BANK OF BOTSWANA

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PRESS RELEASE

GOVERNOR PARTICIPATED IN THE 2025 SPRING MEETINGS OF THE INTERNATIONAL MONETARY FUND

The Governor of the Bank of Botswana, Mr Cornelius K. Dekop, accompanied by a delegation of senior Bank staff, attended the Spring meetings of the International Monetary Fund (IMF) held in Washington DC, United States of America, from 21 to 26 April 2025. Governor Dekop represents Botswana on the Non-Executive Board of the IMF and is also the current chairman of the newly established Africa Group 1 Constituency of the IMF, which comprises all Southern African Development Community (SADC) countries except for the Democratic Republic of Congo (DRC) and Seychelles.

In addition to chairing the IMF's Africa Group 1 Constituency and Panel meetings, Governor Dekop participated in, among others, meetings of the International Monetary and Financial Committee (IMFC), and the Africa Consultative Group meeting with the IMF Managing Director, Ms Kristalina Georgieva, where he led discussions under the sub-theme on "**Trade Integration for Stronger and More Resilient Economic Growth and Diversification**". Furthermore, the Governor held bilateral meetings with relevant Departments of the IMF and representatives of other organisations to discuss issues of mutual interest.

This year's meetings were held against a backdrop of significant global policy shifts, particularly in international trade, and a notable rise in economic uncertainty. The primary focus was on the evolving world economic outlook, identifying and mitigating risks to global financial stability, mounting pressures on fiscal sustainability in many nations, and the unique economic challenges facing Sub-Saharan Africa (SSA), with in-depth discussions on how to safeguard global growth and stability. The economic outlook is dominated by intensifying downside risks, including rising tariffs amid escalating trade disputes, disorderly market corrections amid higher uncertainty, worsening fiscal sustainability, geopolitical tensions, effects of global fragmentation, and weak productivity. Meanwhile, a de-escalation from current tariff rates and new agreements that provide clarity and stability in trade policies could narrow the imbalances, thus lifting global growth.

According to the April 2025 World Economic Outlook (WEO), the global economy is projected to experience slower growth. Global growth is forecast to drop to 2.8 percent this year and 3.0 percent next year, a downgrade of about 0.5 and 0.3 percentage points, respectively, compared to the January 2025 WEO projections. This slowdown is significantly influenced by the escalation of trade tensions, particularly retaliatory tariff increases, which are expected to act as a supply shock for all tariff-implementing countries and a negative demand shock for trading partners. The IMF, attributes much of the downgrade to extremely high policy uncertainty as many governments shift their policy priorities. This is further complicated by eroded policy buffers that have weakened resilience to shocks. The resulting unpredictability of tariffs and policy uncertainty negatively affect economic activity and the outlook, thus, reducing productivity and increasing price pressures. In addition, high cost of borrowing and geopolitical risks, as well as weak productivity will continue to exert downward pressure on economic activity.

It was observed that emerging markets and developing economies face tougher economic conditions partly due to deeper scarring from the recent shocks, including cuts in development assistance financing, narrow fiscal space, and increased debt levels following the COVID-19 pandemic. Therefore, output growth rates for emerging markets and developing economies are expected to moderate from 4.3 percent in 2024 to 3.7 percent in 2025 and 3.9 percent in 2026. Meanwhile, growth in the SSA region is expected to decrease from 4 percent in 2024 to 3.8 percent in 2025, rebounding slightly to 4.2 percent in 2026. This mainly reflects the downward revisions in growth for Nigeria, due to lower oil prices, and South Africa, due to increased uncertainty.

