



Press Release

Monetary Policy Committee Meets

29 October 2026

Monetary Policy Rate maintained at 5.5 percent

GLOBAL AND DOMESTIC CONTEXT

The Monetary Policy Committee (MPC) convened against a backdrop of global economic resilience, despite challenges arising from shifting trade relations, supply chain disruptions and geopolitical tensions, particularly the ongoing conflict in the Middle East. Technology-related investment and demand, together with global supply adjustments, including rerouting of trade flows and the release of inventories, help mitigate the adverse effects of the conflict. Meanwhile, there is upward pressure on prices globally that could result in inflation remaining high in the short term. This is due to higher commodity prices and continued uncertainty surrounding the duration and resolution of the conflict.

Overall, external developments have contributed to an increase in the cost of living in Botswana and may undermine the recovery of the global diamond market, thereby weighing on domestic economic performance.

ECONOMIC ENVIRONMENT

Real gross domestic product (GDP) grew by 3.7 percent in the twelve months to June 2026, compared with a contraction of 2.9 percent in the corresponding period ending June 2025. The recovery in economic activity was underpinned by a stronger performance of the mining sector. Nevertheless, overall economic performance remains weak, constrained by subdued global economic conditions, slow progress in economic transformation and low productivity. However, structural changes in the diamond sector continue to be a challenge for the economy.

According to the International Monetary Fund's October 2026 World Economic Outlook report, global growth is projected to remain subdued at 3.1 percent in 2026, down from 3.5 percent in 2025. Persistent geopolitical tensions, elevated energy prices and trade policy uncertainty continue to weigh on the global economic outlook.

Domestically, the Ministry of Finance projects an economic recovery in 2026 and 2027, with growth forecast at 3.8 percent and 4.1 percent, respectively. The anticipated recovery reflects stronger-than-anticipated economic performance in the first half of 2026, underpinned by higher diamond production. Meanwhile, growth in other sectors varied, but overall continues to be modest. It is expected that speedy implementation of the economic diversification initiatives under the National Development Plan 12 and Botswana Economic Transformation Programme could fast-track economic transformation

with a positive impact on economic growth. The growth outlook remains subject to downside risks, such as heightened geopolitical tensions, climate-related shocks, El Niño events, and heightened global trade fragmentation.

INFLATION

Headline inflation decreased from 9.3 percent in August 2026 to 7.8 percent in September 2026, remaining above the 3 – 6 percent medium-term objective range. The decline was mainly due to base effects associated with the increase in domestic fuel prices on 15 September 2025, which had added 0.93 percentage points to headline inflation. The MPC expects inflation to remain above the objective range because of higher cost of fuel and electricity and revert in the second quarter of 2027. Inflation is projected to average 8.1 percent in 2026 before moderating to 5.4 percent in 2027.

Overall, risks to the inflation outlook are tilted to the upside mainly due to potential second-round effects stemming from the relatively higher domestic fuel prices and electricity tariffs, as well as the under-recovery in domestic fuel prices. Moreover, El Niño effects including below-normal rainfall, droughts, heatwaves, crop failure and livestock deaths present an additional upside risk to the inflation outlook. Externally, elevated prices for oil, gas, fertilisers and industrial inputs, resulting from the ongoing conflict in the Middle East, are expected to continue exerting upward pressure on inflation. Additionally, the increased global trade tensions and tariff measures are expected to heighten inflationary pressures. However, inflation could be lower than

projected if domestic and global economic activity remains subdued, fiscal space remains tight, or if international commodity prices fall. The inflation outcome could also be affected by changes in administered prices that are not factored in the current projection.

Against this background, continued vigilance and careful management of inflation expectations are necessary to ensure that inflation reverts to the medium-term objective range.

LIQUIDITY

Domestic liquidity has improved since the last quarter of 2025, supported by increased government funding and spending, increased diamond receipts, and adjustments to monetary policy operations. This has moderated funding costs, potentially lowering lending interest rates with improved prospects for policy transmission.

DECISION

The MPC projects that inflation will remain above the 3 – 6 percent objective range in the near term, while growth remains subdued amid adverse external developments. This outlook continues to require a data-driven monetary policy stance that supports economic activity while managing inflation expectations. The MPC assessed that policy measures implemented and communicated to date have helped ease liquidity conditions, enhanced monetary policy transmission and supported stability in the foreign exchange market.

Accordingly, the Committee unanimously decided to:

- (a) maintain the MoPR at 5.5 percent;
- (b) conduct 7-day Bank of Botswana Certificates auctions, repos and reverse repos at the MoPR of 5.5 percent;
- (c) maintain the Standing Deposit Facility (SDF) rate at 4.5 percent, 100 basis points below the MoPR;
- (d) maintain the Standing Credit Facility (SCF) rate at 6.5 percent, 100 basis points above the MoPR; and
- (e) lift the moratorium for commercial banks on their Prime Lending Rates.

The lifting of the moratorium is a general policy posture to maintain a liberalised market. Under the current environment involving moderation of funding costs and increasing liquidity the expectation is that the liberal posture will lead to a decrease in Prime Lending Rates.

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

MEETINGS OF THE MPC

The last MPC meeting for 2026 is scheduled for 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.

Mr Lesego C Moseki	—	Governor (Chairman)
Dr Kealeboga S Masalila	—	Deputy Governor
Dr Agnes T Khunwana	—	Deputy Governor
Dr Matlhodi M Serero	—	Acting 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 October 2026 MPC Meeting

Inflation	Actual					Forecast									
	2025		2026			2026			2027				2028		
	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3
	3.9	2.7	4.1	10.6	8.8	8.7	8.1	8.3	3.6	5.2	4.4	5.4	4.2	4.1	4.3
						(8.0)	(7.9)	(7.6)	(2.9)	(4.6)	(4.4)	(4.9)	(4.40)	(4.5)	

Note: Figures in parentheses represent the previous MPC forecast (August 2026)

The upward revision of the forecast is mainly due to the increase in domestic fuel prices.