



# **2026 MONETARY POLICY STATEMENT LAUNCH REPORT**

**By**

**Tendani Phumusa and Omogolo Maripe**

**Theme: A New Dawn for Botswana: Implications  
for Monetary, Exchange Rate and Financial  
Stability Policies**



# 1. Introduction



**Governor Lesego C. Moseki delivered his first Monetary Policy Statement.**

- 1.1 Each February, following the Budget Speech by the Honourable Minister of Finance, the Bank of Botswana (the Bank) launches the Monetary Policy Statement (MPS), presented by the Governor. The 2026 MPS was launched on 25 February 2026 and marked the first MPS delivered by Governor Lesego C. Moseki. The MPS reflects the Bank's continued commitment to transparency and accountability in the formulation and implementation of monetary policy. The Statement clarifies the conduct and objectives of monetary policy, while guiding the expectations of economic agents and the broader public.
- 1.2 In his address, Governor Moseki noted that the Statement comes at a critical economic juncture for Botswana's economy, characterised by subdued diamond earnings, tight market liquidity conditions, constrained fiscal space, global policy uncertainty and evolving international trade dynamics. Despite these challenges, the Governor reassured participants that the Bank remains committed to supporting informed and forward-looking economic decisions through evidence-based policies and sound macroeconomic management.
- 1.3 The Governor further noted that the inaugural fireside chat held during the 2025 MPS launch was positively received, encouraging the Bank to institutionalise the format as part of its stakeholder engagement strategy. The fireside conversation is intended to deepen engagement, enhance transparency and provide a platform for broader perspectives and reflections on policy analysis, policy approaches and their economic impact. The platform strengthens dialogue with stakeholders and reinforces the Bank's commitment to openness, accountability and taking the Bank closer to the public.
- 1.4 The theme for the 2026 fireside conversation was "A New Dawn for Botswana: Implications for Monetary, Exchange Rate and Financial Stability Policies". While the MPS outlined the Bank's technical assessment, economic projections and policy stance, the fireside dialogue provided an opportunity for constructive and inclusive engagement between the Bank and key stakeholders. This facilitates a balanced exchange of perspectives on economic and market developments, as well as expectations regarding policy responses and broader economic outlook. The Governor emphasised that such engagements are valuable in allowing the Bank to gauge stakeholder perspective and assess alignment with its policy posture.



## 2. The Fireside Chat



**The fireside chat session panellists (from left to right):** Mr Victor Baatweng (Financial Journalist at the Sunday Standard newspaper), Ms Tumi Mbaakanyi (Chief Executive Officer of Business Botswana), Mr Shepherd Aisam (Chairman of the Bankers Association of Botswana (BAB)), Ms Nomathemba Dladla (Director of Mergers and Monopolies at the Competition and Consumer Authority (CCA)) and Moderator Dr Onkokame Mothobi (External Member of the Monetary Policy Committee (MPC) and Economics Lecturer at the University of Botswana).

- 2.1 The session provided a platform to explore how policy frameworks must adapt to support sustainable economic growth, safeguard price stability, and strengthen financial resilience in a changing economic environment. Discussions focused on the impact of rising interest rates, liquidity constraints, exchange rate developments and inflation on business operations, investment decisions, credit conditions, consumer welfare, competition dynamics, and overall market confidence.
- 2.2 From a consumer and competition perspective, Ms Dladla noted that bigger and more established firms tend to be more resilient in absorbing the effects of rising interest rates, tighter liquidity conditions and increased cost pressures compared to smaller firms. As a result, smaller firms often face heightened risks of liquidation, market exit or acquisition by larger competitors. Such dynamics may reduce market competition and potentially exert upward pressure on prices. She further noted that economic shocks can sometimes create incentives for opportunistic

pricing or anti-competitive behaviour among firms. In response, the CCA actively conducts market surveys to monitor firms' pricing behaviour before, during and after economic shocks.

- 2.3 Ms Dladla also highlighted that weak economic growth and limited fiscal space made business expansion more challenging. In response, the CCA has prioritised institutional agility and ensured that market investigations remain fully aligned with the Competition Act. The CCA also continues to promote consumer education and public awareness to strengthen transparency between businesses and consumers. However, she noted instances where firms appear to exhibit coordinated pricing behaviour. To strengthen institutional collaboration, the CCA has signed a memorandum of understanding (MoU) with the Bank to facilitate information sharing and enhance the effectiveness of policy transmission and timely policy responses. Under this arrangement, early detection of price irregularities can be shared with the Bank for consideration in monetary policy analysis.



2.4 Mr Aisam observed that Botswana may be at a structural turning point rather than experiencing a temporary economic slowdown. However, he explained that while the diamond sector remains under pressure, Botswana’s underlying resilience is supporting continued progress. He advised that to fully capitalise on this transition, the country must allocate capital more efficiently and manage the government budget prudently. He also noted that commercial banks continue to play a critical role in supporting the development of Small and Medium Enterprises (SMEs), which are essential for economic diversification and broader economic stability. However, he stressed that stronger government support in areas such as improved access to finance, enhanced infrastructure and an improved ease of doing business environment remains essential.

