

BANK OF BOTSWANA

Press Release

Monetary Policy Committee Meets

June 10, 2015

Introduction

The meeting of the Monetary Policy Committee held on June 10, 2015 concluded that the medium-term outlook for price stability remains positive, with the forecast remaining within the 3 – 6 percent medium-term objective range.

Economic Outlook and Assessment of Risks

Global output is projected to grow by 3.5 percent in 2015, compared to the estimated 3.4 percent in 2014, and the forecast 3.8 percent in 2016. However, there are differing growth patterns across regions, with geopolitical risks and structural impediments constraining medium-term prospects.

For Botswana, GDP growth is estimated at 4.4 percent in 2014, thus reflecting the 4.5 percent and 4.4 percent expansion in mining and non-mining output, respectively. Inflation increased from 2.8 percent in March to 3.1 percent in April 2015, following the upward adjustment in electricity and water tariffs. Modest domestic demand pressures and benign foreign price developments contribute to the positive inflation outlook in the medium term. This is subject to downside risks associated with weak global economic activity and subdued commodity prices. However, the shortfall in regional food production presents an upside risk to inflation. Furthermore, the inflation outlook could be adversely affected by any unanticipated increase beyond the current forecasts for administered prices, government levies and international oil prices.

Monetary Policy Stance

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 6.5 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 and at a sustainable level, thus posing no threat to financial stability.