



## **Press Release**

### **Monetary Policy Committee**

**26 April 2024**

### **Monetary Policy Rate Maintained**

**At the meeting held on 26 April 2024, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 2.4 percent.**

#### **INFLATION**

Headline inflation decreased from 3.9 percent in February to 2.9 percent in March 2024, breaching the lower bound of the medium-term objective range of 3 – 6 percent. The decrease in inflation was mainly due to the diminishing impact of the increase in domestic fuel prices in the corresponding period in 2023 (base effects). Inflation is forecast at 2.3 percent for April 2024 and the MPC projects that inflation will remain below the lower bound of the objective range temporarily and revert to within the objective range from the third quarter of 2024 into the medium term, averaging 3.2 percent in 2024 and 5 percent in 2025. The projected low inflation is due to, among others, base effects related to the reversal of value added tax from 12 percent to 14 percent in 2023, subdued domestic demand and the downward revision in recent forecasts of international food prices.

The risks to this inflation profile/trajectory were assessed to be slightly skewed to the upside. 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

(geoeconomic fragmentation). Furthermore, inflation may be heightened by possible upward adjustment in prices controlled by government (administered prices) that is 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 partly offset by the possibility of weaker domestic and global economic activity, as well as any decrease in international commodity prices.

## **ECONOMIC PERFORMANCE**

Real gross domestic product (GDP) grew by 2.7 percent in 2023, compared to 5.5 percent in 2022. The slowdown was mainly attributable to subdued mining activity.

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 notes the potential growth-enhancing economic transformation reforms and supportive macroeconomic policies as 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; continuation of the Economic Reform and Transformation Plan and Transitional National Development Plan; and infrastructure projects and initiatives announced in the 2024 Budget Speech; as well as various new legislation and changes.

## **DECISION**

The MPC recognises that the economy is expected to operate below full capacity in the short term and, therefore, not generate demand-driven inflationary pressures. Although inflation is expected to remain below the lower bound (3 percent) temporarily, it will be within the objective range in the medium term and closer to the upper bound in 2025. Similarly, businesses (as reflected in the latest

Business Expectations Survey) expect inflation to be within the medium-term objective range but closer to the upper bound in 2025. Hence, the MPC decided to maintain the MoPR at 2.4 percent.

Accordingly,

- (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 maintained at 1.4 percent, 100 basis points below the MoPR; and
- (c) the Standing Credit Facility (SCF) Rate remains at 3.4 percent, 100 basis points above the MoPR.

## **MEETINGS OF THE MPC**

The next MPC meetings for 2024 are scheduled as follows:

13 June 2024

22 August 2024

31 October 2024

5 December 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 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 April 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	2.6 (3.8)	3.3 (4.6)	3.1 (3.9)	<b>3.2</b> <b>(4.0)</b>	3.8 (4.6)	5.3 (4.9)	5.6 (5.1)	5.3 (5.2)	<b>5.0</b> <b>(5.0)</b>	5.4 (5.3)

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

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

#### **Domestically**

1. Base effects related to the reversal of value added tax from 12 percent to 14 percent in 2023.
2. Restrained growth in the domestic prices of most categories of goods and services.

#### **Externally**

Downward revision in forecasts for international food prices.