



Press Release

Monetary Policy Committee Meets

February 26, 2019

Bank Rate unchanged at 5 percent

At the meeting held on February 26, 2019, the Monetary Policy Committee (MPC) of the Bank of Botswana decided to maintain the Bank Rate at 5 percent. The outlook for price stability remains positive as inflation is forecast to remain within the Bank's 3 – 6 percent objective range in the medium term. Inflation fell from 3.8 percent in November to 3.5 percent in December 2018.

Subdued domestic demand pressures and the modest increase in foreign prices contribute to the positive inflation outlook in the medium term. This outlook is subject to upside risks emanating from the potential rise in administered prices, in particular, domestic fuel prices and government levies and/or taxes, beyond current forecasts. However, restrained growth in global economic activity, technological progress and productivity improvement present downside risks to the outlook.

Real GDP grew by 5.1 percent in the twelve months to September 2018, compared to a lower expansion of 2.4 percent in the year to September 2017, influenced by recovery in mining output and continued improvement in non-mining sectors. Mining output expanded by 4 percent in the year to September 2018, compared to a contraction of 12.4 percent in the corresponding period ending September 2017. For the same period, non-mining GDP grew by 5.2 percent from 4.4 percent.

GDP is projected to increase by 4.2 percent in 2019, lower than the estimate of 4.5 percent for 2018. The significant influences on domestic economic performance include conducive financing conditions as indicated by accommodative monetary policy and sound financial environment that facilitates policy transmission, intermediation and risk mitigation. Moreover, it is anticipated that an increase in government spending, as well as implementation of initiatives such as the doing business reforms, should also be supportive of economic activity. Overall, it is anticipated that the economy will operate close to, but below full capacity in the short to medium term, thus posing no upside risk to the inflation outlook.

Global output is expected to grow by 3.5 percent in 2019, from an estimated expansion of 3.7 percent in 2018. Protectionist trade policies, tightening financial conditions, a no-deal Brexit and weaker growth in China than currently projected could negatively affect the medium-term growth prospects. Regionally, the South African Reserve Bank forecast an improvement in growth to 1.7 percent in 2019, from an estimated 0.7 percent in 2018.

The current state of the economy and the outlook for both domestic and external economic activity suggest that the prevailing monetary policy stance is consistent with maintaining inflation within the objective range of 3 – 6 percent in the medium term. Consequently, the MPC decided to retain the Bank Rate at 5 percent.

The next full update of the Bank's outlook for the domestic economy and inflation will be published a week after the MPC meeting of April 24, 2019 in the Monetary Policy Report. The remaining MPC meetings for 2019 are scheduled as follows:

April 24, 2019

June 27, 2019

August 29, 2019

October 31, 2019

December 5, 2019