

BANK OF BOTSWANA

Press Release

Monetary Policy Committee Meets

April 26, 2016

The meeting of the Monetary Policy Committee held on April 26, 2016 concluded that the outlook for price stability is positive, with the forecast pointing to inflation remaining within the 3 – 6 percent objective range in the medium term.

Global output is projected to grow by 3.2 percent and 3.5 percent in 2016 and in 2017, respectively, compared to the 2015 estimate of 3.1 percent. However, economic performance across the globe is 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 in 2014, thus reflecting a decline of 19.7 percent in mining production. Non-mining output increased by 3.5 percent. Inflation was unchanged at 3 percent between February and March 2016. Modest domestic demand and subdued foreign price developments contribute to the positive inflation outlook in the medium term. The outlook is subject to downside risks emanating from sluggish global economic activity and the resultant weakening commodity prices. It could, however, be adversely affected by any unanticipated large increase in administered prices and government levies as well as international oil and food prices beyond current forecasts.

The current state of the economy, domestic and external economic outlook and 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. Accordingly, 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 regard, credit growth is considered to be at a sustainable level; it is posing no threat to financial stability.