



**Bank of Botswana**

September 18, 2020

**PRESS RELEASE**

**S&P AFFIRMS THE SOVEREIGN CREDIT RATING AND CHANGES THE  
OUTLOOK ON BOTSWANA FROM STABLE TO NEGATIVE**

S&P Global Ratings has, on September 18, 2020, released an update of the sovereign credit rating for Botswana. The country's sovereign credit rating for long-term foreign and domestic currency bonds are affirmed at "**BBB+**", and short-term foreign and domestic currency bonds at "**A-2**". However, S&P Global Ratings changed the outlook from stable to negative.

The negative outlook is premised on the expected higher pressures on Botswana's economic, external and fiscal performance over the next two years, notably arising from the adverse impact of the COVID-19 pandemic, compounded by weaker diamond exports. The rating agency, therefore, expects the twin deficits (fiscal and balance of payments) to gradually drain the country's traditionally strong savings, over the medium term.

The BBB+ and A-2 sovereign credit ratings, for both long-term and short-term, foreign and domestic currency denominated debt are retained, amid pressures posed by the impact of the COVID-19 pandemic and other challenges that could delay medium-term fiscal consolidation. The affirmation of the ratings is underpinned by stable and predictable institutional frameworks, positive impact of the monetary policy framework, adherence to rule of law and effective policy

making, all of which contribute to macroeconomic stability. Furthermore, Botswana is recognised for a positive track record of sustainable public finances, characterised by relatively low levels of public debt and, therefore, debt affordability, as well as prudent management of mineral wealth and external liquidity buffers that helped in mitigating the economic shock associated with the COVID-19 pandemic. Overall, the affirmation is supported by maintenance of robust institutions and policy frameworks, a history of political and macroeconomic stability and resultant resilience to event risks.

The S&P global rating agency indicated that the outlook could be revised to stable if Botswana is able to restore its fiscal balance to more manageable levels through sustained fiscal prudence, an upturn in the global diamond market and, consequently, prevent further decline of external buffers. However, the country's ratings could be lowered if the fiscal trajectory remained weak, beyond the initial impact of the pandemic due to the continuation of a depressed diamond market and global conditions.

A detailed assessment by S&P Global Ratings is available on their website, [www.spglobal.com](http://www.spglobal.com) and also, the Bank website, [www.bankofbotswana.bw](http://www.bankofbotswana.bw).

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