



Press Release

Monetary Policy Committee Meets

April 28, 2023

Monetary Policy Rate Maintained

At the meeting held on April 27 and 28, 2023, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 2.65 percent.

Inflation decreased from an average of 12.6 percent in the fourth quarter of 2022 to an average of 9.4 percent in the first quarter of 2023 but remaining above the Bank's medium-term objective range of 3 – 6 percent. The decrease in inflation is due to the base effects associated with the increase in administered prices in the corresponding period in 2022 as well as the impact of the downward adjustment of domestic fuel prices in the first quarter of 2023. The MPC projects that, while it will fluctuate, inflation will trend downwards and fall within the objective range in the second quarter of 2024. The projected decrease in inflation in the medium term is due to the dissipating impact of the earlier increases in administered prices (base effects); lower fuel prices; modest domestic demand; current monetary policy posture; increase in interest rates and constrained supply of credit globally (tightening financial conditions); expected decrease in global inflation and international commodity prices; as well as the projected appreciation of the Pula against the South African rand.

Inflation could be higher than projected because of the likelihood of an increase in international commodity prices beyond current forecasts, persistence of supply and

logistical constraints, as well as reversal of global economic integration (geo-economic fragmentation) that may lead to higher inflation. Domestically, the risks of higher inflation include possible adjustment in administered prices that are not factored in the current projection; entrenched expectations for higher inflation; any realised upward pressure on wages; and any, overshooting of prices beyond what is consistent with the reversion of value added tax to 14 percent effective April 1, 2023. These risks are, however, moderated by the possibility of weak domestic and global economic activity; possible disinflationary effects of tighter monetary policy globally; as well as restrained international commodity prices.

According to the April 2023 World Economic Outlook, growth in global output for 2022 is estimated at 3.4 percent and is forecast to moderate to 2.8 percent in 2023, rebounding to 3 percent in 2024. South African real gross domestic product (GDP) grew by 2 percent in 2022. The South African Reserve Bank expects growth to weaken to 0.2 percent in 2023 but to improve to 1 percent in 2024. For Botswana real gross domestic product (GDP) increased by 5.8 percent in 2022 lower than 11.9 percent recorded in 2021. The Ministry of Finance projects GDP to grow by 4 and 5.1 percent in 2023 and 2024, respectively.

The MPC notes the growth-enhancing economic transformation reforms and supportive macroeconomic policies being implemented. These include accommodative monetary conditions, improvement in water and electricity supply, implementation of the Transitional National Development Plan and reforms to further improve the business environment. Against this background, enhanced productivity, innovation, and the resultant international competitiveness of domestic firms could contribute to lower domestic inflation.

The MPC projects that, in addition to the dissipating impact of administered prices, the economy will operate below full capacity in the short-to-medium term and, therefore, not generate demand-driven inflationary pressures. Thus, inflation is projected to trend downwards and revert to the objective range in medium term. Therefore, the MPC decided to maintain the MoPR at 2.65 percent.

Accordingly,

- (a) the 7-day Bank of Botswana Certificates including repos and reverse repos will be conducted at the MoPR of 2.65 percent;
- (b) the Standing Deposit Facility (SDF) Rate is maintained at 1.65 percent, 100 basis points below the MoPR; and
- (c) the Standing Credit Facility (SCF) Rate remains at 3.65 percent, 100 basis points above the MoPR.

The Monetary Policy Report (MPR) containing a full update of the Bank's outlook for the domestic economy and inflation will be published on the Bank's website on May 5, 2023. The remaining MPC meetings for 2023 are scheduled as follows:

June 15, 2023

August 24, 2023

October 26, 2023

December 7, 2023

Notes to Editors

The MPC is a statutory committee established by the Bank of Botswana (Amendment) Act, 2022. The Committee consists of nine members, four of which are independent external members. The five internal members are the Governor (who is the Chairman), the two Deputy Governors, Head of Department responsible for economic research and Head of Department responsible for treasury operations.

Annex: Inflation Forecast Summary for April 2023 MPC Meeting

	Actual						Forecast										
	2022					2023	2023					2024					2025
	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	
Inflation	10.4	11.4	14.2	12.6	12.2	9.4	7.5 (8.3)	5.5 (6.1)	6.5 (7.1)	7.2 (7.7)	6.9 (7.3)	5.1 (5.4)	3.7 (4.1)	3.2 (3.9)	4.7 (5.2)	3.6 (4.3)	

Note: Figures in parentheses represent the previous MPC forecast (February 2023)

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

Domestically

1. The zero rating of a select number of items in the consumer price index basket effective April 1, 2023
2. The decision to suspend the increase in rental prices by Botswana Housing Corporation for 2023 and 2024

Externally

1. Downward revision of international commodity prices
2. The projected appreciation of the Pula against the South African rand