

BANK OF BOTSWANA

Press Release

Monetary Policy Committee Meets

October 21, 2015

The meeting of the Monetary Policy Committee held on October 21, 2015 concluded that the medium-term outlook for price stability remains positive, with inflation forecast to be close to the lower bound of the 3 – 6 percent medium term objective range.

Global output is projected to grow by 3.1 percent in 2015, compared to the estimated 3.4 percent of 2014 and the 3.6 percent forecast of 2016. However, global growth is 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 4.2 percent in the twelve months to June 2015, compared to 6.1 percent in the corresponding period in 2014, thus reflecting the lower expansion of 1.3 percent and 4.8 percent in mining and non-mining output, respectively. Inflation decreased from 3 percent in August to 2.9 percent in September 2015, mainly due to the downward adjustment in domestic fuel prices. Low domestic demand pressures and subdued foreign price developments contribute to the positive inflation outlook in the medium term. However, this is subject to downside risks arising from the sluggish global economic activity and the resultant weakening commodity prices. The inflation outlook could 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 regard, credit growth is considered to be at a sustainable level; it is posing no threat to financial stability.