



## **Press Release**

### **Monetary Policy Committee Meets**

**February 22, 2024**

### **Monetary Policy Rate Maintained**

**At the meeting held on February 22, 2024, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 2.4 percent.**

#### **INFLATION**

Headline inflation increased from 3.5 percent in December 2023 to 3.9 percent in January 2024, remaining within the medium-term objective range of 3 – 6 percent. The increase in inflation was mainly due to the diminishing impact of the decrease in domestic fuel prices in the corresponding period in 2023 (base effects). Inflation is forecast to remain at 3.9 percent in February 2024. The MPC projects inflation to 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). 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 projected El Niño conditions in Southern Africa. However, inflation could be lower than currently anticipated because of the possibility of weaker domestic and

global economic activity, as well as any decrease in international commodity prices.

## **ECONOMIC GROWTH**

Real gross domestic product (GDP) is estimated to have expanded by 3.2 percent in 2023, compared to 5.5 percent in 2022. The slowdown is mainly attributable to subdued mining activity.

According to the January 2024 World Economic Outlook Update, global output growth was 3.5 percent in 2023, and is forecast to be 3.1 percent in 2024 before rising modestly to 3.2 percent in 2025. 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 the Mindset Change initiative. These include, in particular, the stimulus budget announced on February 5, 2024, by the Honourable Minister of Finance; supportive monetary and fiscal policies; improvement in water and electricity supply; implementation of the April 2023 – March 2025 Transitional National Development Plan; as well as reforms to further improve the business environment.

## **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. Furthermore, inflation is forecast to remain within the objective range in the medium term, averaging 4 percent in 2024 and 5 percent in 2025. Businesses also expect inflation to be within the medium-term objective range; thus, inflation expectations are well anchored. 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 MPC meetings for 2024 are scheduled as follows:

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 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 February 2024 MPC Meeting

|                  | Actual |     |     |     |                | Forecast     |              |              |              |                            |              |              |              |            |                            |
|------------------|--------|-----|-----|-----|----------------|--------------|--------------|--------------|--------------|----------------------------|--------------|--------------|--------------|------------|----------------------------|
|                  | 2023   |     |     |     |                | 2024         |              |              |              |                            | 2025         |              |              |            |                            |
|                  | Q1     | Q2  | Q3  | Q4  | Annual Average | Q1           | Q2           | Q3           | Q4           | Annual Average             | Q1           | Q2           | Q3           | Q4         | Annual Average             |
| <b>Inflation</b> | 9.4    | 6.1 | 2.0 | 3.5 | <b>5.2</b>     | 3.7<br>(4.4) | 3.8<br>(4.8) | 4.6<br>(5.5) | 3.9<br>(4.7) | <b>4.0</b><br><b>(4.9)</b> | 4.6<br>(4.4) | 4.9<br>(4.5) | 5.1<br>(4.9) | 5.2<br>5.1 | <b>5.0</b><br><b>(4.7)</b> |

*Note: Figures in parentheses represent the previous MPC forecast (December 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 December 21, 2023.

#### **Externally**

1. Downward revision in forecasts for international commodity prices and trading partner countries' inflation.
2. Projected stronger appreciation of the Pula against the South African rand.