



## **Press Release**

### **Monetary Policy Committee Meets**

**4 December 2025**

#### **GLOBAL AND DOMESTIC CONTEXT**

The MPC met at a time when the global economy continues to experience shifting trade patterns and heightened geopolitical tensions. Despite these challenges, the global economy has demonstrated stronger-than-anticipated resilience in 2025. Domestically, increased uncertainty and continued weakness in the diamond market have put pressure on Botswana's fiscal and external buffers. Therefore, going into 2026, it is essential that growth enhancing initiatives and economic diversification efforts (as indicated in the Botswana Economic Transformation Programme (BETP) and National Development Plan (NDP) 12) be implemented with greater rigour and urgency to support a sustainable recovery; in turn, improve the fiscal and external situation. Relatedly, leveraging the country's institutional strength and sound macroeconomic policy frameworks (as reflected in recent policy adjustments to address liquidity conditions and preserve foreign exchange reserves) provides an opportunity to attract investments that have potential to drive economic transformation.

## **ECONOMIC ENVIRONMENT**

As reported at the last MPC meeting, Botswana's real gross domestic product (GDP) contracted by 3 percent in the twelve months to June 2025, a sharper decline compared to the 0.6 percent contraction in the year ending June 2024. The weak performance was mainly due to the continued contraction in mining output and generally subdued non-mining sector activity.

According to the October 2025 World Economic Outlook (WEO), global economic growth was 3.3 percent in 2024 and is forecast to remain subdued at 3.2 percent and 3.1 percent in 2025 and 2026, respectively. Main influences on global output growth include milder-than-expected tariff impacts; quicker-than-anticipated private sector adjustment through front loading of imports and supply chain diversification; lower effective US tariff rates; improved global financial conditions; and fiscal expansion in some major economies. For Botswana, the Ministry of Finance projects an economic contraction of 0.5 percent in 2025 (from a previous, estimate of a contraction of 0.4 percent), mainly due to the continued weak performance of the diamond industry, subdued global growth and the potential adverse effects of US tariffs. However, the economy is expected to recover in 2026, with a projected 3.1 percent growth, supported by a gradual rebound in diamond demand, expanded non-diamond mining production and beneficiation, increased domestic electricity generation, and the catalytic impact of BETP driven reforms across several sectors.

## **INFLATION**

Headline inflation increased slightly from 3.7 percent in September to 3.9 percent in October 2025, remaining within the medium-term objective range of 3 – 6 percent. The marginal increase in inflation was attributable to higher rate of price increases for alcoholic beverages and tobacco, and transport. This is mainly due to price pressures stemming from the July 2025 adjustment of exchange rate parameters. The MPC forecasts inflation to increase into the medium term, averaging 2.7 percent in 2025 and 5.3 percent in 2026.

Overall, there is a greater risk of inflation being higher than currently projected. This is primarily due to the potential cost-push pressures and second-round effects arising from the increases in water and electricity tariffs for businesses, as well as higher domestic fuel prices. In addition, international commodity prices could rise above current forecasts, and logistical constraints may persist. Furthermore, the effect of tariff increases globally are expected to heighten inflation risks. Inflation could, however, be lower than projected if domestic and global economic activity remain subdued, fiscal space remains tight, or if international commodity prices fall. The inflation outcomes could also be affected by possible changes in administered prices not factored in the current projection.

## **DECISION**

The economy is expected to continue to operate below full capacity in the short-to-medium term, thereby not generating demand-driven

inflationary pressures. Although inflation is expected to temporarily breach the upper bound of the objective range and risks to the inflation outlook remain tilted to the upside, it is expected to be within the objective range in the medium term. This outlook supports maintaining a broadly accommodative monetary policy stance that would support economic activity, especially implementation of economic transformation initiatives. The MPC's assessment is that the policy adjustments made thus far and communicated have helped ease liquidity conditions and are positive for the foreign exchange market.

The Committee, therefore, decided as follows:

- (a) maintain the Monetary policy Rate (MoPR) at 3.5 percent;
- (b) the 7-day Bank of Botswana Certificates auctions, repos and reverse repos will be conducted at the MoPR of 3.5 percent;
- (c) the Standing Deposit Facility (SDF) rate is maintained at 2.5 percent, 100 basis points below the MoPR;
- (d) the Standing Credit Facility (SCF) rate is maintained at 4.5 percent, 100 basis points above the MoPR; and
- (e) the existing directive instructing commercial banks not to increase their Prime Lending Rates is maintained.

The Bank will continue to monitor developments closely and implement appropriate policy actions consistent with its mandate to maintain price stability and safeguard financial system stability.

## MEETINGS OF THE MPC

The MPC meetings for 2026 are scheduled as follows:

26 February 2026

30 April 2026

18 June 2026

27 August 2026

29 October 2026

3 December 2026

### Note 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 Lesego C Moseki	—	Governor (Chairman)
Dr Kealeboga S Masalila	—	Deputy Governor
Mr Innocent Molalapata	—	Director, Research and Financial Stability
Ms Baitshenotse N Mmopelwa	—	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 December 2025 MPC Meeting

Inflation	Actual						Forecast									
	2024			2025			2025		2026					2027		
	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3
	3.1	1.7	2.8	2.6	2.1	2.1	3.9 (4.1)	2.7 (2.7)	4.1 (4.4)	5.5 (6.1)	6.2 (6.9)	5.2 (6.0)	5.3 (5.9)	4.7 (5.4)	4.3 (4.4)	4.1 (3.2)

*Note: Figures in parentheses represent the previous MPC forecast (October 2025)*

Factors contributing to the downward revision of the forecast include the following:

- The lower-than-expected October 2025 inflation outturn
- The reduction in mobile data prices
- The downward adjustment in petrol prices effective 8 November 2025