

# **BANK OF BOTSWANA**

## **Press Release**

### **Monetary Policy Committee Meets**

**February 17, 2016**

The meeting of the Monetary Policy Committee held on February 17, 2016 concluded that the outlook for price stability remains positive, with the forecast pointing to inflation staying within the 3 - 6 percent objective range in the medium-term.

Global output is projected to grow by 3.4 percent in 2016 and 3.6 percent in 2017 compared to the estimate of 3.1 percent in 2015. However, growth performance across the globe remains uneven, with challenges relating to economic restructuring in both developed and emerging market economies constraining medium-term prospects.

In Botswana, GDP growth is estimated at 1.2 percent in the twelve months to September 2015 compared to the revised 4.1 percent in the corresponding period in 2014, thus reflecting the contraction of 11.8 percent in mining production. Non-mining output increased by 3.7 percent. Inflation fell from 3.1 percent in December to 2.7 percent in January 2016. Low domestic demand pressures and subdued foreign price developments contribute to the positive inflation outlook in the medium term. This outlook is subject to downside risks arising 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 and both the domestic and external economic outlook, including 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. In the circumstances, 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 respect, credit growth is considered to be at a sustainable level; it is posing no threat to financial stability.