



FREQUENTLY USED ECONOMIC TECHNICAL TERMS

Technical Term	Explanation
Price stability	Price levels in an economy that lead to a low and sustainable level of inflation that is within the medium-term objective range, currently 3 – 6 percent (for Botswana)
Financial stability	Refers to a well-functioning, liquid, solvent, and sound financial system that efficiently facilitates payments, pools funds and allocates resources to the most productive sectors of the economy and their most valuable uses.
Inflation	Refers to an increase in the general price level of goods and services in an economy, over a given period.
Inflation rate	This refers to the rate at which the general price level of goods and services in the economy rise over a given period.
Inflation differential	The difference in inflation between two or more countries
Trading partner countries	Countries involved in the business of buying and selling goods and services amongst each other.
Inflation Objective range	A range for inflation to be achieved over a medium-term horizon, currently set at 3 – 6 percent, that is consistent with stable prices.
Forecast/Projection	A calculation of the future value(s) of a variable (e.g., inflation, GDP, exchange rate, oil prices, food prices)
Medium-term	This is a policy horizon of up to 3 years, evaluated on a rolling basis as monetary policy affects price developments with a lag of up to four quarters.
Revert	When inflation records values consistent with the set objective range after having been outside the upper and lower bound of the objective range.
Base effects	It is a purely statistical process used in calculation of year-on-year percentage price change where a once off increment or a fall in prices in the corresponding period last year, falls off the calculation in the current period.
Monetary policy	Monetary policy entails the formulation and implementation of policies aimed at influencing interest rates and/or growth of the money supply to affect economic performance.

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Monetary Policy Committee (MPC)	Comprise the Governor (chairman) and Deputy Governors, as well as heads of departments responsible for economic research and treasury. Furthermore, there shall be four persons appointed by the Minister, who are not employees of the Bank and are knowledgeable and experienced in the relevant function of the MPC. The committee is responsible for formulation of the monetary policy for the Bank.
Monetary Policy Rate (MoPR)	MoPR is the interest rate used as the primary instrument to manage liquidity and influence short-term deposit and lending interest rates in the economy.
Monetary Policy Decision	<ol style="list-style-type: none"> 1. Increase- An increase in the MoPR means that monetary conditions in the economy are tightened. High interest rates discourage spending from both consumers and businesses by increasing the cost of borrowing, leading to reduced economic activity. 2. Maintain- Leaving the MoPR unchanged. 3. Decrease- A decrease in the MoPR means that monetary conditions in the economy are loosened. Low interest rates can stimulate the economy by making it easier for people and businesses to borrow money for major purchases and investments, leading to increased economic activity.
Output Gap	The output gap is a measure of the difference between actual economic output and potential output.
Potential Output	Potential output refers to the maximum amount of goods and services that an economy can produce when all its resources (such as labour, capital, and technology) are fully employed.
Administered prices	An administered price is one that is imposed by the state or a state institution as opposed to price being set by the market.
Consumer Price Index (CPI)	The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban and rural consumers for a basket of consumer goods and services.
Gross Domestic Product (GDP)	GDP is the total market value of goods produced and services provided in a country in a specific time period.
Foreign exchange reserves	Foreign exchange reserves are assets held by a nation's central bank denominated in a foreign currency.
Exchange rate	The rate at which one currency will be exchanged for another currency.
Exchange rate policy	Exchange rate policy is the framework the country's monetary authority implement to establish the exchange rate of its own currency against other currencies.

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