



**February 7, 2014**

## **Monetary Policy Committee Decision**

### **Introduction**

The February 7, 2014 meeting of the Monetary Policy Committee (MPC) concluded that the medium-term outlook is positive, with inflation forecast to remain within the 3 – 6 percent objective range in the medium term.

### **Economic Outlook and Assessment of Risks**

World output is estimated to have increased by 3 percent in 2013 and is forecast to rise by 3.7 percent in 2014. Global economic activity is expected to improve, supported by higher growth rates in advanced economies and sustained strong performance in emerging markets economies. Modest world output growth and subdued demand, including low capacity utilisation and high unemployment rates in major economies, continue to restrain world inflation.

Botswana's GDP growth in the 12 months to September 2013 is estimated at 5.9 percent due to a rebound in mining production at 11 percent and 5.1 percent expansion in non-mining output. It is expected that non-mining output will remain below potential in the medium term and generate low inflationary pressures. The influence of demand on economic activity is projected to be moderate, largely reflecting trends in government expenditure and personal incomes.

Inflation was constant at 4.1 percent between November and December 2013 and was within the Bank's objective range of 3 – 6 percent. Moderate domestic demand and the forecast 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 increasing

to levels beyond the current forecast. An increase in demand and inflation expectations arising from a substantial wage adjustment could also change the outlook for inflation.

### **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 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.