

BANK OF BOTSWANA

PRESS RELEASE

2002 Credit Rating By Moody's Investors Service

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Moody's Investors Service has today released their 2002 credit rating report on Botswana. The sovereign credit ratings that Moody's assigned to Botswana last year – A2 for long term foreign currency debt; Prime-1 for short term foreign currency debt; and A1 for domestic currency debt – remain unchanged, as does the "stable" outlook. The Moody's report stated that the ratings reflect sustained economic growth and an extremely favourable debt and liquidity situation, and emphasises that Botswana's track record for careful fiscal management and its political stability underpin a stable rating outlook. However, Moody's highlighted the severe challenges facing the public finances, with diamond production capacity having peaked while spending pressures, such as for HIV/AIDS-related treatment, continue to grow.

Moody's notes that Botswana has reached a critical stage in its economic and political development. The most important consideration, they say, is that the conditions under which the government accumulated its extensive foreign assets no longer exist. Already last year the Government registered a budget deficit equivalent to approximately 3 percent of GDP, and ever-higher salaries for public servants plus rapidly rising health and education costs are likely to keep the budget in deficit for the foreseeable future. In view of the static prospects for diamond revenues, the most important challenges going forward will be fiscal sustainability and economic diversification. Moody's asserts that maintaining the delicate balance between current socio-economic needs and preserving an adequate cushion against future shocks is essential to maintain the country's creditworthiness.

The rating agency's report, 'Botswana: Global Credit Research,' is the first annual update to the markets since the initial credit rating was obtained in 2001. The full text of the report is available on this website. See attachments below.