

BANK OF BOTSWANA
PRESS RELEASE

STANDARD & POOR'S AFFIRMS BOTSWANA'S "A-/A-2" SOVEREIGN CREDIT RATING FOR 2016

Standard and Poor's (S&P) Rating Services has released an update of Botswana's 2016 sovereign credit rating, which reaffirms the ratings of 'A-' for long term bonds and 'A-2' for short term bonds in domestic and foreign currency denominated borrowing. The outlook remains negative.

S&P observed that the 'A-/A-2' ratings have appropriately taken account of the enduring impact of the ongoing global commodity price shock, including challenges posed by the utilities sector and drought on the country's fiscal position and economic activity. The assessment also notes that prudent fiscal management, strong external balance sheet, robust institutional framework and long-track record of political stability continue to reinforce the ratings. The retention of the negative outlook reflects the downside risks stemming from the possibility of a persistent commodity price shock, particularly in the diamond markets. Nevertheless, the country's sound fiscal position strengthens its resilience to external shocks.

The economic outlook could be revised upwards from 'negative' to 'stable' should more favorable developments emerge in the domestic economy, including a significant improvement in the fiscal performance and a faster development of domestic capital markets. On the contrary, the sovereign credit ratings are threatened by a possible persistence of the shock in the diamond sector that could result in a much weaker economic growth and a significant deterioration in external position over the next 12 – 18 months.