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PRESS RELEASE

PULA EXCHANGE RATE IN 2025

1. In accordance with Section 21 of the Bank of Botswana Act, the Framework for determining the external value of the Pula shall be determined by the President on the recommendation of the Minister of Finance, after consultation with Bank of Botswana.
2. Therefore, the Ministry of Finance, in conjunction with the Bank of Botswana, regularly reviews the suitability of the exchange policy framework for desired impact on the Botswana economy. In the context of the current crawling band exchange rate framework, the review is with the intent to maintain stability of the inflation adjusted exchange rate against trading partners (real effective exchange rate) to support competitiveness of local firms with respect to imports and in external markets.
3. The crawling band exchange rate framework entails the following:
 - (a) a peg to a basket of currencies determined using Botswana's trading pattern, thus the South African Rand and the International Monetary Fund's (IMF) Special Drawing Rights (SDR) – consisting of the US Dollar, the Japanese Yen, the Chinese Renminbi, the Euro, and the British Pound;
 - (b) a crawl rate (annual adjustment) approximately equal to the difference in inflation in Botswana and in the trading partner countries; and
 - (c) equal margins around the central bilateral exchange rates at which the Bank of Botswana trades (buys and sells) foreign currency with commercial banks.
4. Following the latest review of the Pula Exchange Rate framework undertaken in December 2024, the President has approved the following changes:

- (a) to revise the prevailing Pula currency basket weights of 45 percent for the South African rand and 55 percent for the SDR, to equal weights of 50 percent to the South African rand and 50 percent to the SDR. This is expected to moderate the volatility of the Pula against the South African rand and promote the competitiveness of domestic goods and services in the South African market, a close and important trading partner.
- (b) to maintain the current annual downward rate of crawl of 1.51 percent based on the forecast inflation differential between Botswana and its trading partner countries, to maintain domestic industry competitiveness against imports and in external markets and without compromising price stability (maintenance of inflation within the objective range of 3 – 6 percent); and
- (c) to increase the Pula trading margin between the buy and sell rates for currencies quoted by the Bank of Botswana from ± 0.125 percent around the central rate to a margin of ± 0.5 percent. This is intended to promote the development of an inter-bank foreign exchange market, thus moderate somewhat the resort by commercial banks to the Bank of Botswana for foreign currency purchases and sales.

5. It continues to be important to address the key structural factors, as well as the transformation and policy implementation constraints that impede productivity, as the exchange rate policy alone cannot lead to international competitiveness.

6. These changes are effective 1st January 2025.



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