

## BANK OF BOTSWANA

### PRESS RELEASE

#### Moody's Investors Service Releases Botswana's 2004 Credit Rating Report

Moody's Investors Service has today released their 2004 credit rating report on Botswana. The sovereign credit ratings that Moody's assigned to Botswana in 2001, 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, as does the "stable" outlook. Moody's notes that Botswana's investment-grade ratings are the highest by far of any country on the African continent, reflecting unusually low public debt and very strong liquidity even by the standards of other countries rated at the same level. Central to this achievement, Moody's explains, is the authorities' firm commitment to prudent fiscal and monetary policy.

The Moody's report notes that prudent management of diamond export earnings lies behind Botswana's impressive macroeconomic record since independence in 1966. GDP growth rates have averaged 7 percent per annum and per capita incomes have posted some of the highest rates of growth in the world. Such high levels of sustained growth have not translated into significant imbalances, whether on the fiscal or external fronts.

Moody's points out that, after registering budget deficits for two years in 2001/02 and 2002/03, the Government was determined to return to a balanced budget last year. It is expected that this stance will be sustained over the medium term, although serious spending pressures are being exerted by health costs, especially those related to HIV/AIDS care and treatment. In the event that a fiscal adjustment is not feasible in any given year, however, Botswana's extremely low levels of debt and sizeable financial assets should enable it to face the challenge with little difficulty.

Moody's also cautions that Botswana's strengths are partially mitigated by a narrow economic base and the severe socio-economic impact of the HIV/AIDS pandemic. Furthermore, there is little evidence that active diversification efforts have resulted in a significant expansion of the non-mining sectors after 1990. In addition, wide income inequalities and high unemployment rates persist, and these are partially the product of educational and skills shortages.

The rating agency's report, "Botswana: Global Credit Research", is a third update to the markets since the initial credit rating was obtained in 2001. Refer to [Report](#).

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