



PRESS RELEASE

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GOVERNOR PARTICIPATED IN THE 2024 SPRING MEETINGS OF THE INTERNATIONAL MONETARY FUND AND WORLD BANK GROUP

The Governor of the Bank of Botswana, Mr Cornelius Dekop, accompanied by a delegation of senior Bank staff, participated in the Spring meetings of the International Monetary Fund (IMF) and World Bank Group (WBG) held in Washington DC, United States of America, on 15 – 21 April 2024. In his capacity as the Governor for Botswana at the IMF, Governor Dekop participated in, among others, meetings of the International Monetary and Financial Committee (IMFC), the IMF's Africa Group 1 Constituency, which comprises 22 Sub-Saharan African (SSA) countries, and the Africa Consultative Group Meeting with the IMF Managing Director, Ms Kristalina Georgieva. The Governor also held bilateral meetings with relevant Departments of the IMF and representatives of other organisations to discuss issues of mutual interest.

The meetings deliberated on, among others, recent economic and financial developments, prospects for global economic growth, challenges, and the required policy posture. It was observed that the global economy has in the main, held up stronger than expected over the past year, mainly reflecting resilience in consumer demand. Consumers continued to tap from excess savings accumulated during the COVID-19 period, whereas the tight labour markets supported real wages. Furthermore, strong corporate earnings have supported equity markets, providing further impetus for spending especially in the developed markets. As the global

economy momentum remains resilient, a soft-landing scenario (a slowdown in economic growth while avoiding recession) was considered more likely as inflation decelerates towards central banks' targets, albeit at a very slow pace. Therefore, interest rates were expected to remain elevated longer than initially expected. Major risks to the outlook included the rising geo-political tensions in the middle East, the protracted Russia/Ukraine war, effects of global fragmentation, and weak productivity.

According to the April 2024 World Economic Outlook (WEO), released during the meetings, the IMF expects the pace of global growth to remain unchanged at 3.2 percent in 2024 and 2025, mainly reflecting a combination of positive consumption trends amid the excess savings and tight labour markets. On the other hand, factors such as high borrowing rates and geo-political risks, as well as weakness in productivity will continue to exert downward pressure on activity. It was observed that emerging markets and developing economies have faced tougher economic conditions partly owing to the deeper scarring from the recent shocks, including the COVID-19 pandemic. Therefore, output growth rates for emerging markets and developing economies were expected to slightly moderate from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. Meanwhile, growth in the SSA region was expected to rebound from 3.4 percent in 2023 to 3.8 percent and 4 percent in 2024 and 2025, respectively. This mainly reflects better growth conditions in Nigeria, and some rebound in South Africa.

The IMF noted the faster than expected deceleration in global inflation from its mid-2022 peak. However, getting price changes to target was proving to be more challenging with sticky core inflation in many countries. Global headline inflation was expected to decelerate from 6.8 percent in 2023 to 5.9 percent and 4.5 percent in 2024 and 2025, respectively. Inflation in advanced economies is expected to slow down from 4.6 percent in 2023 to 2.6 percent in 2024 and further to 2.1 percent in 2025. Meanwhile, inflation in emerging markets and developing economies was expected to remain higher at 8.3 percent in 2024 and to recede to 6.2 percent in 2025. Main risks to inflation include increasing geo-political tensions

and their potential price-raising effects on oil and shipping costs. Against this economic background, most central banks, including the US Federal Reserve Board (commonly known as the Fed), were expected to start cutting interest rates before the end of the year, although the risk to the inflation outlook had increased due to recent upward surprises in inflation outcomes.

Deliberations on fiscal policy underscored the need to rebuild fiscal buffers for most countries and structural reforms to boost productivity. Countries were urged to improve capacity building and skills development in technology on areas such as artificial intelligence as well as invest in the green transition to manage effects of climate change.

It was observed that the SSA region continues to be more vulnerable to global external shocks, as well as the threat of rising political instability, and frequent adverse weather events. Three policy priorities were identified to help countries adapt to these challenges and these are: improving public finances without undermining development; monetary policy focused on ensuring price stability; and implementing structural reforms to diversify funding sources and economies. Amid these challenges, SSA countries continue to need additional support from the international community to develop a more inclusive, sustainable, and prosperous future. The IMF committed to maintaining an enabling environment for its member countries to access capital in capital markets and through multi-lateral development banks.

On the IMF governance matters, the IMF Board of Governors was applauded for its decision to give the 45 SSA member countries a third seat on its Executive Board. This will result in Executive Directors representing SSA in the IMF's 25-member Executive Board increasing from two to three, effective November 2024, thereby improving regional representation. At the same time, the creation of the third chair is expected to ease workload in the SSA block. While governance and institutional arrangements for the reconfiguration of the IMF SSA constituencies from the current two (IMF Africa Group 1 and Group 2 Constituencies) to three

constituencies are yet to be finalised, there is consensus that positions of Executive Directors and Alternate Executive Directors will be on a rotational basis across the proposed three new constituencies to offer equal opportunities for capacity building and staff development. However, the decision on the governance and institutional arrangements of each of the three constituencies, including the issue of rotation, will be determined by individual groups.

Issues specific to the Bank and Botswana's economic and policy developments were discussed bilaterally with relevant departments of the IMF. These include, cooperation and capacity building initiatives, as well as provision of technical assistance in macroeconomic modelling and forecasting, balance of payments, monetary statistics, payments and settlement, banking regulatory standards and legal reforms in the financial sector.

Overall, the meetings were fruitful and continued to play a key role in harnessing international experiences and skills to support the Bank's agenda in driving domestic economic development and adaptation of policy frameworks.

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