Press Release

Monetary Policy Committee Meets

20 February 2025

At the meeting held on 20 February 2025, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 1.9 percent.

ECONOMIC ENVIRONMENT

As reported by Statistics Botswana, real gross domestic product (GDP) declined by 4.3 percent in the third quarter of 2024, compared to a growth of 1.1 percent in the corresponding quarter in 2023. This marks the third consecutive decline in GDP, following contractions of 5.2 percent and 0.4 percent in the first and second quarters of 2024, respectively, indicating that the economy is in a recession. The contraction in economic activity is mainly attributable to the decline in diamond mining output and revenues. This contraction is further compounded by the weaker performance in non-mining sectors. As a result, export earnings declined, constraining government spending and dampening overall economic activity in the second half of 2024.

According to the January 2025 International Monetary Fund World Economic Outlook Update, global output is estimated to have expanded by 3.2 percent in 2024 and is forecast to grow by 3.3 percent for both 2025 and 2026. Geoeconomic fragmentation has led to heightened uncertainty in economic (trade and fiscal) policy, which may undermine the anticipated global economic growth due to increased tariffs and tight fiscal policy stances. For Botswana, estimates from the

2025 Budget Speech indicate that the economy contracted by 3.1 percent in 2024. The decline is mainly due to the downturn in the diamond industry, driven by weak global demand. The 2025 Budget Speech also projects the domestic economy to recover, but grow below its potential at 3.3 percent, premised on the recovery of the diamond industry in the latter part of the year.

INFLATION

As reported by Statistics Botswana, headline inflation increased from 1.7 percent in December 2024 to 2.5 percent in January 2025, remaining below the lower bound of the medium-term objective range of 3 – 6 percent. The increase in inflation was mainly due to the dissipating impact, from the inflation calculation, of the downward adjustment in domestic fuel prices on 21 December 2023, which reduced headline inflation by 0.42 percentage points in January 2024[1]. Furthermore, inflation rose on account of the acceleration in the rate of annual price changes of some categories of goods and services. The MPC forecasts inflation to remain low into the medium term, averaging 3.9 percent in 2025 and 5 percent in 2026. The risks to the inflation outlook are, thus, assessed to be balanced.

The MPC observes that inflation could be higher than projected if international commodity prices were to increase above current forecasts, and supply as well as logistical constraints in the global value chains persist. Tariffs announced by the new US government and reciprocal tariffs from its trading partners are also expected to be inflationary. However, inflation could be lower than projected due to subdued domestic and global economic activity, limited fiscal space and the potential fall in international oil prices beyond current forecasts. The inflation outcomes could also be affected by possible changes in administered prices not factored in the current projection. The recently announced budget for fiscal year 2025/26 is relatively modest, hence it is expected to have a muted impact on the inflation outlook.

---

1 The cut-off date for price collection surveys by Statistics Botswana is the 20th of every month. Therefore, the decrease effected on 21 December 2023 fell outside the period used for the calculation of inflation. Hence, the impact was realised in January 2024.

DECISION

As previously observed, the economy is expected to operate below full capacity in the short term, even with a 3.3 percent growth, and recover marginally in the medium term. This should not generate demand-driven inflationary pressures. Thus, inflation is forecast to remain within the objective range in the medium term. Similarly, businesses expect inflation to be within the medium-term objective range, suggesting that inflation expectations are well anchored.

Given the current economic conditions and the outlook for both domestic and external economic activity, as well as the market liquidity condition, the MPC decided as follows:

(a) maintain the MoPR at 1.9 percent;

(b) the 7-day Bank of Botswana Certificates auctions, repos and reverse repos will be conducted at the MoPR of 1.9 percent;

(c) the Standing Deposit Facility (SDF) Rate is maintained at 0.9 percent, 100 basis points below the MoPR;

(d) the Standing Credit Facility (SCF) Rate is maintained at 2.9 percent, 100 basis points above the MoPR; and

(e) the Primary Reserve Requirements (PRR) rate will be maintained at zero

MEETINGS OF THE MPC

The MPC meetings for 2025 are scheduled as follows:

17 April 2025

19 June 2025

21 August 2025

30 October 2025

4 December 2025

Note to Editors

The MPC, chaired by the Governor, is a statutory committee established by the Bank of Botswana (Amendment) Act, 2022. The Committee comprises nine members, four of whom are external members.

Mr Cornelius K Dekop	—	Governor (Chairman)
Dr Kealeboga S Masalila	—	Deputy Governor
Mr Lesego C Moseki	—	Deputy Governor
Mr Innocent Molalapata	—	Director, Research and Financial Stability
Ms Baitshenotse N Mmopelwa	—	Acting Director, Financial Markets
Prof Patricia Makepe	—	External Member
Dr Pinkie Kebakile	—	External Member
Dr Onkokame Mothobi	—	External Member
Dr Taufila Nyamadzabo	—	External Member

Annex: Inflation Forecast Summary for February 2025 MPC Meeting

	Actual					**Forecast**									
	2024					**2025**					**2026**				
	Q1	**Q2**	**Q3**	**Q4**	**Annual Average**	**Q1**	**Q2**	**Q3**	**Q4**	**Annual Average**	**Q1**	**Q2**	**Q3**	**Q3**	**Annual Average**
Inflation	3.6	3.0	3.1	1.7	**2.8**	2.6 (2.1)	3.4 (2.9)	4.3 (3.7)	5.1 (4.4)	**3.9** **(3.3)**	4.9 (4.7)	4.9 (4.9)	5.0 (5.0)	5.0 (5.1)	**5.0** **(4.9)**

Note: Figures in parentheses represent the previous MPC forecast (December 2024)

Factors contributing to the upward revision of the forecast in the short term include the following:

Domestically

Higher inflation outturn for January 2025 than initially projected.

Externally

Upward revision in forecasts for international oil prices.