

BANK OF BOTSWANA

PRESS RELEASE

STANDARD & POOR'S 2008 BOTSWANA SOVEREIGN CREDIT RATING

Standard & Poor's (S & P) have released the 2008 sovereign credit rating for Botswana. The "A/A-1" foreign currency and "A+/A-1" local currency ratings have been affirmed; the outlook remains stable.

The assessment by S & P in the context of the current global economic slowdown reflects Botswana's continued strong financial position, together with a reputation for sound economic policies and prudent financial management. In making the assessment, S & P anticipates a marked slowdown in economic growth in the next two years due, primarily, to a downturn in the mining sector. This will, in turn, generate less revenue to fund government expenditure. But it is recognised that there is limited scope for cutting spending programmes given the significant needs for infrastructure development and social spending.

As a result, S & P expect a decline of the economy's net external assets from 115 percent to 85 percent of current account receipts. Nevertheless, the net asset position, as well as ample external liquidity, remains positive factors in support of the rating, as they are sufficient to cover likely financing needs over the outlook period.

The stable outlook is a reflection of the strength of the public sector balance sheet even under the assumed scenario of cyclical deterioration in the economy and the government budget. However, this is contingent on the global economic downturn not being more severe than currently anticipated. S & P further notes that it is important to continue to make progress with relevant reforms that will support diversification of the economy away from mining towards more broadly-based private sector development.

Once it has been published, the full ratings report from S & P will be posted on the Bank of Botswana website (www.bankofbotswana.bw).

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