



Press Release

Monetary Policy Committee Meets

October 26, 2023

Monetary Policy Rate Maintained

At the meeting held on October 26, 2023, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 2.65 percent.

Headline inflation increased from 1.2 percent in August to 3.2 percent in September 2023, reverting to within the Bank's medium-term objective range of 3 – 6 percent. The increase in inflation was mainly due to the upward adjustment in domestic fuel prices on September 13, 2023, which increased inflation by 1.31 percentage points. Inflation is forecast at 3.4 percent for October 2023. The MPC projects that, going forward, inflation will remain within the objective range into the medium term.

The MPC observes that inflation could be higher than projected if international commodity prices increase beyond current forecasts, supply and logistical constraints persist and the reversal of global economic integration (geo-economic fragmentation) escalates. Furthermore, possible upward adjustment in prices controlled by government (for example, electricity and water tariffs) that is not factored in the current projection may lead to higher inflation. However, inflation could be lower than anticipated because of the possibility of weaker domestic and global economic activity, possible disinflationary effects of higher monetary policy rates globally, and any decrease in international commodity prices.

Real gross domestic product (GDP) grew by 5 percent in the twelve months to June 2023, compared to a growth of 6.7 percent in the year to June 2022. The slowdown is mainly due to lower growth in mining production.

According to the October 2023 World Economic Outlook, global output growth was 3.5 percent in 2022, and is forecast to moderate to 3 percent and 2.9 percent in 2023 and 2024, respectively. For Botswana, GDP growth is projected to moderate to 3.8 percent in 2023 and recover to 4.4 percent in 2024, from an increase of 5.8 percent in 2022.

The MPC notes the growth-enhancing economic transformation reforms and supportive macroeconomic policies being implemented. These include supportive monetary and fiscal policies, improvement in water and electricity supply, implementation of the Economic Recovery and Transformation Plan and the two-year Transitional National Development Plan, as well as reforms to further improve the business environment (for example, the promulgation of the Credit Information Act and Movable Property Act both of which have the potential to make credit more accessible).

The MPC recognises that the economy is expected to operate below full capacity in the short term and, thus not generate demand-driven inflationary pressures. Furthermore, inflation is forecast to be within the objective range in the medium term. Therefore, the MPC decided to maintain the MoPR at 2.65 percent.

Accordingly,

- (a) the 7-day Bank of Botswana Certificates auctions, 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 November 2, 2023. The remaining MPC meeting for this year is scheduled for 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 external members.

Mr Cornelius Dekop	—	Governor (Chairman)
Dr Kealeboga Masalila	—	Deputy Governor
Dr Tshokologo Kganetsano	—	Deputy Governor
Mr Innocent Molalapata	—	Director, Research and Financial Stability
Mr Lesego Moseki	—	Director, Financial Markets
Professor 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 2023 MPC Meeting

	Actual				Forecast									
	2022				2023				2024					
	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	2025
Inflation	14.2	12.6	12.2	9.4	6.1	2.0	4.3	5.5 (5.0)	5.4 (3.2)	5.5 (3.6)	5.8 (4.3)	3.9 (4.8)	5.2 (4.0)	3.6 (5.0)

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

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

Domestically

1. The increase in domestic fuel prices effected on September 13, 2023, which was higher than what was previously anticipated for the August 2023 projection, as well as the increase in domestic fuel prices effected on October 25, 2023.

Externally

1. Upward revision of forecasts for international oil prices and trading partner countries' inflation in the short term.