



Bank of Botswana

April 23, 2021

PRESS RELEASE

MOODY'S RELEASES BOTSWANA'S 2021 CREDIT RATING

Moody's Investors Service (Moody's) has released the results of the review of the 2021 sovereign credit rating for Botswana. Moody's has downgraded the country's sovereign credit rating for long-term bonds, denominated in both domestic and foreign currency, from 'A2' to 'A3'. However, the agency changed the outlook from negative to stable.

According to Moody's, the downgrade is due to the reduction in the capacity of Government to absorb future shocks as a result of the erosion of fiscal buffers, occasioned by the COVID-19 pandemic and, also, relatively weaker economic resilience mainly reflecting lower economic diversification compared to peer countries in the 'A' rating category. Moody's indicated that there are persistent fiscal consolidation challenges, which suggest a prolonged erosion of the country's fiscal strength. The rating agency views the external position of Botswana as strong, albeit weakening due to the recent deterioration of the trade balance. Moody's cautions that the long-term economic challenges are likely to become more severe in the absence of effective progress towards attainment of economic

diversification and improvement in the business environment, both of which are key to promoting durable and balanced growth in the long term.

The change of the outlook from negative to stable reflects broadly balanced risks and that, notwithstanding the downside risks to the post-pandemic fiscal consolidation path, Botswana's financial strength is expected to remain commensurate with 'A3' sovereign credit rating. Furthermore, the stable outlook takes into account the country's low political risk, a track record of prudent policy making, limited risks pertaining to Government liquidity and external vulnerability, as well as stable banking sector and enduring macroeconomic stability.

Moody's indicated that the ratings could be revised upwards if there is improved resilience to shocks, reduced vulnerability of the budget structure and evidence of notable progress on economic diversification and measures adopted to improve business environment, materially reducing economic and fiscal reliance on the minerals sector. However, any deterioration in the fiscal metrics beyond the current projections due to fiscal consolidation challenges and a significant increase in financial support to state owned enterprises, could lead to a downgrade.

For further information, please contact, Dr. Seamogano Mosanako. Head of Communications and Information Services, on mosanakos@bob.bw or telephone at +267 360 6083 or 360 6382 or +267 360 6315 or www.bankofbotswana.bw