The IMF noted the faster deceleration in global inflation from multidecade highs. However, achieving target price changes (inflation) remains a challenge due to high services inflation and core inflation in some countries. Global headline inflation is expected to decelerate from 5.7 percent in 2024 to 4.3 percent in 2025 and 3.6 percent in 2026. Inflation in advanced economies is projected to slightly decrease from 2.6 percent in 2024 to 2.5 percent in 2025 and further to 2.2 percent in 2026. Although projected to decrease, the forecasts for inflation have been revised upwards for both years, driven by high inflation in the US and United Kingdom. Meanwhile, inflation in emerging markets and developing economies is expected to decrease from 7.7 percent in 2024 to 5.5 percent in 2025 and 4.6 percent in 2026. Main risks to the inflation outlook include increasing trade tensions, policy uncertainty, tighter financial conditions and increased exchange rate volatility. Against this economic background, most central banks are expected to maintain monetary policy agility, tightening where inflation pressures re-emerge, while easing where weak demand dominates. Maintaining monetary policy credibility will be crucial, especially in preventing the de-anchoring of inflation expectations.

Deliberations on corrective macroeconomic policies underscored a strong focus on strengthening economic resilience and achieving macroeconomic and financial stability, as well as securing sustainable growth by increasing factor productivity, addressing macro-critical risks, reducing excessive imbalances, improving debt sustainability, and mitigating disruptive capital flows and exchange rate volatility. It was noted that many countries in SSA experience high levels of debt, narrow fiscal space, high borrowing costs, exchange rate pressures, and persistent fragility. Compounding this, the region continues to be more vulnerable to global external shocks, as well as the threat of rising political instability, and frequent adverse weather events.

Four policy priorities were identified to help countries adapt to these challenges and improve external imbalances: addressing domestic imbalances by implementing structural reforms to diversify funding sources; enhancing governance and the business environment; maintaining monetary policy focus on ensuring price stability; and promoting regional integration to expand markets and integrate supply chains. To address these priorities, SSA countries continue to need additional support from the international community to develop a more inclusive, sustainable, and prosperous future. The IMF committed to maintaining an enabling environment for its member countries to access funding in capital markets and through multilateral development banks. Meanwhile, the IMFC emphasised that in an environment of difficult trade-offs between output growth and inflation, the priority for central banks remains fine-tuning of monetary policy to achieve the primary mandate of price stability. However, central banks were implored to closely monitor and mitigate financial vulnerabilities and risks to preserve financial stability, while harnessing the benefits of innovation.

On IMF governance matters, the IMFC emphasised the importance of reviewing the 16th General Reviews of Quotas (GRQs) in which quota shares should aim at better reflection of members' relative positions in the world economy, while protecting the voice of the poorest members. The Executive Board was directed to develop, by the 2026 Spring Meetings, a set of principles to guide future discussions on IMF quotas and governance, drawing from the deliberations by IMFC Deputies during their meeting in the Kingdom of Saudi Arabia in April 2025. Further, the Committee highlighted the sharpening of surveillance based on analytical rigor, fairness and tailored policy advice. This focus will guide the upcoming reassessment of the Comprehensive Surveillance Review, scheduled for release in 2026, which will define future surveillance priorities and modalities. The IMFC also emphasised reviewing the Financial Sector Assessment Programs to ensure financial surveillance evolves alongside emerging risks to financial stability. Strengthening the effectiveness of IMF-supported programs through a review of Program Design, Conditionality and Short-Term Liquidity Line was highlighted as priority. The Committee called for an assessment of the Global Financial Safety Net, including the role of Regional Financing Arrangements (RFAs), to bolster its capacity to maintain global financial stability. Furthermore, the IMFC highlighted the joint efforts of the IMF and World Bank on the Domestic Resource Mobilization Initiative. This initiative aims to deliver more flexible, integrated support, aligned with policy advice and program design, as set out in the 2024 Capacity Development Strategy Review.

Bilateral discussions were held between the Bank and relevant IMF departments, focusing on Botswana's economic and policy developments. Key areas included cooperation and capacity-building initiatives, along with the provision of technical assistance in macroeconomic modelling and forecasting, macroprudential stress testing, balance of payments, monetary statistics, payments and settlement systems, banking regulatory standards, and legal reforms in the financial sector.

Overall, the meetings were productive and remain instrumental in leveraging international expertise and experience to support the Bank's efforts in advancing domestic economic development and adapting policy frameworks. The next IMF meetings will be held in October 2025.

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