



## **Monetary Policy Committee Meeting Outcome**

**June 16, 2014**

### **Introduction**

The meeting of the Monetary Policy Committee held on June 16, 2014 concluded that the medium-term outlook remains positive, with inflation forecast being in the 3 – 6 percent medium-term objective range.

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

World output is estimated to have increased by 3 percent in 2013 and it is projected to expand by 3.6 percent in 2014, underpinned by a higher growth momentum in advanced economies and relatively strong performance in emerging markets. Moderate global GDP expansion, subdued demand and capacity underutilisation, including high unemployment rates in major economies continue to restrain worldwide inflation.

In Botswana, it is estimated that GDP expanded by 5.9 percent in 2013, reflecting growth of 10.6 percent and 5.2 percent in mining and non-mining output, respectively. It is expected that non-mining economic activity will remain below the potential level in the medium term. The influence of demand on economic activity is projected to be modest, largely reflecting trends in government expenditure and personal incomes.

Inflation was stable, at 4.5 percent, in April and May 2014, and was within the Bank's medium-term objective range of 3 – 6 percent. Weak domestic demand and the projected 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 higher than currently forecast international oil prices.

**Monetary Policy Stance**

The current state of the economy, domestic and external economic prospects, and the inflation outlook, 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.