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Economic Overview

During its last meeting held on the 17th April 2025, the central bank's Monetary Policy Committee (MPC) kept the Monetary Policy Rate (MoPR) unchanged at 1.9%. Inflation edged closer to the Bank of Botswana's objective range of 3-6% as it notched up by a percentage point to 2.8% year-on-year in March 2025. The paltry increase was mainly attributed to the Food and Non-Alcoholic Beverages and the Miscellaneous Goods & Services groups which firmed by 0.9% and 0.7% points respectively. Subsequently, imported inflation rose by 0.5% points to 2.4% while core inflation also rose for the month, to 4%. The upward pressures of the Food basket have been mainly from coffee, vegetables and fruits products that Botswana export from South Africa. We are likely to see more cost push inflationary pressures due to anticipated tariffs that may be borne by some countries which export to Botswana. However, we do not expect inflation to breach the upper bound of the Bank of Botswana's target range during the year.

At the beginning of the month, Moody's affirmed Botswana's long-term currency issuer at A3 which is still within Investment Grade, but downgraded the country's outlook from stable to negative. The rating agency attributed the downgrade to weaker global demand for diamonds which could lead to heightened government borrowings and deterioration of debt affordability. On a positive note, Moody emphasized the country's low political risk, moderate debt burden which is very competitive relative to other A3 peers and ability to repay debt, which have led to its affirmation of A3 status.

Stock Market Overview

Local equities rebounded during the month, recording the highest return of the year thus far at 1.71% despite a slowdown in activity. This contrasted with the previous month's negative return of 0.17%. Factoring dividends, the total return index rose by 2.22%. Gains during the month were concentrated around the financial services sector with the Domestic Financial Services Index (DFSI) returning 2.49%. StanChart (+14.76% to BWP 8.32) was the top gainer, followed by Sechaba (+8.62% to BWP 34.78), FNBB (+1.36% to BWP 5.20) and BIHL (+1.02% to BWP 22.80). As alluded, market activity declined during the month with turnover shedding to BWP 65.4million from BWP 90.3million. Notably, participation from foreign companies and individuals, albeit minority, decreased to 2.36% of total turnover in April from 7.06% in March. During the month, NAP and Turnstar report their financial results for the period ended January 2025. Both companies registered improvements in operational profits however a spike in taxation costs ultimately weighed down on Turnstar's bottom line. Turnstar registered a 33.85% decrease in earnings to BWP 97.4million (FY 24: BWP 147.2million) for the full year ended 31 January 2025; while NAP's bottom line grew by 29.41% to BWP 87.7million (H1 24: BWP 67.7million) for the half year ended 31 January 2025. In other developments during the month, Choppies announced the disposal of its Zimbabwe business to Pintail Trading (Private) Limited for a consideration of BWP 3.75million.

Fixed Income Market Overview

Bank of Botswana continued with its bond program, trying to raise BWP 3 billion during March which received a 53.9% uptake. From the BWP 3 billion auction, 53.3% was on 3, 6 and 12-months treasury bills (TBs). The 6-month TB was the only one that received 100% allocation from its BWP 500 million auction with a stop-out yield of 4.2% and highest bid to cover ratio of 1.57. For the 3-month and 12-month TBs, there was less appetite from the market with allocations of 45% and 50% in that respective order. Relative to the prior month, stop-out yields were almost flat for the 3-month TB at 3.7% while for the 6-month rates increased by 3bps to 4.2%. On the longer-dated securities, the 15-year bond was well received by the market with an oversubscription of 121.6% while for the 2-year and the 6-year bonds appetite was relatively low with bid-to-cover ratios of 0.94 and 0.52 respectively as investors showed dissatisfaction towards the pricing.

Product Performance

iPRO Botswana Money Market Fund

The Fund delivered a return of 0.72% net of fees for the month of April, bringing the rolling 3-month and 12-month returns to 1.88% and 6.6%, respectively. This compares favorably against the benchmark Average Overnight Call Rate returns of 0.13% and 0.55% for the same periods.

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