Bank of Botswana

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PRESS RELEASE

S&P GLOBAL RATINGS AFFIRMS THE SOVEREIGN CREDIT RATINGS AND THE ECONOMIC OUTLOOK ON BOTSWANA

On 15 March 2024, S&P Global Ratings (S&P) released an update of the sovereign credit rating for Botswana. The Rating Agency affirmed the Country's 'BBB+' long-term and 'A-2' short-term foreign and local currency sovereign credit ratings and maintained a stable outlook. This means that the country is still of investible grade and remains the highest credit rated country in Africa. The stable outlook is on account of S&P's expectation that the demand for Botswana's diamonds and economic growth will remain relatively resilient, thus support export receipts and fiscal revenue.

According to S&P, the ratings are supported by the Country's strong institutional frameworks (compared with that of regional peers), underpinned by continued prudent management of the domestic natural resource wealth, its strong external balance sheet and low government debt burden, as well as a strong monetary policy framework. S&P assumes that the global demand for diamonds will remain reasonably resilient and that the G7 sanctions on Russia's diamond exports will not have a significant downside effect on Botswana's diamond exports. Diamond export revenues are therefore, expected to continue to support Botswana's current account and fiscal outcomes in the medium term. The Rating Agency also expects that implementation of the 2024/25 budget and related economic transformation and policy reforms will be supportive to the growth of the non-mining sectors.

S&P indicated that a rating upgrade could occur if economic growth and wealth levels in Botswana were to significantly increase beyond current expectations, supported by diversification of the export base, which would in turn, lead to greater economic resilience. Conversely, a rating downgrade could arise if Botswana's external or fiscal performance were to materially weaken compared to current forecasts. Such a scenario could result from the diamond sector underperformance caused, for example, by the weakening external demand or terms of trade shocks.

These ratings affirm the Country's general good economic performance and management. Therefore, reinforcing the need to maintain strong institutions and policy frameworks that deliver macroeconomic stability. Furthermore, it underscores the importance of ensuring traction of ongoing economic structural transformation and policy reforms by Government. It is observed that these are necessary to accelerate economic diversification and industrialisation, rebuilding of fiscal buffers and, overall, economic stability and resilience.

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