

Botswana Business Forecast Report Q1 2015

<https://marketpublishers.com/r/B38894DEF AFEN.html>

Date: October 2014

Pages: 33

Price: US\$ 1,195.00 (Single User License)

ID: B38894DEF AFEN

Abstracts

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Core Views

Real GDP growth will be 4.5% in 2014 and 2015, a downwards revision from our previous forecast of 5.2%. Falling diamond exports, diminishing base effects and ongoing power issues will constrain real GDP growth. Botswana will post a diminishing budget surplus amid rising spending and slowing revenue growth. We forecast a surplus equivalent to 0.8% of GDP in fiscal year 2014/15, falling to 0.1% of GDP in 2016/17. Monetary policy in Botswana will remain accommodative through the close of 2014 and into 2015. Inflation is contained and will continue to be so in the coming months thanks to the pula's appreciation against the rand and slowing domestic economic growth.

We predict that Botswana's current account surplus will narrow from 7.0% in 2014 to 5.9% in 2015. Having declined in 2014 we forecast that both goods imports and exports will return to growth in 2015. Political tensions are heightening in Botswana ahead of general elections, scheduled for October 24. Although we expect the incumbent Botswana Democratic Party to win, the contest is likely to be closer than in previous votes. There is also increasing risk of electoral violence.

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Tensions Will Mount As Election Approaches

Political tensions are heightening in Botswana ahead of general elections, scheduled for October 24. Although we expect the incumbent Botswana Democratic Party to win, the contest is likely to be closer than in previous votes. There is also increasing risk of electoral violence.

Long-Term Political Outlook

An Incomplete Miracle

Botswana's status as one of the most stable and politically progressive countries in Sub-Saharan Africa is likely to endure for the foreseeable future. While we see the potential for political or social upheaval as minimal, over the next decade the government will come under mounting pressure to address the country's extreme inequality as well as facing the prospect of a reinvigorated opposition.

CHAPTER 2: ECONOMIC OUTLOOK

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Real GDP growth will be 4.5% in 2014 and 2015, a downwards revision from our previous forecast of 5.2%. Falling diamond exports, diminishing base effects and ongoing power issues will constrain real GDP growth.

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Botswana will post a diminishing budget surplus amid rising spending and slowing

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Monetary policy in Botswana will remain accommodative through the close of 2014 and into 2015. Inflation is contained and will continue to be so in the coming months thanks to the pula's appreciation against the rand and slowing domestic economic growth.

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We predict that Botswana's current account surplus will narrow from an estimated 7.0% in 2014 to 5.4% in 2015. Having decline d in

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