

# Botswana Business Forecast Report Q4 2014

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## Abstracts

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### Core Views

Real GDP growth will be 5.2% in 2014. Growth will be driven by private consumption and investment, though it will be somewhat constrained by ongoing disruptions in the power sector. Botswana's budget balance will remain in surplus in 2014/15 and over the next several years. This surplus will narrow, however, as recurrent spending – particularly on wages – is ramped up.

The Bank of Botswana will maintain its accommodative monetary policy through the remainder of 2014. We forecast that the Bank Rate will be kept at 7.50% as inflationary pressures will remain benign. Botswana will record a current account surplus of 5.0% of GDP in 2014 and 3.2% in 2015, driven by an ongoing recovery in diamond exports. We expect this surplus to narrow over the coming years as capital goods imports pick up and the base effects of a 2012 fall in diamond exports wears off.

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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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