



Press Release

Monetary Policy Committee Meets

7 November 2024

Monetary Policy Rate maintained at 1.9 percent

At the meeting held on 7 November 2024, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 1.9 percent.

ECONOMIC ENVIRONMENT

Since the last MPC meeting of 22 August 2024, data released by Statistics Botswana show a further contraction in economic activity due to factors that include weaker performance of the non-mining sectors and the impact of lower external demand for mining sector production (especially diamonds). This has led to reduced export earnings, which is constraining government spending and its impact on economic activity.

Real gross domestic product (GDP) declined by 0.5 percent in the second quarter of 2024, compared to a growth of 3.3 percent in the corresponding quarter in 2023. Meanwhile, economic activity remained restrained in the third quarter of 2024.

According to the October 2024 World Economic Outlook, global output growth is forecast at 3.2 percent for both 2024 and 2025, slightly lower than 3.3 percent recorded in 2023. For Botswana, the International Monetary Fund projects domestic economic growth of 1 percent for 2024, down from 2.7 percent in 2023. This decline

is partly due to a downturn in the diamond industry, driven by weak global demand and high inventory levels.

INFLATION

As reported by Statistics Botswana, headline inflation was 1.5 percent in September 2024, breaching the lower bound of the medium-term objective range of 3 – 6 percent. The decline in inflation is mainly due to the diminishing impact of the increase in domestic fuel prices in the corresponding period in 2023 (base effects) and the downward adjustment in domestic fuel prices effected on 11 September 2024. The MPC forecasts inflation to remain low into the medium term, averaging 2.8 percent in 2024, 3.1 percent in 2025 and 5.3 percent in 2026. The risks to the short-term inflation outlook are assessed to be skewed to the downside mainly on account of subdued domestic and global economic activity, limited fiscal space and the potential fall in international commodity prices.

However, in the medium term, 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 chain persist. Furthermore, inflation may rise above current forecasts due to possible upward adjustment in administered prices that are not factored in the current projection.

DECISION

The MPC notes that the prospects for significant economic growth remain limited and that the economy will continue to operate below full capacity in the short term and marginally recover in the medium term. This should not generate demand-driven inflationary pressures. Thus, inflation is forecast to remain low into the medium term, averaging 2.8 percent in 2024, 3.1 percent in 2025 and 5.3 percent in 2026. 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, the MPC decided to maintain the MoPR at 1.9 percent.

Accordingly,

- (a) the 7-day Bank of Botswana Certificates auctions, repos and reverse repos will be conducted at the MoPR of 1.9 percent;
- (b) the Standing Deposit Facility (SDF) Rate is maintained at 0.9 percent, 100 basis points below the MoPR; and
- (c) the Standing Credit Facility (SCF) Rate is maintained at 2.9 percent, 100 basis points above the MoPR.

MEETINGS OF THE MPC

The remaining MPC meeting for this year is scheduled for 5 December 2024.

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
Dr Tshokologo A Kganetsano	—	Deputy Governor
Mr Innocent Molalapata	—	Director, Research and Financial Stability
Mr Lesego C Moseki	—	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 October 2024 MPC Meeting

	Actual						Forecast									
	2023			2024			2024		2025					2026		
	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3
Inflation	2.0	3.5	5.2	3.6	3.0	3.1	1.5	2.8	1.7	2.6	3.6	4.6	3.1	5.1	5.3	5.3
							(2.1)	(3.0)	(2.2)	(3.0)	(3.6)	(4.0)	(3.2)	(4.4)	(4.6)	(4.8)

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

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

Domestically

1. The reduction in fuel prices effected on 11 September 2024.
2. The subdued economic activity.

Externally

Downward revision in forecasts for international oil prices and trading partner inflation.