover to 4.4 percent in 2024, down from an increase of 5.8 percent in 2022.

The MPC notes the growth-enhancing economic transformation reforms and supportive macroeconomic policies being implemented in the country. These include supportive monetary and fiscal policies, improvement in water and electricity supply, implementation of the Economic Recovery and Transformation Plan and the two-year Transitional National Development Plan, as well as reforms to further improve the business environment.

The MPC projects the economy to operate below full capacity in the short term and, thus, not generate demand-driven inflationary pressures. Furthermore, inflation is forecast to remain within the objective range in the medium term, averaging 4.9 percent in 2024 and 4.7 percent in 2025. Businesses also expect inflation to be within the medium-term objective range; thus, inflation expectations are 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 2.4 percent.

Consequently,

- (a) the 7-day Bank of Botswana Certificates auctions, repos and reverse repos will be conducted at the MoPR of 2.4 percent;
- (b) the Standing Deposit Facility (SDF) Rate is reduced from 1.65 to 1.4 percent, 100 basis points below the MoPR; and
- (c) the Standing Credit Facility (SCF) Rate reduces from 3.65 to 3.4 percent, 100 basis points above the MoPR.

MEETINGS OF THE MPC

The MPC meetings for 2024 are scheduled as follows:

February 22, 2024

April 26, 2024

June 13, 2024

August 22, 2024

October 31, 2024

December 5, 2024

Notes to Editors

The MPC, chaired by the Governor, is a statutory committee established by the Bank of Botswana (Amendment) Act, 2022. The Committee consists of 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 Department
Mr Lesego C Moseki	—	Director, Financial Markets Department
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 December 2023 MPC Meeting

	Actual						Forecast									
	2022			2023			2023		2024					2025		
	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3
Inflation	14.2	12.6	12.2	9.4	6.1	2.0	3.4 (4.3)	5.2 (5.5)	4.4 (5.4)	4.8 (5.5)	5.5 (5.8)	4.7 (3.9)	4.9 (5.2)	4.4 (3.6)	4.5 (3.9)	4.9 (4.6)

Note: Figures in parentheses represent the previous MPC forecast (October 2023)

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

Domestically

The decrease in domestic fuel prices effected on November 15, 2023.

Externally

Downward revision in forecasts for international oil prices and trading partner countries' inflation in the short term.