

## **BANK OF BOTSWANA**

### **Press Release**

#### **Monetary Policy Committee Meeting**

**September 26, 2014**

##### **Introduction**

The meeting of the Monetary Policy Committee held on September 26, 2014 concluded that the medium-term outlook for price stability remains positive, with forecasts suggesting that inflation will remain within the 3 – 6 percent objective range.

##### **Economic Outlook and Assessment of Risks**

Global output is estimated to have grown by 3.2 percent in 2013 and is projected to increase by 3.4 percent in 2014 and 4 percent in 2015, buoyed by improving performance in advanced economies and continuing strong growth in emerging markets. However, world GDP growth remains modest, thus reflecting restrained demand and capacity underutilisation in major economies as well as the high unemployment rates that continue to dampen worldwide inflation.

Botswana's overall output growth is estimated at 5.9 percent in the twelve months to March 2014, due to the 14.2 percent and 4.6 percent increase in mining and non-mining output, respectively. It is anticipated that non-mining economic activity will remain below potential in the short term, albeit with a closing output gap in the medium term, thus implying modest domestic demand pressures on inflation going forward. The impact of domestic demand on economic activity in the short term is in the context of sluggish growth in personal incomes.

Inflation increased slightly from 4.5 percent in July to 4.6 percent in August 2014. Weak domestic demand and the projected benign external price developments tend to result in a positive inflation outlook in the medium term. However, this outlook could be adversely affected by any unanticipated large increase above the current forecast for administered prices, government levies and/or international oil prices.

**Monetary Policy Stance**

The current state of the economy, domestic and external economic prospects as well as the inflation outlook suggest that the current monetary policy stance is consistent with maintaining inflation within the Bank's 3 – 6 percent objective in the medium term. Accordingly, the Monetary Policy Committee decided to maintain the Bank Rate at 7.5 percent.

Monetary policy is also aligned with the need to safeguard financial stability. The Bank recognises that developmental aspects, including balanced economic growth, enhanced financial inclusion and consumer welfare help promote financial stability and effective transmission of policy to achieve price stability. In this regard, credit growth is deemed to be supportive of economic activity, with household debt assessed to be at sustainable levels and posing no threat to financial stability.

The Bank remains committed to responding appropriately to all economic and financial developments with a view to ensuring price stability, financial stability and sustainable economic growth.