

Botswana Business Forecast Report Q3 2014

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Abstracts

Core Views

On the back of preliminary 2013 data we have made revisions to our real GDP growth forecasts for 2014 and 2015, from 4.7% and 4.9% to 6.2% and 4.5% respectively. We expect investment and private consumption to be the key drivers of growth in 2014, while net exports will be a drag.

We maintain a positive outlook on Botswana's exports in 2014 and in the next several years, driven by a recovery in the diamond sector, and the rise of the country's coal industry. This will serve to narrow the country's current account deficit, and eventually turn this into a surplus.

We have revised down our fiscal balance forecast for Botswana on the back of an announcement by President Ian Khama that public servants will enjoy a 4.0% wage increase this year. While we still project a budget surplus for 2014, this is reduced somewhat from our previous outlook.

We expect the Bank of Botswana to maintain its benchmark interest rate at 7.50% at its next monetary policy committee meeting on April 9. While previously we had envisaged a cut, a number of factors – not least rising inflation – have caused us to revise our outlook. Nevertheless, we believe that monetary policy will remain fairly accommodative over the course of 2014.

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Politics in Botswana is fairly squarely focused on the domestic at present. As the October general elections approach, political parties are vying to gain the support of the electorate. Although his star may be waning as the country struggles with electrical load shedding, we continue to believe that the incumbent head of state Ian Khama will be returned as president.

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.

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On the back of preliminary 2013 data we have made upwards revisions to our real GDP growth forecasts for 2014 and 2015, from 4.7% and 4.9% to 6.2% and 4.5% respectively. We expect investment and private consumption to be the key drivers of growth in 2014, while net exports will be a drag.

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We maintain a positive outlook on Botswana's goods exports in 2014 and the next

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We expect the Bank of Botswana to maintain its benchmark interest rate at 7.50% at its next monetary policy committee meeting on April 9. While previously we had envisaged a cut, a number of factors - not least rising inflation - have caused us to revise our outlook. Nevertheless, we believe that monetary policy will remain fairly accommodative over the course of 2014.

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We have revised down our fiscal balance forecast for Botswana on the back of an announcement by President Ian Khama that public servants will enjoy a 4.0% wage increase this year. While we still project a budget surplus for 2014, this is reduced somewhat from our previous outlook.

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