



**BANK OF BOTSWANA**

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**PRESS RELEASE**

**S&P DOWNGRATES THE SOVEREIGN CREDIT RATING FOR BOTSWANA AND  
AFFIRMS STABLE OUTLOOK**

S&P Global Ratings has released the results of the 2020 sovereign credit rating for Botswana, which downgrades the country's sovereign credit rating for long-term foreign and domestic currency bonds from "A-" to "BBB+", and retains "A-2" for short-term foreign and domestic currency bonds. The stable outlook is maintained.

The ratings are undermined by the prolonged weakening of the external market for diamonds, pressures on expenditure due to the increase in public sector wages and the resultant expected gradual decline of the country's strong fiscal and external buffers in the near to medium term. The rating agency expects that the country will run twin deficits (fiscal and balance of payments) over the next few years, resulting in a gradual drain of the country's traditionally strong savings. The stable outlook is premised on maintenance of relatively low external debt compared to external assets.

The review acknowledged the robust institutional frameworks that foster fiscal prudence and low government debt, and monetary policy framework that supports macroeconomic stability.

The rating agency, S&P, indicated that an upgrade is unlikely in the next two years. However, the ratings could be revised upwards if policy reforms generate sufficient external buffers, supported by a broader export base to maintain fiscal and external balances. The ratings could be revised downwards on account of the prolonged weak

demand and prices for diamonds, and increase in Government spending that leads to a deterioration of the country's fiscal and external balances.

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