**Press Release**

**Monetary Policy Committee Meets**

**27 August 2026**

**Monetary Policy Rate maintained at 5.5 percent**

## GLOBAL AND DOMESTIC CONTEXT

The Monetary Policy Committee (MPC) convened at a time when the global economy continues to face challenges arising from evolving trade relations, supply chain disruptions and geopolitical tensions, particularly the conflict in the Middle East and its implications for energy markets. Consequently, global inflationary pressures are expected to remain elevated in the short term, reflecting higher commodity prices and continued uncertainty about the duration and resolution of the conflict. However, this is in the context of continued subdued global economic growth.

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 dampening domestic economic performance.

## ECONOMIC ENVIRONMENT

Real gross domestic product (GDP) grew marginally by 0.2 percent in the twelve months to March 2026, compared with a contraction of 1.6 percent in the year to March 2025. The improvement was underpinned by a slower contraction in mining output and a recovery in some non-mining sectors, including Diamond Traders, Manufacturing and Agriculture. However, economic performance remains weak, constrained by subdued global conditions, structural changes in the international diamond markets, slow progress in economic transformation and low productivity.

According to the International Monetary Fund's July 2026 World Economic Outlook Update, global growth is projected at 3 percent in 2026, down from 3.5 percent in 2025. The outlook is supported by resilient consumption and investment, although continuing uncertainty around trade, industrial and fiscal policies could undermine growth prospects.

Domestically, the Ministry of Finance projects a recovery in economic activity, with real GDP growth of 3.1 percent in 2026, mainly supported by a recovery in mining and sustained growth in non-mining sectors, underpinned by economic diversification initiatives under National Development Plan 12 and the Botswana Economic Transformation Programme (BETP). It is important, however, to highlight that any delay in implementing the BETP could slow economic transformation and, therefore, realised growth could fall below projections. Furthermore, the growth outlook remains subject to downside risks which include livestock disease outbreaks, geopolitical tensions, climate-related shocks and changing trade patterns.

## INFLATION

Headline inflation decreased from 10.7 percent in June 2026 to 9.4 percent in July 2026, but remained above the 3 – 6 percent medium-term objective range. The decline was mainly due to the downward adjustment of domestic fuel prices effected on 7 July 2026, which reduced headline inflation by 2.3 percentage points. The MPC expects inflation to remain above the objective range up to the first quarter of 2027 (near term), mainly due to supply-side factors, including fuel price pressures, higher electricity tariffs and related cost-push effects. Inflation is projected to average 7.9 percent in 2026 before easing to 4.9 percent in 2027.

Overall, risks to the inflation outlook are tilted to the upside, mainly reflecting potential second-round effects stemming from the relatively higher domestic fuel prices and electricity tariffs. Additionally, the ongoing Foot and Mouth Disease situation and related livestock movement and slaughter restrictions in Botswana, although recently eased, could add to short-term food inflation. Forecasts of a possible El Niño present an additional upside risk. Externally, elevated oil, gas and fertiliser prices linked to the Middle East conflict could sustain inflationary pressures, while international food prices may rise above current forecasts. In addition, heightened global trade tensions and tariff measures pose further upside risks to inflation. However, inflation could be lower than projected if domestic and global economic activity remains subdued, fiscal space remains constrained, or international commodity prices decline. Changes in administered prices not included in the current projection could also affect the inflation outcome.

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, higher diamond receipts, and adjustments to monetary policy operations. This has moderated funding costs and improved prospects for policy transmission, particularly following the recalibration of the Monetary Policy Rate (MoPR).

**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 requires 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 Monetary Policy Rate (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) maintain the moratorium on commercial banks' 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.

Meanwhile, following the mid-year review, the Pula exchange rate framework parameters were maintained as follows:

(a) the currency basket weights (50:50 South African rand and IMF Special Drawing Rights);
(b) the downward rate of crawl at 2.76 percent; and
(c) trading margins being that Bank of Botswana buys foreign currency from commercial banks at 3 percent above central parity and sells at 7.5 percent below the central parity.

At these levels, the parameters help to moderate exchange rate volatility, support the competitiveness of domestic industries and remain aligned to the commitment of price stability to maintain inflation within the 3 – 6 percent objective range in the medium term. The Bank notes that the business community continues to highlight the exchange rate as one of the challenges to doing business. This concern reflects the high import intensity and orientation of local businesses. However, in an economy that needs to increase production, diversify and generate employment opportunities, it is desirable to maintain an exchange rate policy framework that promotes international price competitiveness of local producers in export markets and against imports. Such a framework also helps in accumulation of foreign exchange reserves that are needed to finance imports as may be necessary. Ultimately, the strength of the Pula is anchored on capability to earn foreign exchange through exports by local producers. Moreover, consumption and supply choices relating to imports vis-à-vis locally produced goods and services are also critical to the viability of domestic producers and service providers.

**MEETINGS OF THE MPC**

The MPC meetings for 2026 are scheduled as follows:

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.

| | | |
|---|---|---|
| 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 August 2026 MPC Meeting**

| | Actual | | | | | Forecast | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | | | 2026 | | 2026 | | | 2027 | | | | | 2028 | |
| | Q3 | Q4 | Annual Average | Q1 | Q2 | Q3 | Q4 | Annual Average | Q1 | Q2 | Q3 | Q4 | Annual Average | Q1 | Q2 |
| **Inflation** | 2.1 | 3.9 | **2.7** | 4.1 | 10.6 | 8.9 (10.8) | 8.0 (10.4) | **7.9** **(9.0)** | 7.6 (9.8) | 2.9 (4.6) | 4.6 (4.1) | 4.4 (3.3) | **4.9** **(5.5)** | 4.4 (3.0) | 4.5 |

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

The downward revision of the forecast is mainly due to the decrease in domestic fuel prices.