



Press Release

Monetary Policy Committee Meets

19 June 2025

Monetary Policy Rate maintained at 1.9 percent and the Bank implements measures to address structural liquidity constraints

At the meeting held on 19 June 2025, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Monetary Policy Rate (MoPR) at 1.9 percent, while it increased the repurchase agreement (repo) tenure from up to 7 days to up to one month.

A repo refers to a short-term collateralised loan by the central bank to commercial banks designed to facilitate injection of liquidity in the market. The longer duration, therefore, provides a cost-effective and predictable funding alternative, allowing banks to plan their cash flows over several days or weeks. With longer maturity, there is a decrease of rollover frequency, thus lowering the risk of funding disruptions.

The MPC met at a time when the global economy continues to experience heightened uncertainty due to shifting trade policies and escalating geopolitical tensions. The uncertain global economic

environment had resulted in a notable drop in international oil prices. However, the escalation of the conflict between Israel and Iran since last week has reversed that due to fears of potential oil supply disruptions. If sustained, the developing conflict could result in higher global and domestic inflation.

As stated at the previous briefing, the domestic economy faces challenges relating to inadequate traction of transformation policy initiatives, thus lack of economic diversification and weakening fiscal and external position. Hence, the need for all policy frameworks to be aligned towards building economic resilience.

In an environment where several commercial banks have concentrated funding, externalised a significant part of their balance sheet, as well as uneven liquidity distribution, the current macroeconomic environment has generated a liquidity squeeze. This has triggered a surge in wholesale deposit rates, as the severely affected banks bid aggressively to secure deposits/funding. Consequently, they increased their prime lending rate, with others following as well. This has led to a rise in the cost of borrowing for consumers and businesses. Of concern is that this happens in an environment of an accommodative monetary policy stance, necessitated by the prevailing macroeconomic environment, notably, real gross domestic product (GDP) contraction.

Under the circumstances, the Bank has from August 2024 maintained the MoPR at 1.9 percent (accommodative), and implemented the following measures:

- (a) slashed the Primary Reserve Requirement from 2.5 percent to zero;
- (b) increased the term/maturity of the repos with commercial banks from overnight to 7 days;
- (c) raised the threshold for trading of foreign currency with the commercial banks from a foreign currency equivalent of USD1 million to USD5 million;
- (d) increased the foreign currency trading margins between the Bank and commercial banks from ± 0.125 percent to ± 0.5 percent; and
- (e) enhanced monitoring of foreign currency holdings and funds externalisation

Evidently, there is need for augmentation of these measures given the persistence of liquidity constraints and adverse outcomes, as shown by an increase in prime lending rates by commercial banks that are misaligned with respect to both the monetary policy stance and economic growth fundamentals.

ECONOMIC ENVIRONMENT

As previously reported, real GDP declined by 3 percent in 2024, compared to a growth of 3.2 percent in 2023, indicating that the economy was in a recession in 2024. The 2024 performance was mainly attributable to contraction in the mining sector and generally subdued growth in non-mining sectors.

According to the April 2025 World Economic Outlook, global output is estimated to have expanded by 3.3 percent in 2024 and is forecast to

grow by 2.8 percent in 2025 and 3 percent for 2026. The impact of tariff measures by the United States of America (US) and countermeasures by its trading partners, geopolitical tensions and high levels of policy uncertainty are expected to have a significant impact on global economic activity. The Ministry of Finance has revised real GDP growth forecasts for 2025 from a 3.3 percent growth to a contraction of 0.4 percent, a similar projection to that of the International Monetary Fund. Meanwhile, the African Development Bank projects a growth of just 0.8 percent. Furthermore, the Ministry has revised growth forecasts for 2026 from 3.7 percent to 2.9 percent. The downward revisions mainly reflect the continued weak performance of the diamond industry, subdued global growth and the potential adverse effects of US tariffs.

INFLATION

As reported by Statistics Botswana, headline inflation decreased from 2.3 percent in April 2025 to 1.9 percent in May 2025, remaining below the lower bound of the medium-term objective range of 3 – 6 percent. The decrease in inflation between April and May 2025 was mainly on account of the reduction in water tariffs effected in April 2025, which reduced headline inflation by 0.23 percentage points. The MPC forecasts inflation to remain low into the medium term, averaging 2.7 percent in 2025 and 4.6 percent in 2026. 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 as well as logistical constraints in the global value

chains persist. 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 not factored in the current projection.

DECISION

The economy is expected to continue to operate below full capacity in the short-to-medium term, though improving marginally 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 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 repo tenure will be increased from 7 days to up to one month to ensure adequacy of short-term liquidity;
- (d) the Standing Deposit Facility (SDF) rate is maintained at 0.9 percent, 100 basis points below the MoPR; and

- (e) the Standing Credit Facility (SCF) rate is maintained at 2.9 percent, 100 basis points above the MoPR. Thus, banks continue to have access to the SCF for their short-term liquidity needs. The SCF acts as a reliable liquidity backstop for commercial banks and they access this facility at their own discretion.

The Bank will continue to monitor the situation, and appropriate measures taken. In the immediate future, these will include further increasing the threshold for foreign exchange trading, specific prudential measures to encourage depositor diversification by commercial banks, and domestication of foreign exchange currency holdings. The Bank has also heightened communication with the banking sector through Bankers Association of Botswana and Banking Committee to try and find solutions to the liquidity issue, not only from the regulator side, but also from the banks' side.

