



Press Release

Monetary Policy Committee Meets

June 15, 2023

Monetary Policy Rate Maintained

At the meeting held on June 14 and 15, 2023, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 2.65 percent.

Inflation fell from 9.9 percent in March 2023 to 7.9 percent in April 2023, but remained above the Bank's medium-term objective range of 3 – 6 percent. The decrease in inflation was mainly due to the dissipating impact of the earlier increases in administered prices (base effects) in the corresponding period in 2022. Inflation is forecast at 5.7 percent in May 2023 and the MPC projects that, going forward, inflation will remain within the objective range into the medium term. The projected decrease in inflation is due to, among others, absence of upward adjustment of administered prices, subdued domestic demand, projected appreciation of the Pula against the South African rand and zero rating of a select number of items from value added tax.

Inflation could be higher than projected in the event international commodity prices were to increase beyond current forecasts; persistence of supply and logistical constraints, as well as reversal of global economic integration (geo-economic fragmentation). Furthermore, any possible upward adjustment of administered prices that is not factored in the current projection may also lead to higher inflation. These risks are, however, offset by the possibility of weak domestic and global economic

activity; possible disinflationary effects of higher monetary policy rates globally; stronger appreciation of the Pula against the South African rand than projected; as well as restrained international commodity prices.

According to the April 2023 World Economic Outlook report, global output growth for 2022 is estimated at 3.4 percent and forecast to moderate to 2.8 percent in 2023 and 3 percent in 2024. South African real gross domestic product (GDP) grew by 1.9 percent in 2022. The South African Reserve Bank expects growth to weaken to 0.3 percent in 2023 but to improve to 1 percent in 2024. For Botswana, real 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 two-year 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 maintenance of domestic inflation within the objective range.

The MPC projects that, in addition to the dissipating impact of administered prices, the economy will operate below full capacity in the short term and, therefore, not generate demand-driven inflationary pressures. Thus, inflation is forecast to remain within the objective range into the 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 the Bank's review of economic and policy developments as well as outlook will be published on the Bank's website on August 31, 2023. The remaining MPC meetings for 2023 are scheduled as follows:

August 24, 2023

October 26, 2023

December 7, 2023

Notes to Editors

The MPC, chaired by the Governor, is a statutory committee established by the Bank of Botswana (Amendment) Act, 2022. The Committee consists of nine members, four of whom are independent external members.

Annex: Inflation Forecast Summary for June 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	6.4 (7.5)	3.2 (5.5)	4.0 (6.5)	5.8 (7.2)	4.9 (6.9)	4.9 (5.1)	4.8 (3.7)	4.7 (3.2)	4.8 (4.7)	4.8 (3.6)	

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

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

Domestically

1. The exclusion of the impact of the then projected increment in electricity tariffs for April 2023 and 2024

Externally

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