



Press Release

Monetary Policy Committee Meets

18 June 2026

Monetary Policy Rate maintained at 5.5 percent

GLOBAL AND DOMESTIC CONTEXT

The Monetary Policy Committee (MPC) convened against a backdrop of persistently elevated global economic uncertainty. The global economy continues to face challenges arising from evolving trade relations, supply chain disruptions, and geopolitical tensions, particularly the conflict in the Middle East and its effects on energy markets, among others. Although recent US-Iran peace negotiations have improved market sentiment, uncertainty surrounding the durability of these peace arrangements and the outlook for commodity prices remains elevated.

Global economic growth is expected to remain subdued in 2026, reflecting weaker economic activity, higher energy costs, and constrained and high cost of funding (tighter financial conditions). Inflation risks remain tilted to the upside, driven largely by energy and commodity price pressures, prompting some of the major central

banks to increase policy interest rates, while market expectations for rate cuts have diminished.

Overall, external developments have resulted in increased cost of living in Botswana and may undermine the recovery of the global diamond market, thereby weighing down on overall economic performance.

ECONOMIC ENVIRONMENT

As previously reported, real gross domestic product (GDP) contracted by 0.7 percent in 2025, following a contraction of 2.8 percent in 2024. The slower pace of contraction was mainly attributable to a smaller decline in diamond mining, alongside continued, albeit slower, growth in the non-mining sector. Nonetheless, overall economic performance remains weak, reflecting subdued global demand and persistent geopolitical tensions, which have dampened demand for diamond jewellery and rough diamonds.

According to the International Monetary Fund's April 2026 World Economic Outlook report, global economic growth is expected to remain subdued at 3.1 percent in 2026, down from 3.4 percent in 2025. The modest growth is underpinned by resilient consumption and investment, although heightened uncertainty surrounding trade, industrial and fiscal policies continue to weaken growth prospects. Domestically, the Ministry of Finance projects a recovery in economic activity, with growth expected to reach 3.1 percent in 2026, mainly on account of the envisaged stronger performance in non-mining sectors, mainly supported by the implementation of economic diversification

initiatives under National Development Plan 12 and the Botswana Economic Transformation Programme (BETP). It is important however, to highlight that any delay in the implementation of the BETP could undermine recovery. Furthermore, the growth outlook remains subject to downside risks, including livestock disease outbreaks, geopolitical tensions, climate-related shocks and shifting trade patterns.

INFLATION

Headline inflation increased slightly from 10.3 percent in April 2026 to 10.7 percent in May 2026, remaining above the medium-term objective range of 3 – 6 percent. The increase in inflation between April and May 2026 was mainly due to the base effect associated with the decrease in water tariffs for low-consumption households in May 2025, which had lowered inflation by 0.23 percentage points at the time. The MPC forecasts inflation to remain above the upper bound of the 3 – 6 percent objective range in the near term, mainly due to supply-side factors that include the persistence of high international oil prices and impact on domestic fuel prices and associated cost-push pressures. Inflation is projected to average 9 percent in 2026, before easing to 5.5 percent in 2027.

Overall, there is a greater risk of inflation being higher than currently projected mainly due to potential second-round effects stemming from the increase in domestic fuel prices and possible increase in administered prices, in particular, electricity tariffs and public transport fares. Additionally, the outbreak of Foot and Mouth Disease in Botswana in January 2026 and the resultant disease management

measures in terms of livestock movement and slaughter restrictions in Botswana may lead to higher food inflation in the short term. Externally, the increases in prices for oil, gas, fertilisers and industrial inputs due to the war in the Middle East will continue to be inflationary should the ongoing peace negotiations breakdown and the conflict persist. The possibility of 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.

On balance, therefore, there is need for continued vigilance and management of inflation expectations to ensure that inflation reverts to the medium-term objective range.

LIQUIDITY

Domestic liquidity has improved from the last quarter of 2025 due to increased government funding and related spending; higher diamond receipts; and policy and monetary operations adjustment. This has resulted in moderation in funding costs and enhanced prospects for better monetary policy transmission; especially following the recalibration of the MoPR in October 2025 and April 2026.

DECISION

The MPC projects that inflation will remain above the 3 – 6 percent objective range in the near term, while growth will continue to be subdued due to adverse external developments and thus far, modest progress in implementation of transformative initiatives. This outlook

requires maintaining a policy stance that balances support for economic activity and managing inflation expectations. The MPC's assessment is that the policy adjustments made and communicated thus far, have helped ease liquidity conditions and are positive for the foreign exchange market.

Accordingly, the Committee decided as follows:

- (a) maintain the Monetary Policy Rate (MoPR) at 5.5 percent;
- (b) conduct the 7-day Bank of Botswana Certificates auctions, repos and reverse repos at the MoPR of 5.5 percent;
- (c) maintain the Standing Deposit Facility (SDF) rate at 4.5 percent, 100 basis points below the MoPR;
- (d) maintain the Standing Credit Facility (SCF) rate at 6.5 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:

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
Dr Agnes T Khunwana	— Deputy Governor
Dr Matlhodi M Serero	— Acting Director, Research and Financial Stability Department
Mr Otsile Moduka	— 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 June 2026 MPC Meeting

	Actual					Forecast									
	2025				2026	2026				2027					2028
	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1
Inflation	2.1	2.1	3.9	2.7	4.1	10.6 (9.0)	10.8 (11.1)	10.4 (10.7)	9.0 (8.7)	9.8 (10.0)	4.6 (5.8)	4.1 (3.7)	3.3 (2.9)	5.5 (5.6)	3.0 (2.8)

Note: Figures in parentheses represent the previous MPC forecast (April 2026)

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

- The downward revision in international oil prices.
- Lower depreciation of the Pula against South African rand than previously projected.