

BANK OF BOTSWANA

PRESS RELEASE

STANDARD POOR'S RELEASE BOTSWANA'S 2006 SOVEREIGN CREDIT RATING

Standard Poor's (SP) have released Botswana's 2006 sovereign credit rating. They have again affirmed the 'A/A-1' foreign currency and 'A+/A-1' local currency ratings, while the outlook remains stable.

The assessment by S P reflects Botswana's continued strong financial position, a well-managed and growing economy, together with political stability. Public sector net external assets, at about 120 percent of current account receipts in 2006, are among the highest of any rated sovereign, thus enhancing the Government's capacity to absorb any potential shocks. While the Government faces fiscal challenges in the coming years, recent budgetary outturns have been stronger than expected, and the track record of sound management supports the commitment to maintain a balanced budget over the economic cycle and to control spending growth in non-priority areas.

These positive attributes continue to be balanced by the narrowness of the economy and the challenges posed by the HIV/AIDS pandemic. However, S P notes encouraging signs of progress in combating HIV/AIDS following implementation of the universal treatment programme. Over the period 2006-2010, GDP growth is forecast to average only 4.5 percent which, while still a respectable rate of economic growth, may not be supportive of the Government's objective of reducing unemployment and significantly increasing living standards (per capita income levels, at USD5900 in 2006, remain one of the lowest among the 'A' rated sovereigns).

Regarding economic diversification, SP continue to believe that progress in improving the business environment, including privatization, has so far been inadequate. However, looking forward, the assessment notes that successful implementation of necessary reforms which support diversification, accelerated growth and long term fiscal sustainability could lead to improved ratings. Conversely, failure to make progress in these areas could put the ratings under pressure.

The full report from Standard and Poor's will be posted on the Bank of Botswana website ([www.bankofbotswana.bw](http://www.bankofbotswana.bw)) shortly.

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