



Press Release

Monetary Policy Committee Decision

17 April 2025

Monetary Policy Rate maintained at 1.9 percent

At the meeting held on 17 April 2025, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 1.9 percent.

The MPC met at a time when the global economy is experiencing heightened uncertainty due to shifting trade policies manifested by series of imposition of reciprocal trade tariffs.

For Botswana, the import tariff rate for exports to the United States of America (USA) was set at 37 percent, which, however, has been put on hold for 90 days. One of the effects of this could be an adverse impact on Botswana's exports to the USA. We expect that the forthcoming April 2025 World Economic Outlook (WEO) publication by the International Monetary Fund (IMF) will provide comprehensive analysis of the likely trajectory of the global economy in this environment. Relatedly, recent developments have led to a significant drop in international oil prices, which, if sustained, could result in lower domestic inflation.

The domestic economy faces challenges relating to inadequate traction of transformation policy initiatives, thus lack of economic diversification and weakening fiscal and external position. The recent credit rating reviews by Moody's and S&P Global Ratings also allude to these factors. Hence, the need for all policy

frameworks to be aligned towards building economic resilience. For example, fiscal policy in terms of enhanced resource mobilisation, rationalisation of expenditure and rebuilding fiscal and external buffers that enable continued policy discretion not influenced by any need for external support.

At the previous briefing, it was pointed out that our economy was in a recession in 2024 but was projected to improve. However, there is possibility that this recovery may be muted. Indeed, the challenges faced now and those ahead require effective design and implementation of sound policies and achievement of high levels of productivity across all our initiatives and efforts to grow the economy. Notwithstanding, the MPC deliberations and decisions continue to be undertaken within the Bank's monetary policy framework as recently outlined in the 2025 Monetary Policy Statement.

ECONOMIC ENVIRONMENT

As reported by Statistics Botswana recently, the economy was in a recession in 2024, with real gross domestic product (GDP) contracting by 3 percent, compared to a growth of 3.2 percent in 2023. The 2024 performance was mainly due to the contraction in the mining sector and generally subdued growth in the non-mining sectors.

According to the January 2025 IMF WEO Update, global output is estimated to have expanded by 3.2 percent in 2024 and is forecast to grow by 3.3 percent in 2025 and 2026. The continuing geoeconomic fragmentation and restrictive trade policies have led to heightened economic uncertainty, which may undermine the anticipated global economic growth. For Botswana, projections at the time of the 2025 Budget Speech indicated that the economy would recover in 2025, growing by 3.3 percent. This projection was premised on the anticipated recovery in the diamond sector. As earlier indicated, recovery could be muted due to the ongoing global developments, which include growing competition from other luxury goods and economic challenges in key markets, are undermining the recovery in the diamond market.

INFLATION

As reported by Statistics Botswana, headline inflation increased from 2.7 percent in February 2025 to 2.8 percent in March 2025, but still remaining below the lower bound of the medium-term objective range of 3 – 6 percent. The increase in inflation was mainly due to increases in food and motor vehicle prices. The MPC forecasts inflation to remain low into the medium term, averaging 2.5 percent in 2025 and 4.9 percent in 2026. However, the risks to the inflation outlook are 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 and logistical constraints in the global value chains were to persist. Reciprocal tariffs could also 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 that are not factored in the current projection.

DECISION

As previously observed, the economy is expected to operate below full capacity in the short term, though improving slightly into 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 has 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; and
- (d) the Standing Credit Facility (SCF) Rate is maintained at 2.9 percent, 100 basis points above the MoPR.

MEETINGS OF THE MPC

The MPC meetings for 2025 are scheduled as follows:

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 Department
Ms Baitshenotse N Mmopelwa	—	Acting Director, Financial Markets Department
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 April 2025 MPC Meeting

	Actual					Forecast									
	2024				2025	2025				2026					2027
	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1
Inflation	3.0	3.1	1.7	2.8	2.6	1.8 (3.4)	2.4 (4.3)	3.3 (5.1)	2.5 (3.9)	3.2 (4.9)	5.1 (4.9)	5.5 (5.0)	5.8 (5.0)	4.9 (5.0)	5.1 (5.3)

Note: Figures in parentheses represent the previous MPC forecast (February 2025)

Factors contributing to the downward revision of the forecast include the following:

Domestically

Downward adjustment in water tariffs.

Externally

1. Higher appreciation of the Pula against the South African rand.
2. Downward revision in forecasts for international food and oil prices.
3. Downward revision in forecasts for South Africa inflation in the short term.