

# ECONOMIC REVIEW

fourth quarter oct-dec 2022

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## COMMENTARY

# A positive outlook for the economy awaits...

## Introduction

Macroeconomic indicators in the last quarter of 2022 suggest a positive outlook for the year. Economic growth is well on track and may be well ahead of forecasts for 2022. International trade activity is also on an upward trend bringing the trade balance into surplus. The trade balance has also improved the balance of payments (BOP); data indicates a BOP surplus for the first half 2022, after seven years of consecutive deficits. The peak in inflation appears to have eased and expected to return to a single digits in 2023 and within the Bank of Botswana objective range in the second half of 2023. A continuation of the downward trend in annual inflation will reduce pressure on monetary policy and contribute to economic activity.

## Economic growth

Economic growth slowed in the third quarter of 2022. Annual GDP growth was 6.7%, down from 7.1% recorded in the previous quarter, mainly reflecting a slowdown in mining sector growth. However, the non-mining private sector (NMPS) recorded a marginal improvement in growth, from 5.2% y-o-y in Q2 2022 to 5.7% y-o-y in Q3 2022. Nonetheless, economic performance from the first three quarters of the year suggests that overall GDP growth for 2022 is well ahead of forecasts. Economic growth is likely to be around 6.5% in 2022, surpassing forecasts from the Ministry of Finance (MoF) and the International Monetary Policy (IMF), which forecasted growth to be around 4.2%. Economic performance is bolstered by the strong performance in mining, diamond trading and manufacturing sectors. It is hoped that this will translate into an increase in employment when the 2022Q4 labour force survey data are released.



## COMMENTARY

### Global diamond market

The international market for rough diamonds had an improved trade activity during the last quarter of 2022. De Beers Global Sightholder Sales (DBGSS) recorded an increase in sales value by 7.5% between Q3 and Q4 2022, while increasing by 20.1% when comparing sales recorded between 2021 and 2022. Sales improved at the end of the year as retailers stocked for the holidays. However, the rough diamond market continues to face uncertainties which are leading to cautious behaviour by market participants. Rising cases of Covid-19 in China are affecting diamond activity, as the country is the second-largest diamond market in the world. Similarly, large inventories in manufacturing industries are pushing down prices and negatively affecting liquidity.

### Trade activity

The balance on trade activity (exports minus imports of goods) has returned to surplus. This is a welcome development and indicates that there has been more growth in exports than imports during the first three quarters of the year, contrary to the experience of 2021 with its large trade deficits. The improvement largely reflects strong performance in the export of diamonds, which accounts more than 90% of total goods exports. The return of trade surpluses has also been positive for the balance of payments, recording surpluses in the first two quarters of the year. The improvement comes at an important time as the government is working on rebuilding savings. Nevertheless, foreign exchange reserves have declined, indicating that other factors, including services trade, income and transfers, capital flows and market losses have outweighed the trade surplus.

### Government fiscal performance

Government's fiscal data for the first half of the 2022/23 financial year (April to September 2022) indicates that revenues have outperformed projections, mainly mineral revenues, coming in ahead of the budget. When combined with the usual underspending on the development budget, this means that the fiscal balance in this six-month period showed a small surplus, contrary to the deficit of P6.97 billion projected in the 2022 Budget for the whole FY. Associated with this has been an increase in government balances at Bank of Botswana (BoB), which marks a welcome accumulation of one of the key financial buffers.

### Inflation

Inflation seems to have peaked and is now on a downward trend. Annual inflation fell to 12.4% in December 2022 from 13.8% in September 2022. Inflation is expected to fall back to single digit levels (below 10%) in the first half of 2023 and back into the BoB objective range (below 6%) in the second half of 2023. Pressure on the inflation rate has been mainly coming from the Transport and Food & Non-Alcoholic Beverages indices, both of which increased significantly during the year since Russia's invasion in Ukraine.

### Financial sector

There have been no major changes in financial conditions between April and October 2022. Monetary policy was held constant in December 2022 given the outlook of lower inflation in the medium term. Hence, there were no changes in interest rates. In the banking sector, annual credit growth was also unchanged between April and October 2022, while bank liquidity dropped during the period despite an increase in deposits. However, the banking sector still has adequate liquidity levels to create loans.

### Economic Outlook

#### Global outlook

The global economic outlook is poor for 2023, with the IMF forecasting a slowdown in global growth and some major economies expected to go into recession. Growth in most advanced economies - notably the euro area and the United States - is projected to be weak in 2023. This is not an encouraging outlook for trade-dependent economies such as Botswana, although it will help to reinforce the downward trend in global fuel and commodity prices.

