



Keletso Kgari, MBA
Senior Portfolio Manager

Economic Overview

With liquidity continuing to decline, cost of funding for banks has been on the rise as competition for deposits intensifies. According to the Bank of Botswana's Economic and Financial Statistics Report for April 2025 interest rates on deposits up to twelve (12) months increased by 1.25pp to 4.46% compared to 3.21% at the beginning of Q2 2024. According to the heightened cost of funding, a host of commercial banks increased their prime lending rates in the month of May with the increments ranging from 75bps by ABSA to 175bps to 7.76% by StanChart. The only commercial banks yet to buckle under the pressure remain Bank of Baroda and FNBB.

During May headline inflation retreated by 0.5 percentage points (pp) to 2.3% from 2.8% in the prior month. While all categories of inflation held steady during the month, the Transport sector's contribution nosedived from 0.1% to -0.4%. The main contributor to the slump in the index was Operation of Personal Transport which slowed further to -6.1% compared to -2.3% a month prior. The deceleration in the rate of annual price changes of the transport category emanated from the base effects associated with the increase in domestic fuel prices in April 2024. The subindex encompasses goods such as Petrol per liter (95) and Diesel per liter (50ppm) which together account for 9.34% of the inflation basket. Imported inflation which accounts for 42.26% of the inflation basket subsequently declined by 1.2pp to 1.2% from 2.4%. According to the World Bank April 2025 Commodities Market Outlook, Brent oil prices are expected to average USD 64 per barrel (USD/bbl) in 2025 and decline further to USD 60/bbl in 2026 on the back of slowing economic growth coinciding with an expected increase in oil supply. Subsequently, inflation is anticipated to remain subdued in the short term. Furthermore, the Bank of Botswana projected inflation to average 2.5% for 2025 in its April Monetary Policy Committee decision.

Stock Market Overview

Local equities closed the month in the green by 0.35%, easing the pace from the previous month's 1.71% gain. Accounting for dividends, the total return index (DCTRI) rose by 2.42% compared to April's return of 2.22%. StanChart (+3.97% to BWP 8.65) was the month's biggest price gainer, followed by Choppies (+1.85% to BWP 0.55) and BIHL (+0.88% to BWP 23.00). In total, eight (8) of the twenty-three domestic counters closed the month in the green while the remainder did not record any price movements. Market activity slowed during the month with total market turnover declining by 10.76% to BWP 58.3million (April 2025: BWP 65.4million). Turnstar was the top traded counter during the month with the property company contributing 29.11% to total turnover, followed by Sechaba (21.88%) and Access (11.54%). During the month, Chobe and Primetime reported their financial results for the period ended 28 February 2025. Despite the tourism outfit reporting a healthy 17.61% increase in revenue, growing expenses as well as lower foreign exchange gains ultimately dragged down earnings by 6.61% to BWP 138.3million (FY 24: BWP 148.1million) for the full year ended 28 February 2025. Elevated operating costs and persistent electricity shortages, particularly in Zambia, dragged down on PrimeTime's earnings despite positive revenue growth of 5%. The property company's earnings subsequently decreased by 11.93% to BWP 18.5million (H1 24: BWP 21.0million) for the half year ended 28 February 2025.

Fixed Income Market Overview

The Government of Botswana tapped into the market to raise BWP 3.5billion during May. Of the quantum offered, the Government raised BWP 2.4billion translating to a 70.09% allotment. This was an improvement relative to the previous auctions of the year that averaged an allotment rate of 54.65%. Demand for short term debt remained strong with bid-to-offer ratios exceeding 1.0x on the 3 and 6 month T-Bills. Investors' tepid demand for long term debt in April turned positive in May with the 18 year bond receiving bids of BWP 330 million relative to the BWP 200 million on offer (1.65x bid-to-offer). This contrasted the 0.75x bid-to-offer on the 15 year bond in April. Stop-out yields on the 3 and 6 month T-Bills rose from 3.907% and 4.293% to 4.008% and 4.447%, respectively. Furthermore, in a search for additional funding, the government of Botswana obtained a USD 304 million loan from the African Development Bank to support Botswana's fiscal stability and economic reforms. With the country's mounting debt burden and waning economic activity, the World Bank has indicated that the debt ceiling of 40% of GDP may be breached in the absence of fiscal prudence.

Product Performance

iPRO Botswana Money Market Fund (IBMMF)

The IBMMF delivered a return of 0.87% net of fees for the month of May, bringing the rolling 3-month and 12-month returns to 2.21% and 6.93%, respectively. This compares favorably against the benchmark Average Overnight Call Rate returns of 0.14% and 0.55% for the same periods

iPRO (Botswana) (Pty) Ltd Plot 70667, Fairscape Precinct, The Tower, Fairgrounds, P O Box 589 Gaborone, Botswana
Tel: +267 316 5472/3 Fax: +267 316 5475 Website: www.iprobotswana.co.bw