



Press Release

Monetary Policy Committee Meets

26 February 2026

Good afternoon, ladies and gentlemen.

In line with the Bank's transparency and accountability in executing its mandate, yesterday we launched the 2026 Monetary Policy Statement (MPS). The MPS outlines for the benefit of stakeholders the Bank's strategy in executing monetary policy.

GLOBAL AND DOMESTIC CONTEXT

The MPC convened at a time when the global economy continues to experience shifting trade relations and supply chains, heightened geopolitical tensions and policy uncertainty. Despite these challenges, the global economy was resilient in 2025, supported by digital innovation, fiscal and monetary policy as well as increased private sector adaptation. Domestically, when presenting the 2026/27 Budget, the Vice President and Minister of Finance stated that the overall budget deficit for 2025/26 financial year was revised upwards, mainly due to a shortfall in mineral revenue, as the diamond market continues to remain subdued. The Vice President stated that the government has

embarked on a fiscal consolidation programme aimed at strengthening short-to-medium term fiscal sustainability to mitigate these challenges. He observed that these efforts are yielding positive results, including improved mobilisation and prudent management of public resources, enhanced tax administration, stronger revenue collection, and efficiency-focused expenditure reforms.

ECONOMIC ENVIRONMENT

Real gross domestic product (GDP) grew by 0.1 percent in the twelve months to September 2025, marking a modest recovery from the 1.7 percent contraction in the corresponding period of 2024. The recovery was largely supported by growth in non-mining activities. Nonetheless, while this turnaround signals stabilisation of economic activity, the pace of growth remains weak and fragile.

According to the January 2026 IMF World Economic Outlook Update, global economic growth is expected to remain subdued at 3.3 percent in 2026, unchanged from 2025. The modest growth is underpinned by resilient consumption and investment, while heightened policy uncertainty, particularly surrounding trade, industrial and fiscal policies, continues to weigh down on growth prospects. For Botswana, the Ministry of Finance projects an economic contraction of 0.4 percent in 2025, mainly on account of the continued weak performance of the diamond mining sector due to increased global economic uncertainty and evolving consumer preferences. However, the economy is expected to recover in 2026, with a projected 3.1 percent growth. The recovery is anticipated to be driven primarily by expected stronger

performance in non-mining sectors, supported by the effective implementation of economic diversification initiatives under the National Development Plan (NDP) 12 and the Botswana Economic Transformation Programme (BETP). Nevertheless, the growth outlook remains subject to downside risks, such as disease outbreaks, heightened geopolitical tensions, climate-related shocks and shifting trade patterns.

INFLATION

Headline inflation increased slightly from 3.9 percent in December 2025 to 4.1 percent in January 2026, remaining within the medium-term objective range of 3 – 6 percent. The increase in inflation was attributable to higher rate of price increases for food and health services. The MPC forecasts inflation to increase into the medium term, averaging 4.5 percent in 2026 and 4.7 percent in 2027.

Overall, there is a greater risk of inflation being higher than currently projected mainly due to the proposed increase in electricity tariffs by Botswana Power Corporation in April 2026, which would have a notable inflationary impact, if it materialises. The anticipated increase in public transport fares is also expected to be inflationary. In addition, the outbreak of foot and mouth disease in Botswana in January 2026 and the resultant disease management measures through livestock movement and slaughter restrictions (albeit the recent easing to allow for abattoir slaughtering only), may lead to higher food inflation. Furthermore, the proposed reduction in VAT zero-rated items in the 2026/27 Budget may lead to higher inflation. Externally, international

commodity prices could rise above current forecasts, and logistical constraints may persist. The effect of trade tariff increases globally is also expected to heighten inflation risks. Inflation could, however, be lower than projected if domestic and global economic activity remains subdued, fiscal space remains tight, or if international commodity prices fall.

DECISION

The economy is expected to continue to operate below full capacity in the short-to-medium term, therefore subdued demand-driven inflationary pressures. Moreover, inflation is projected to be within the objective range in the medium term. This outlook supports maintaining a broadly accommodative monetary policy stance that would support economic activity, especially implementation of economic transformation initiatives. The MPC's assessment is that the policy adjustments made thus far and communicated have helped ease liquidity conditions and are positive for the foreign exchange market.

Notwithstanding, the Bank notes with concern that some banks have increased lending interest rates, specifically margins above the prime lending rates, going against the spirit to the directive and maintenance of the accommodative monetary policy posture. The Bank observes that this reflects continuance of structural deposit concentration and uneven distribution of liquidity. As part of the implementation of the Basel III requirements, commercial banks will during 2026 be compelled to hold additional capital for deposit concentration risk. In

the meantime, the Bank is in dialogue with commercial banks to be aligned with the monetary policy posture.

With respect to the outcome of today's meeting, the Committee decided as follows:

- (a) maintain the Monetary policy Rate (MoPR) at 3.5 percent;
- (b) conduct the 7-day Bank of Botswana Certificates auctions, repos and reverse repos at the MoPR of 3.5 percent;
- (c) maintain the Standing Deposit Facility (SDF) rate at 2.5 percent, 100 basis points below the MoPR;
- (d) maintain the Standing Credit Facility (SCF) rate at 4.5 percent, 100 basis points above the MoPR; and
- (e) maintain the existing directive instructing commercial banks not to increase their Prime Lending Rates.

The Bank will continue to monitor developments closely and implement appropriate policy actions consistent with its mandate to maintain price stability and safeguard financial system stability.

MEETINGS OF THE MPC

The MPC meetings for 2026 are scheduled as follows:

30 April 2026

18 June 2026

27 August 2026

29 October 2026

3 December 2026

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 Lesego C Moseki	—	Governor (Chairman)
Dr Kealeboga S Masalila	—	Deputy Governor
Vacant	—	Deputy Governor
Mr Innocent Molalapata	—	Director, Research and Financial Stability
Ms Baitshenotse N Mmopelwa	—	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 2026 MPC Meeting

						Forecast									
	2025					2026					2027				
	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average
Inflation	2.6	2.1	2.1	3.9	2.7	4.2	4.4	5.1	4.4	4.5	4.0	4.9	4.9	5.0	4.7
					(2.7)	(4.1)	(5.5)	(6.2)	(5.2)	(5.3)	(4.7)	(4.3)	(4.1)		

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

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

- Revision of real exchange rate forecasts
- Downward revision in trading partner inflation in the short term
- The reduction in mobile data tariffs
- The downward revision in international food prices