#### Budget outlook

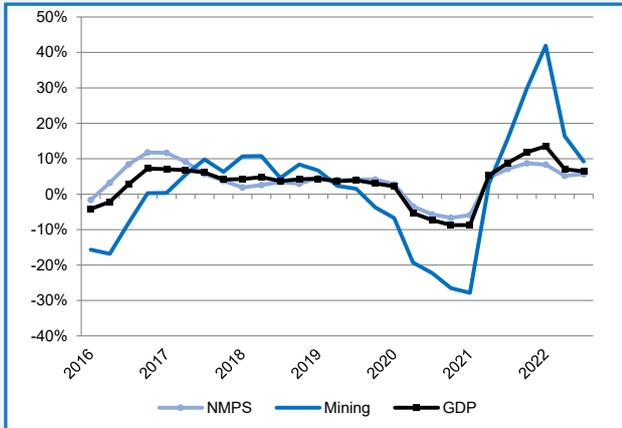
In early February, the Minister of Finance will deliver budget estimates for the 2023/24 financial year. Key issues from the budget will be (i) whether the government can manage to continue with its commitment to fiscal consolidation, outlined in the Budget Strategy Paper, and contain the deficits that had been growing prior to COVID-19; and (ii) what will be the impact of moving the development programme to the new National Planning Commission (NPC), and the ambitious public investment programme laid out in the Transitional National Development Plan (TNDP), presented to Parliament in December 2022. Will this lead to a sharp increase in the development budget, funded by borrowing, and what are the plans for addressing long-standing implementation problems?

#### Diamond market

The global market for diamonds had very strong 2022 but indications are that 2023 will be much more difficult. There was a steady downward trend in sightholder sales by DBGSS in the second half of 2022, which will be of concern if it continues into 2023. The extent of slowdown in the US economy will be a key determinant of the global diamond market, as will the speed of recovery of the Chinese retail sector as covid-related restrictions are lifted. Overall, however, according to commentary from the industry, the expectation is that both prices and sales volumes will weaken further in 2023, which will have negative implications for both export earnings and government revenues.

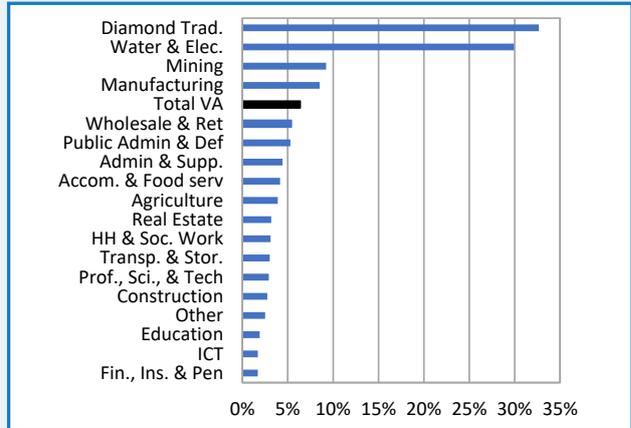
# KEY ECONOMIC VARIABLES

## Annual GDP Growth



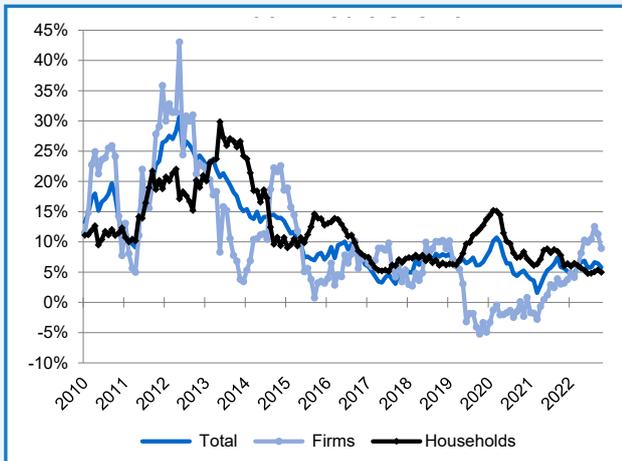
The economy continued to experience a slowdown in growth during the third quarter of 2022, as demand for rough diamonds fell during the period. Annual real GDP growth was 6.4% in Q3 2022, down from 7.1% in Q2 2022. Growth of the mining sector fell from 16.4% in the previous quarter to 9.2% in Q3 2022. The subdued demand for rough diamonds is attributable to large inventories held by manufacturing industries. Non-mining private sector (NMPS) growth increased marginally, from 5.2% in Q2 to 5.7% in Q3.

