

BANK OF BOTSWANA

Press Release

Monetary Policy Committee Meeting

December 16, 2014

Introduction

The meeting of the Monetary Policy Committee held on December 16, 2014 concluded that the medium-term outlook for price stability remains positive, with inflation forecast to remain within the medium term objective range of 3 – 6 percent.

Economic Outlook and Assessment of Risks

Global output is projected to increase by 3.3 percent in 2014 (same as in 2013) and by 3.8 percent in 2015, due to improving performance in advanced economies and continuing strong growth in emerging market economies. However, the pattern of growth across the globe remains mixed, while geopolitical risks, financial stability concerns and structural impediments constrain medium-term growth prospects.

For Botswana, overall GDP growth is estimated at 5.2 percent in the twelve months to June 2014, thus reflecting the 8.3 percent and 4.7 percent expansion in mining and non-mining output, respectively. Inflation was unchanged at 4.3 percent between October and November 2014. Modest domestic demand pressures and benign foreign price developments contribute to 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 food 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 monetary policy stance is consistent with maintaining inflation within the Bank's medium term objective range of 3 – 6 percent. Hence, 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. 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. Similarly, the commercial banks liquidity situation, as augmented by Bank of Botswana facilities and instruments, is deemed to be sustainable and allowing for sound banking operations in support of economic activity.