

BANK OF BOTSWANA

Press Release

Monetary Policy Committee Meets

June 15, 2016

The meeting of the Monetary Policy Committee held on June 15, 2016 concluded that the outlook for price stability remains positive, with the forecast pointing to inflation staying within the 3 – 6 percent objective range in the medium term.

Global output is projected to grow by 3.2 percent in 2016 and 3.5 percent in 2017, compared to the estimate of 3.1 percent in 2015. However, economic performance across the globe remains uneven, with challenges relating to economic restructuring in both developed and emerging market economies constraining medium-term growth prospects.

In Botswana, GDP is estimated to have contracted by 0.3 percent in 2015, compared to the 3.2 percent growth of 2014, thus reflecting the contraction of 19.7 percent in mining production. Non-mining output increased by 3.5 percent. Inflation decreased from 3 percent in March to 2.8 percent in April 2016. Low domestic demand pressures and subdued foreign price developments contribute to the positive inflation outlook in the medium term. This outlook is subject to downside risks emanating from sluggish global economic activity and the resultant low commodity prices. It could, however, be adversely affected by any unanticipated large increase in administered prices and government levies as well as in international oil and food prices beyond current forecasts.

The current state of the economy and both the domestic and external economic outlook, including the inflation forecast, suggest that the prevailing monetary policy stance is consistent with maintaining inflation within the Bank's medium-term objective range of 3 - 6 percent. In the circumstances, the Monetary Policy Committee decided to maintain the Bank Rate at 6 percent.

Monetary policy is also aligned with the need to safeguard financial stability. In this respect, credit growth is considered to be at a sustainable level; it is posing no threat to financial stability.