

Botswana growth to continue

I-Net Bridge

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Botswana's economy is expected to continue to grow at a brisk rate in the next two years, according to Moody's Investors Service.

In its annual report on Botswana, Moody's says that the country's A1/A2 ratings reflect its net external creditor status, its continued external and fiscal account surpluses, and the improvements now evident in diversifying the economic base.

"The combination of increased output from the mining, manufacturing and infrastructure sectors and an added boost from government and financial services is expected to keep the economy growing at a relatively brisk pace in the next two years," notes Kristin Lindow, Moody's Vice President and author of the report.

"The volatility registered during the past four years also could be avoided."

Lindow anticipates that large current account surpluses will continue, the extent of which will depend on the future prices of diamonds and oil as well as the costs associated with the construction of the sizeable Mmamabula electricity project, a new 2,400 megawatt electric plant to help meet South Africa's energy shortages while providing the profit incentive to develop Botswana's sizeable coal deposits.

The strong external position supports the positive outlook on the country's long-term foreign currency ratings.

"Still, Botswana's ratings are constrained because of its profound socio-economic challenges," said Lindow, "including the eventual peaking and decline of diamond output, which could occur within the next two decades."

She said that other rating constraints include the landlocked country's small market size, high unemployment and poverty, and the HIV/Aids epidemic.