2.5 Mr Aisam further emphasised that pressure on foreign reserves, tighter fiscal policies and slow economic

growth are increasingly affecting banking sector operations. He encouraged the central bank to consider the implications of higher interest rates on Government securities auctions, as elevated yields could crowd out the private sector borrowing and dampen economic activity. He noted that commercial banks were not only about interest rates, but must manage capital adequacy, liquidity asset ratios, return on equity, concentration of portfolios, and capital budgeting well. Nevertheless, he expressed support for the Bank’s efforts to improve monetary policy transmission and noted that the decision by the Bank to halt increases in the prime lending rates (PLR) was understood and broadly supported by commercial banks.

2.6 Mr Baatweng commended the Bank for issuing MPC press statements in Setswana, noting that the use of national language enhances public understanding of central bank decisions. He also applauded the Bank’s initiative to provide specialised training

for journalists covering economic and financial topics. However, he suggested that the Bank may consider adopting a more targeted and sustained approach to media capacity building. In this regard, he proposed that the Bank identify and develop a dedicated cohort of journalists who regularly report on economic and financial matters, allowing for continuous training and deeper engagement over time. Such an approach would help strengthen the quality and consistency of economic reporting and improve public understanding of monetary policy and broader economic development. He also emphasised the importance of post-MPS launch media briefings and the use of simplified language to make complex economic terms more accessible to the public. He encouraged the Bank to be more deliberate in helping people understand and accept the long-term benefits of policy decisions

highlighting the importance of developing stronger domestic production capabilities. She encouraged financial institutions to conduct comprehensive cash flow assessments when evaluating funding applications and to consider the long-term viability of business projects, rather than relying solely on historical financial statements. She further recommended the introduction of credit guarantee schemes and stronger collaboration between government and development finance institutions to support viable local businesses. Additionally, she emphasised the need to enhance financial literacy and awareness of alternative investment opportunities. Finally, she stressed the importance of prudent management of public funds to ensure measurable and sustainable economic outcomes.

2.7 Ms Mbaakanyi highlighted the value of the fireside chat in promoting transparency around key economic and policy developments. She noted that recent changes in interest rates, exchange rate parameters and liquidity conditions have had implications for business investment decisions. Higher capital costs have increased production expenses, affecting business strategies, while tighter liquidity conditions have constrained access to finance, particularly SMEs, with some exiting the market. These challenges underscore the importance of coordinated structural reforms aimed at strengthening the domestic business environment. She added that Business Botswana continues to monitor the outcomes of previously implemented policies to assess their effectiveness and ensure alignment with Botswana Economic Transformation Programme (BETP) initiatives.

2.8 Ms Mbaakanyi also acknowledged the challenges associated with declining foreign exchange reserves and the need for exchange rate adjustments. She observed that many businesses in Botswana rely heavily on imported machinery and production inputs,



### 3. Contributions from the Audience



**Distinguished government officials and key stakeholders who attended the event.**

- 3.1 Several participants from the audience emphasised that the current economic slowdown should be viewed within the broader context of Botswana's long-recognised structural dependence on diamond revenues. The discussions highlighted that the present environment underscores the importance of accelerating structural reforms aimed at strengthening economic diversification and enhancing economic resilience. Participants noted that this transition requires coordinated policy efforts, including maintaining fiscal discipline, broadening the domestic tax base and improving the efficiency of public expenditure.
- 3.2 Participants also underscored the importance of preserving strong institutional integrity and ensuring that economic policy decisions remain guided by sound technical analysis and the national interest. In this regard, the Bank was encouraged to continue providing impartial and evidence-based economic advice to support informed policy formulation and macroeconomic stability.
- 3.3 From the banking sector perspective, Mr Chose Modise, CEO of Stanbic Bank, highlighted the operational realities faced by commercial banks, noting that their core role involves mobilising deposits and extending credit to the economy. He observed that the recent moratorium on increases in prime lending rates poses challenges for commercial banks, particularly in an environment where large depositors demand higher returns on deposits. In this regard, he expressed the view that a similar moratorium on deposit interest rates could be considered in order to prevent further escalation in banks' funding costs and maintain balanced lending conditions.
- 3.4 Audience participants also raised questions regarding the growing challenge of misinformation and "fake news" in relation to economic policy communication.

In response, panelists noted that misinformation can best be addressed through consistent communication of accurate information across multiple platforms, including traditional media and social media. It was further emphasised that even when policy decisions may be difficult or unpopular, clearly articulating the rationale behind such decisions and maintaining consistency in messaging are critical for strengthening public understanding and trust.




3.5 Another question raised by participants related to the extent of dialogue between the business community and policymakers, including whether there was a need to revive the High-Level Consultative Council

(HLCC). In response, panelists acknowledged that engagement between stakeholders does take place, but that there remains scope to strengthen structured dialogue. In this regard, it was noted that platforms such as the HLCC could play an important role if revitalised with a stronger focus on solution-oriented discussions aimed at addressing key economic and business environment challenges.

3.6 Overall, the fireside chat was well received and generated focused, engaging and insightful discussions among participants.



Website: [www.bankofbotswana.bw](http://www.bankofbotswana.bw) | Email: [info@bob.bw](mailto:info@bob.bw) | Tel: 360 6000

 BankofBotswana  @BankofBotswana  Bank of Botswana