

BANK OF BOTSWANA
PRESS RELEASE

STANDARD & POOR'S AFFIRMS BOTSWANA'S "A-/A-2" SOVEREIGN CREDIT RATING FOR 2017

Standard and Poor's (S&P) Rating Services has released Botswana's 2017 sovereign credit rating. The country's ratings of 'A-' for long-term bonds and 'A-2' for short-term bonds in domestic and foreign currency denominated borrowing are affirmed. The outlook remains negative.

S&P observed that the 'A-/A-2' ratings have taken account of the enduring impact of the ongoing subdued commodity prices, and its associated risk, on the country's fiscal position and economic activity. The assessment also notes that prudent fiscal management, strong external balance sheet, robust institutional framework and a long-track record of political stability continue to reinforce the ratings. The retention of the negative outlook reflects the downside risks stemming from the possibility of a persistent commodity price shock, particularly in the diamond markets. Nevertheless, the country's sound fiscal position strengthens its resilience to external shocks.

The outlook could be revised upwards from 'negative' to 'stable' should more favourable developments emerge in the diamond sector, including a significant improvement in the fiscal position and an emergence of a broad-based private sector participation in the domestic economy. On the contrary, the country's sovereign credit rating is threatened by a possible persistence of underperformance of the diamond sector that could result in a weaker economic growth and worsening of the fiscal position over the next 12 months.