MEETINGS OF THE MPC

The MPC meetings for 2025 are scheduled as follows:

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
Ms Baitshenotse N Mmopelwa	—	Acting 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 June 2025 MPC Meeting

	Actual				Forecast									
	2024			2025	2025				2026				2027	
	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1	Q2	Q3	Q4	Annual Average	Q1
Inflation	3.1	1.7	2.8	2.6	2.1	2.6	3.3	2.7	3.3	4.7	5.1	5.2	4.6	5.1
					(1.8)	(2.4)	(3.3)	(2.5)	(3.2)	(5.1)	(5.5)	(5.8)	(4.9)	(5.1)

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

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

Domestically

Downward revision in domestic GDP growth forecast

Externally

Downward revision in South African inflation forecast



Pego ya Bobegadikgang

Komiti ya Banka ya Botswana e e laolang Merokotso ya kadimo ya Madi (MPC) e kopane

Ka di 19 Seetebosigo 2025

Mo bokopanong jwa Seetebosigo a tlhola malatsi a le lesome le boferabongwe (19), Komiti ya Banka ya Botswana e e laolang merokotso ya kadimo ya madi e tsere tshwetso ya go tlogela seelo sa morokotso se sa fetoga mo go 1.9% le go oketsa sebaka se Banka ya Botswana e adimang dibanka madi ka sone. Mo godimo ga moo, ditshwetso di tswela di tsewa go baakanya mmara wa madi go dibela koketsego ya merokotso e e sa tsamaelaneng le seemo sa itsholelo

Komiti e kopana mo nakong e itsholelo ya mafatshe e tswela tseng ka go sa dira sentle ka ntlha ya go gotlhagotlhana mo go tsa papadi le sepolotiki. Jaaka le setse le itse, ntwana e phagetse ko Botlhaba-gare jwa lefatshe, magareng ga Israel le Iran. Se, se bakile go oketsega ga ditlhwatlhwa tsa leokwane mo mebarakeng

ya mafatshe. Fa seemo se, se ka tswelela, le mo gae go ka nna le kgolo ya ditlhwatlhwa tsa leokwane le tse dingwe.

Mo gae, itsholelo e tsweletse ka go sa dira sentle. Se se dirwa ke kwelo tlase ya mmaraka wa ditswammung, bogolo jang diteemane le go tlhoka go atlega mo mehameng e mengwe ya itsholelo ntswa go na le maiteko a go e tsosolosa ka mananeo a a farologanyeng a Puso. Se se raya gore go ya pele, re le lefatshe re tshwanetse godira ka natla go godisa itsholelo.

Ka ntlha ya go sa elela sentle ga madi mo itsholelong, mo bosheng, dibanka di okeditse merokotso le ntswa Banka ya Botswana e sa fetola seelo sa merokotso (MoPR) e lebile kwelo tlase ya itsholelo. Go oketsa merokotso ga dibanka, go gotlhagotlhana le maitlamo a Banka ya Botswana a go tsosolosa itsholelo. Ka jalo, Banka ya Botswana e dira ka gotlhe go baakanya seemo se.

Komiti e solofela gore kgolo ya ditlhwatlhwa e tla tswelela ele mo seelong se se beilweng sa 3% go ya kwa go 6% go ya pele.

Le fa go ntse jalo, mabaka a a latelang a ka dira gore kgolo ya ditlhwatlhwa e fokotsege:

- i. go sa dira sentle ga itsholelo ya mono gae le ya mafatshe;

- ii. seemo sa letseno le le ko tlase la madi a puso; le
- iii. kgolo e ko tlase ya ditlhwatlhwa tsa leokwane mo mebarakeng ya mafatshefatshe.

Dintlha tse di latelang di ka dira gore kgolo ya ditlhwatlhwa e oketsege:

- i. kgolo ya ditlhwatlhwa tsa dijo le leokwane mo mebarakeng ya mafatshe go fetisa ka fa go akanyeditsweng ka teng;
- ii. tlhaelo ya dithoto mo mebarakeng ya mafatshe; ga mmogo le
- iii. kgotlhakgotlhano ya mafatshe mo go tsa sepolotiki, itsholelo le papadisanyo.

Mo gae, phetogo ya ditlhwatlhwa tse di laolwang ke Puso (administered prices) e ka fetola tebelopele ya kgolo ya ditlhwatlhwa.

MPC e tsere tshwetso ya go sa fetola morokotso wa 1.9%, katebelopele ya gore kgolo ya ditlhwatlhwa e tla a tswelela e le kwa tlase,

Komiti e tla tswelela e ntse e beile seemo sa madi ko dibankeng le tlho go netefatsa gore di kgona go tswelela di adima batho le dikgwebo madi go sena dikgoreletsi dipe jaaka gale. Fa go tshwanela, Banka ya Botswana

e tla tsaya ditshwetso tse di maleba. Ditshwetso tse di ka akaretsa go rotloetsa dibanka go kabakanya ba ba bayang madi mo go tsone, ga mmogo le gore di busetse mo gae madi a di a beileng ko mafatsheng a sele. Gape, Banka e tsweletse ka go tshwara dipuisano le dibanka le mokgatlho wa dibanka (Bankers Association of Botswana) go rotloetsa gore le tsone di thuse Banka ya Botswana go tswa ka methale ya go rarabololola seemo se.