

BANK OF BOTSWANA

2023 Media Economic Briefing - Introductory Remarks

by

Moses D Pelaelo
Governor

July 26, 2023

Distinguished Guests of the Media and Senior
Management,

Good morning.

Let me thank you, Members of the Media for joining us, in-person and virtually, for this Press Conference the purpose of which is to share with you, and through you, the contents of the 2022 Bank of Botswana Annual Report. In accordance with Section 68(1) of the Bank of Botswana Act, the 2022 Bank of Botswana Annual Report was presented to the Minister of Finance on March 29, 2023, who, in turn, submitted copies of the same to the National Assembly by April 30, 2023. The Report covers operations and the 2022 audited financial statements of the Bank. Furthermore, in accordance with Section 28 of the Banking Act, the Bank submitted to the Minister of Finance, the Banking Supervision Annual Report on June 21, 2023 which provides highlights of the performance of the banking

sector and activities of the Bank in administering the Banking Act.

In addition to these public and statutory accountability obligations, the Bank highly appreciates the opportunity to undertake these economic briefings and engagement with the stakeholder community on its operations and financial performance, as well as share perspectives on the broader national development agenda.

This morning, as the agenda reflects, we have four presentations. **First**, is a report on economic developments in 2022 and updates so far into 2023, by the Director of Research and Financial Stability Department, Mr Innocent Molalapata. Mr Molalapata's highlights will indicate that the economic growth rate for Botswana continues to be modest and lower than the rate required for transition to high-income status by 2036; that there has been recovery in the balance of payments against the background of improvements in diamond exports and that the exchange rate policy continues to be supportive of domestic industry competitiveness. Mr Molalapata will also report that inflation peaked at a high rate of 14.6 percent in August 2022, but has since fallen to within the 3 – 6 percent medium-term objective range; and that the monetary policy stance is unchanged since August 2022, with modest

rate of increase in credit, while the banking sector continues to be sound and resilient. That said, there continue to be risks to global economy, in the main due to ongoing geo-political tensions, global fragmentation, monetary policy tightening and episodes of banking distress as well as climate change.

The second presentation is on the 2022 Theme Topic which is titled “**Building Economic Resilience: Fiscal, External Sector Sustainability and Climate Change Resilience**”. The summary will be presented by Deputy Director, Research and Financial Stability Department, Dr Leonard Setshegetso.

While recognising that the subject of economic resilience and sustainability is multi-faceted in nature, covering a broad range of socioeconomic and environmental issues, the Bank decided to focus on three key aspects, namely fiscal sustainability, external sector sustainability and climate change and adaptation for resilience.

In the context of the current challenges and stage of development, these are considered to be some of the key aspects in fostering overall economic resilience for Botswana as well as transition to high-income status by

2036, and realisation of the Vision 2036 aspirations. The main themes relate to, **one**, elevate in public discourse and mind-set-change-campaign, the export-led growth strategy and integration into global production and service value chains necessary to sustain economic diversification efforts. This is key to addressing the high unemployment rate, grow the middle class and, therefore, ameliorate income inequality and poverty rates. **Two**, is the rebuilding of fiscal buffers through optimising domestic resource mobilisation including tax coverage and more targeted subsidies, rationalisation of expenditure to be growth enhancing and accelerating privatisation of state-owned enterprises. **Three**, is recognition of potentially adverse impact of climate change on economic performance and livelihoods while there are prospective economic, business and enterprise opportunities that could be derived from climate mitigation and transition initiatives as part of the economic diversification agenda and infrastructure development programmes.

The third presentation will be on the management of the foreign exchange reserves and related capital markets by the Director, Financial Markets Department, Mr Caster Moseki. This will be followed by a fourth presentation on the highlights of the Bank's 2022 financial performance and

operations of the Bank, with updates so far into 2023 by the Bank's Chief Financial Officer, Mr Daniel Loeto. Between Mr Moseki and Mr Loeto, you will be apprised of the exceptional difficult global markets in 2022, which led to the Bank recording substantially high fair value losses. These adverse global market developments negatively affected the level of foreign exchange reserves and portfolio returns notwithstanding the positive balance of payments in 2022 on the back of improved performance of the diamond exports. Fortunately, there was no need for portfolio rebalancing in 2022, hence, while the global markets performed poorly, most of the losses in the portfolio were unrealised; it was just book entry losses to reflect the then market valuations (that is as at December 31, 2022). Kgomo di ne di bopame! Both Mr Moseki and Mr Loeto will, however, highlight the notable improvement in 2023, with an increase in the level of foreign exchange reserves and months of import cover.

The dividend paid to Government in 2022 was P425.5 million; compared to P3.5 billion in 2021; P2.9 billion in 2020 and P4.1 billion in 2019.

Lastly, I wish to acknowledge, that the performance of the Bank and the analytical work as would be presented here

today reflect the collective contributions of dedicated Bank staff across all levels and functions, ably supported and guided by the Board, as well as the cordial institutional relationships with Government and other public sector agencies.

I will now ask the Director of Research and Financial Stability Department, Mr Innocent Molalapata, to start the presentations for today's Economic briefing.

Mr Molalapata Sir.