

PRESS RELEASE



Monetary Policy Committee Meeting Outcome

April 22, 2014

Introduction

The meeting of the Monetary Policy Committee (MPC) held on April 22, 2014 concluded that the medium-term outlook was positive, with inflation forecast to remain within the 3 – 6 percent objective range in the short to medium term.

Economic Outlook and Assessment of Risks

World output is estimated to have increased by 3 percent in 2013 and is forecast to expand by 3.6 percent in 2014, supported by higher growth in advanced economies and sustained strong performance in emerging markets. Moderate global growth, subdued demand, capacity underutilisation and high unemployment rates in major economies continue to restrain world inflation.

In Botswana, the economy is estimated to have expanded by 5.9 percent in 2013 thus reflecting the 10.6 percent growth in mining output and 5.2 percent for the non-mining sector. It is expected that non-mining GDP will remain below potential in the medium term and this will result in low inflationary pressures. The influence of demand on economic activity is projected to be modest, largely reflecting trends in government expenditure and personal incomes.

Inflation decreased from 4.6 percent in February to 4.4 percent in March 2014 and was within the Bank's objective range of 3 – 6 percent. Moderate domestic demand and the projected benign external price developments contribute to the positive inflation outlook in the medium term. However, this outlook could be adversely affected by any unanticipated large increase in administered prices and government levies, as well as international food and oil prices beyond the current forecast.

Monetary Policy Stance

The current state of the economy, domestic and external economic outlook and the inflation forecast, 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.