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Economic Overview

The Monetary Policy Committee (MPC) met on the 19th of June 2025 and resolved to maintain the Monetary Policy Rate (MoPR) at 1.9%. The MPC noted that whilst it has maintained an accommodative monetary policy stance in effort to grow the economy, the current liquidity has led to a rise in the cost of borrowing for consumers and businesses. The MPC noted that the increases in prime lending rates by commercial banks due the surge in wholesale deposit rates are misaligned with respect to both the monetary policy stance and economic growth fundamentals. In an attempt to assuage the mounting pressure on cost of funds on commercial banks, the MPC decided to extend the tenor on repurchase agreements (repo) from up to seven (7) days to up to one month. By doing so, commercial banks are now given the latitude to borrow from the Bank of Botswana for a longer duration at the prevailing MoPR (1.9%). Lastly, the committee highlighted that it would continue to monitor the situation and implement certain measures if need be. Some of these measures include increasing the threshold on foreign exchange trading, adjusting prudential measures to expand depositor diversification and domestication of foreign exchange currency holding.

Headline inflation declined for the second consecutive month during May, registering a 0.4 percentage point decline to 1.9%. Food & Non-Alcoholic Beverages was the primary contributor to inflation during the month, accounting for 0.8% of the headline figure. On the other hand, the Transport sector's contribution declined even further to negative 0.6% resulting in imported inflation decreasing by 0.4% to 0.8%. Moreover, the Housing, Water, Electricity Gas & Other Fuels segment added further deflationary pressure on the back of the revised domestic portable water tariffs, which were effected on 1st April 2025

Fixed Income Market Overview

The Government tapped into the market to raise BWP 1.75billion during the month. Of the amount auctioned, bids amounting to BWP 2.078billion were received representing an overall bid-to-offer ratio of 1.19x which was a slight decline compared to the previous month's 1.31x. In turn the Government allotted BWP 1.4billion (82% allotment vs. 70% in May). Stop out yields on the 3 and 6-month T-bills rose sharply to 5.096% and 6.091% from 4.008% and 4.447% in May respectively, reflective of the ongoing liquidity crisis

Product Performance

iPRO Botswana Money Market Fund (IBMMF)

The IBMMF delivered a return of 0.89% net of fees for the month of June, bringing the rolling 3-month and 12-month returns to 2.51% and 7.34%, respectively. This compares favorably against the benchmark Average Overnight Call Rate returns of 0.14% and 0.55% for the same periods.