

BANK OF BOTSWANA

Press Release

Monetary Policy Committee Meeting

April 9, 2015

Introduction

The meeting of the Monetary Policy Committee held on April 9, 2015 concluded that the medium-term outlook for price stability remains positive, with inflation forecast within the 3 – 6 percent medium-term objective range.

Economic Outlook and Assessment of Risks

Global output is projected to increase by 3.5 percent in 2015, compared to the estimated growth of 3.3 percent in 2014, and 3.7 percent in 2016 due to improving performance in advanced economies, supported by low oil prices. However, growth dynamics differ among countries while geopolitical risks and structural impediments constrain medium-term growth prospects.

For Botswana, total GDP growth is estimated at 4.4 percent in 2014, in this way reflecting the 4.5 percent and 4.4 percent expansion in mining and non-mining output, respectively. Inflation fell from 3.6 percent in January to 2.8 percent in February 2015, following a decrease in domestic fuel prices. Modest domestic demand pressures and benign foreign price developments contribute to the positive inflation outlook in the medium term. The inflation outlook is subject to downside risks associated with weak global economic activity and low commodity prices, although the shortfall in regional food production present an upside risk. This outlook could be adversely affected by any unanticipated larger increase than the current forecasts for administered prices, government levies and international food and oil prices.

Monetary Policy Stance

The current state of the economy and both the domestic and external economic outlook as well as the inflation forecast suggest that the prevailing monetary policy stance is consistent with

maintaining inflation in the medium term within the Bank's objective range of 3 – 6 percent. In the circumstances, the Monetary Policy Committee decided to maintain the Bank Rate at 6.5 percent.

Monetary policy is also aligned with the need to safeguard financial stability. In this respect, credit growth is considered to be supportive of economic activity, with household debt assessed to be at a sustainable level and, therefore, posing no threat to financial stability.