



## **Press Release**

### **Monetary Policy Committee Meets**

**April 24, 2019**

#### **Bank Rate unchanged at 5 percent**

**At the meeting held on April 24, 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 was unchanged at 3.3 percent between February and March 2019.**

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 4.5 percent in 2018, compared to a lower expansion of 2.9 percent in 2017. This was mainly attributable to the continued good performance in non-mining sectors and the recovery in mining output. Mining output expanded by 7.4 percent in 2018, compared to a contraction of 11.1 percent in 2017. Non-mining GDP grew by 4.1 percent in 2018, compared to 4.8 percent in 2017.

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

Global output growth is expected to ease to 3.3 percent in 2019, from an estimated expansion of 3.6 percent in 2018. This moderation in global growth was as a result of various country specific factors. These include, amongst others: trade tensions which could flare up again thereby hampering confidence, investment and growth, continuing policy uncertainty, possible slower growth in China, a “no-deal” Brexit, tightening financial conditions, geopolitical risks and high debt levels. Regionally, the South African Reserve Bank revised its forecasts for GDP growth for 2019 downwards to 1.3 percent from 1.7 percent. This results from the larger than expected slowdown in the global economy, decline in business confidence and potential supply-side disruptions from load shedding.

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.

In line with the reforms to monetary operations announced at the beginning of the year, the Bank will, with effect from April 30, 2019, introduce a new 7-day Bank of Botswana Certificate (BoBC) as the main instrument for conducting monetary operations to replace the existing 14-day BoBC. It is important to emphasise that the move to the 7-day BoBC represents a purely technical change to the conduct of monetary operations with no shift to the monetary policy stance.

The Monetary Policy Report containing a full update of the Bank's outlook for the domestic economy and inflation will be published on the Bank's website on May 2, 2019. The remaining MPC meetings for 2019 are scheduled as follows:

June 27, 2019

August 29, 2019

October 31, 2019

December 5, 2019