

## ***BANK OF BOTSWANA***

### ***PRESS RELEASE***

#### ***MOODY'S INVESTORS SERVICE RELEASES BOTSWANA'S 2007 CREDIT RATING REPORT***

Moody's Investors Service has released their 2007 credit rating report on Botswana. The sovereign credit ratings that Moody's has assigned to Botswana since 2001 for government debt (A2 for long term foreign currency debt, Prime-1 (P-1) for short term foreign currency debt, and A1 for domestic currency debt) remain unchanged.

The report follows an earlier press release from Moody's announcing that the foreign currency outlook has been upgraded from "stable" to "positive". The upgrade reflects both the continued strengthening of the country's financial position and improved prospects for economic diversification away from diamond mining. The report anticipates that, on the basis of these trends, an upgrade of the rating for foreign currency debt to match the domestic currency rating could be considered in 12 to 18 months. The domestic currency outlook remains "stable".

Moody's have emphasised that the ratings are underpinned by a strong culture of fiscal prudence and low government and external debt, as a result of which the financial position of the country is significantly stronger than many other countries on similar or even higher ratings. The report indicates that economic conditions have continued to improve, noting positive progress in, among others, the establishment of the Diamond Trading

Company Botswana and associated downstream diamond-related activities; non-diamond mining development, including the Mmamabula export power station; new investments in manufacturing; and the establishment of new institutions for tertiary level education. The report also commends the standard of governance in Botswana which, according to a wide range of measures, is the most effective in Africa.

As in previous ratings reports, both the Moody's press release and the full report stress that the credit ratings remain constrained mainly by the narrow economic base, which contributes to persistently high unemployment and lingering poverty, as well as fiscal pressures associated with the cost of tackling the HIV/AIDS pandemic. The report also notes the continuing heavy dependency on government spending as a driver of economic activity, together with the need for spending restraint and productivity improvements as growth in public revenues from diamond mining start to level off.

Moody's report is the sixth in a series of assessments for Botswana since the initial credit rating was obtained in 2001. The full text of the report is available on the Bank of Botswana's website ([www.bankofbotswana.bw](http://www.bankofbotswana.bw)).

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