

Botswana Business Forecast Report Q2 2014

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Abstracts

Core Views

We forecast real GDP growth of 4.7% in 2014 (from an estimated 4.4% in 2013), followed by 4.9% in 2015. The slight pickup in Botswana will come on the back of rising diamond exports, falling inflation and loose monetary policy, coupled with continued investment into developing new mining industries in the country.

We believe that the Bank of Botswana will continue with its accommodative monetary policy through 2014, in a bid to stimulate domestic demand. The latest interest rate cut of 50 basis points in December 2013 is in line with this stance, and with price growth at multi-year lows there is scope for the bank to make further cuts if necessary.

We believe Botswana will continue in its bid to rebuild its fiscal buffers with its next budget, due in February, through clamping down on current spending. We note that it may struggle to do this in an election year, though improved export receipts will help it in its aim. With general elections in October, political parties in Botswana are beginning their campaigns. We believe the ruling Botswana Democratic Party will maintain its dominance as the opposition coalition has begun to fragment already. Participation rates are in focus, with a campaign to increase voter turnout underway, though this is unlikely to have great bearing on the election given its current success rate.

Key Risks To Outlook

We continue to note the risks to our forecasts posed by ongoing revisions to Botswana's national accounts estimates. Amid ongoing efforts by Statistics Botswana to more accurately portray the size and structure of the economy, GDP estimates remain subject to frequent and often notable adjustments. Given Botswana's dependence on imported energy and food any unexpected rise in global food or oil

prices beyond our current projections, would pose a risk to our growth outlook.

Contents

Executive Summary
Core Views
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis
BMI Political Risk Ratings
Domestic Politics
Participation Campaign Unlikely To Affect Election

With general elections in October, political parties in Botswana are beginning their campaigns. We believe that the ruling Botswana Democratic Party will maintain its dominance as the opposition coalition has begun to fragment already. Participation rates are in focus, with a campaign to increase voter turnout underway, though this is unlikely to have great bearing on the election given its current success rate.

Long-Term Political Outlook

An Incomplete Miracle

Botswana's status as one of the most stable and politically progressive countries in Sub-Saharan Africa (SSA) 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

SWOT Analysis
BMI Economic Risk Ratings
Economic Analysis
Investment To Remain Key Driver Of Growth

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Table: ECONOMIC ACTIVITY

Balance Of Payments

Trade Deficit To Narrow

We believe that Botswana will continue to run a current account deficit in 2014 and

2015, albeit a narrowing one as exports pick up. We do not see this as a challenge to macroeconomic stability, however, as investment inflows will offset the shortfall.

Table: CURRENT ACCOUNT

Monetary Policy

Monetary Policy To Stay Loose In 2014

We believe that the Bank of Botswana will continue with its accommodative monetary policy through 2014, in a bid to stimulate domestic demand. The latest interest rate cut of 50 basis points in December is in line with this stance, and with price growth at multi-year lows there is scope for the bank to make further cuts if necessary.

Table: MONETARY POLICY

Fiscal Policy

Fiscal Consolidation To Continue

We believe that Botswana will continue in its bid to rebuild its fiscal buffers with its next budget, due in February, by clamping down on current spending. We note that it may struggle to do this in an election year, though improved export receipts will help it in its aim.

Table: FISCAL POLICY

CHAPTER 3: 10-YEAR FORECAST

The Botswana Economy to 2023

Long-Term Prospects Still Positive

Despite ongoing efforts by the government to diversify Botswana's economy away from a heavy reliance on diamonds, we believe the precious stone will remain the mainstay of the southern African country's economy over the foreseeable future.

Table: Long-Term Macroeconomic Forecasts

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

Table: BMI BUSINESS AND OPERATION RISK RATINGS

Table: BMI LEGAL FRAMEWORK RATING

Infrastructure

Table: LABOUR FORCE QUALITY

Market Orientation

Table: AFRICA – ANNUAL FDI INFLOWS

Table: TRADE AND INVESTMENT RATINGS
Operational Risk

CHAPTER 5: BMI GLOBAL ASSUMPTIONS

Global Outlook

Momentum To Continue In H114

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH
FORECASTS, %

Table: Emerging Markets, Real GDP Growth, %

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