



Rate Shock: Bank of Botswana Raises MoPR by 200 Basis Points

What the April 2026 MPC decision means for your loan, your business, your wallet, and the economy at large.

KEY INDICATORS | LATEST AVAILABLE DATA

MOPR	CPI (NATIONAL)	PRIME RATE	FX RESERVES	DEFICIT FY26/27	BSE DCI
5.50% <small>Up 200bps Apr 2026</small>	4.21% <small>Mar 2026 Band: 3 to 6%</small>	6.01% <small>Held PLR directive in force</small>	P47.4bn <small>Q4 2025 6 months import cover</small>	P26.4bn <small>7.6% of GDP Bond plan: P12bn</small>	10,932 <small>12-month +9.9%</small>

THE WEEK IN BRIEF

The Monetary Policy Committee raised the Monetary Policy Rate by 200 basis points from 3.50% to 5.50% at its April 2026 meeting. Commercial banks are directed not to pass this on through higher lending rates. This is the second consecutive rate adjustment since October 2025.

The Bank called it a recalibration, not tightening. The goal is to fix how money moves between banks and to support the Pula. Whether that works depends on whether commercial banks comply with the PLR freeze and whether the interbank market responds as intended.

FOR THE BUSINESS OWNER

Your loan rate should hold for now. But the Pula has been under deliberate depreciation pressure since July 2025. That raises the cost of every imported input. Some banks were already widening their margins above prime before this announcement. Check your actual lending agreement, not just the headline rate.

FOR THE PROFESSIONAL

Mortgage and personal loan rates are protected by the directive. The real concern is purchasing power. CPI reached 4.21% in March 2026 and is forecast to keep rising into mid-year. If your salary review is not keeping pace with that, your real income is already shrinking.

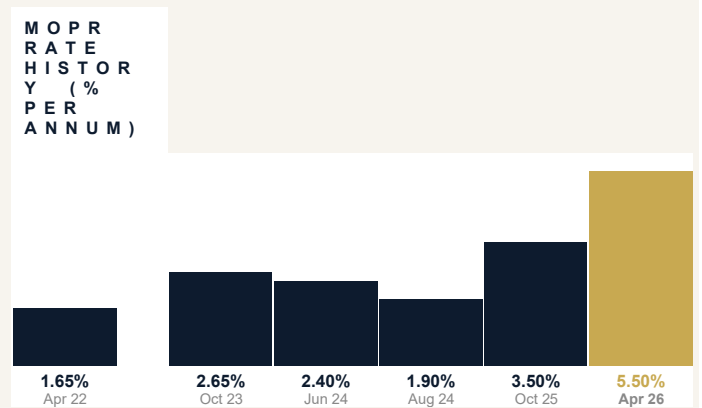
FOR THE ANALYST

The Bank is separating the MoPR signal from credit transmission. The rate increase targets interbank liquidity distribution and Pula support. The repo maturity extension to three months is the more structurally credible instrument. The crowding-out risk from P26.4bn in government borrowing this fiscal year is the bigger systemic concern.

FOR MOTSWANA WA KASI

Prices are going up. Electricity, transport, food. BPC tariff increases are still ahead. This decision did not start that, but it cannot stop it either. When the Pula loses value, everything we import costs more at the shop. The person who feels that most is the one with the tightest budget.

RATE MOVEMENT | ILLUSTRATION



Source: Bank of Botswana MPC Statements 2022 to 2026

POLICY SIGNAL

Banks directed not to raise PLRs. Repo maturity extended to 3 months. **Track whether banks comply over the next 60 days.**

Government borrowing plan: P12bn in bonds and T-bills for FY2026/27. Elevated yields on government securities are the crowding-out risk to watch.

NUMBER OF THE WEEK

+200 bps

MOPR INCREASE | APRIL 2026

Cumulative move since the August 2024 low: 360 basis points. The Bank frames this as recalibration to improve interbank liquidity and Pula support, not as a response to demand inflation.



Why This Decision, and What It Does Not Solve

An honest read of the April 2026 rate move, the structural risk underneath it, and the alternatives worth knowing about.

WHAT THE BANK IS DOING

The MoPR increase is not conventional tightening. The Bank said so directly. Botswana's banking system has a structural liquidity problem. Some banks hold excess deposits while others run short. That imbalance was pushing short-term market rates away from the MoPR, weakening the Bank's ability to signal policy.

Raising the MoPR tightens the anchor rate while the repo maturity extension to three months gives shorter-funded banks a longer runway. The PLR freeze is meant to make sure this adjustment does not reach the borrower.

On paper, the logic holds. The risk is in the execution.

THE RISK THAT IS NOT IN THE HEADLINE

The PLR directive is guidance, not law. Some banks were already widening margins above prime before this announcement. The Bank of Botswana flagged this in the February 2026 MPS launch report.

If structural liquidity pressure persists, and it will because it is driven by the diamond downturn and fiscal pressures that no rate decision fixes, banks will not raise the headline rate. They will quietly tighten credit access instead. Fewer approvals. Slower processing. Higher deposit requirements. The rate holds, but the credit market shrinks.

That is the hidden cost of this configuration.

ALTERNATIVES WORTH KNOWING

Two approaches used elsewhere are worth understanding.

Reserve Bank of India, 2019 to 2020: Rather than adjusting the policy rate, the RBI changed the cash reserve ratio to inject liquidity without sending a rate signal. That targets the structural problem directly, without the psychological cost of a rate increase announcement.

European Central Bank, Targeted LTRO: The ECB offered banks cheap long-term funding on the condition that they actually lend it to the real economy. Botswana's repo maturity extension is a version of this logic and is genuinely the most credible part of this package. It could have been the headline decision rather than the supporting measure.

THE BIGGER PICTURE

THREE SIGNALS TO TRACK

1. Interbank rates converge toward the MoPR rather than drifting to the corridor ceiling.
2. Prime lending rates hold flat across all commercial banks through June 2026.
3. FX reserves stabilise at or above six months of import cover.

Monetary policy is buying time. The fiscal deficit, the diamond decline, and the absence of sufficient export-earning alternatives are not interest rate problems. The second transformation conversation, building sectors that earn foreign exchange competitively, is the long answer. Whether structural reforms move fast enough to make use of the time being bought is the question that matters most.

ABOUT THE CAPITAL MEDIA

The Capital Media is a Botswana-based economic and financial dialogue platform founded and hosted by Chilo Ketlhoafetse. The platform exists to make economic conversation accessible, credible, and consequential for Botswana.

Our content covers monetary policy, capital markets, mining, tourism, public finance, and the broader development challenge Botswana faces. We do not simplify to the point of distorting. We translate without losing the substance.

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Gaborone, Botswana | Edition 01 | April 2026

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