

# **BANK OF BOTSWANA**

## **PRESS RELEASE**

### **STANDARD & POOR'S RELEASE BOTSWANA'S 2009 SOVEREIGN CREDIT RATING**

Standard & Poor's (S & P) have released Botswana's 2009 sovereign credit rating. The long-term sovereign credit rating has been lowered from A to A-, while the outlook has moved up from "negative" to "stable" in recognition of the country's track record of prudent economic management. The foreign currency rating has been lowered from 'A+/A-1' to 'A-/A-2' and the local currency rating from 'A+/A-1' to 'A/A-1'.

The ratings downgrade reflects the sharp deterioration in the country's medium-term fiscal outlook in the context of the global economic slowdown. Substantial budget deficits are now expected until 2011/12, and the Government's plans to restore the budget to balance in 2012/13 are contingent on the realisation of both rapid revenue growth and moderation in spending. S & P have also noted that, compared to many countries rated at similar levels, Botswana remains overly vulnerable due to dependence on commodity exports, particularly diamonds.

The stable outlook balances the significant economic and fiscal challenges the government faces, with a still strong public sector external balance sheet that should cover likely financing needs in the medium term.

S & P have considered that a further downgrade is unlikely. However, the ratings could come under pressure again if the fiscal weakening was to be prolonged. Conversely, the assessment could improve if, in line with the fiscal recovery projected in the National Development Plan No. 10, there is an acceleration of economic reforms in support of a further broadening of the private sector, which would lead to a further decline in mining sector dependence.

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