## Annual Sectoral Growth



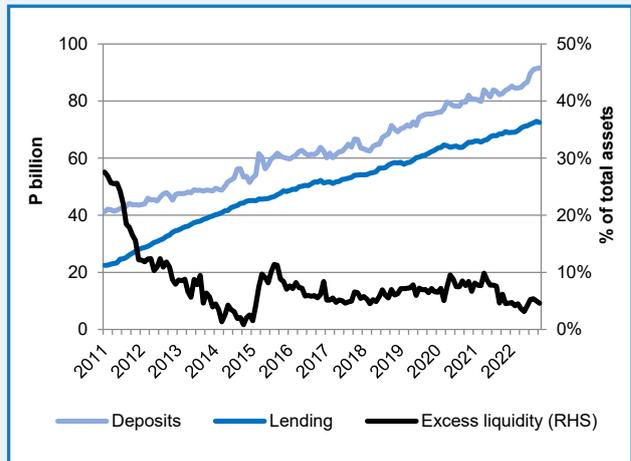
There was mixed performance across sectors during the third quarter of the year. Sectors with improved growth were almost equalled by sectors that had lower growth compared to the previous sector. However, all sectors registered positive annual growth in Q3 2022. Notably, the Agriculture sector recorded improved growth for the third consecutive quarter and the highest growth in three years, attributable to improved performance in Livestock Farming and Support Services to Agriculture.

## Annual Credit Growth



Annual bank credit growth recorded no change between July and October 2022, remaining at 5.8%. Changes in growth in credit to households and firms offset each other, resulting in a steady annual bank credit growth. Growth of credit to households rose marginally from 4.8% y-o-y in July to 5.0% y-o-y in October. Credit to firms fell to 8.9% during the period. Annual bank credit remains lower than pre-pandemic levels

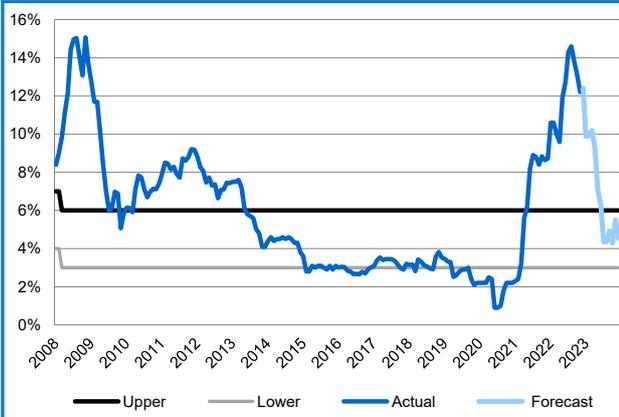
## Bank Deposits, Lending & Liquidity



Bank liquidity declined in October 2022. Excess liquidity fell to 4.6% of total assets in October, down from 5.3% in July. This is despite a faster increase in bank deposits than bank lending during the period. Bank deposits grew by 2.1% to P91.6 billion in October compared to P89.7 billion in July. Bank lending rose at a lower rate of 0.8%, ending the period with a value of P72.5 billion. Much of the increase in deposits took the form of foreign currency accounts, which do not give rise to liquid assets. Although slowed, the banking sector still has adequate liquidity to extend credit.

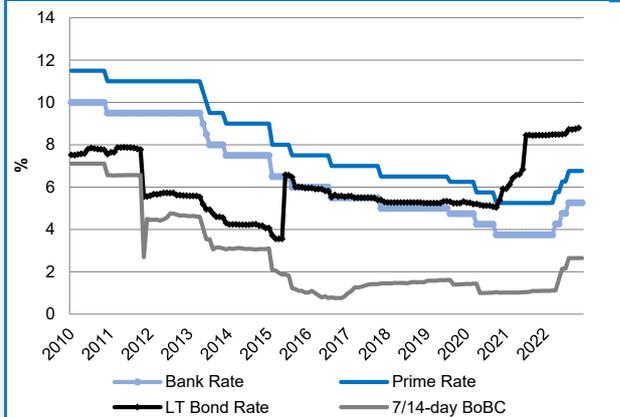
# KEY ECONOMIC VARIABLES

## Inflation and Forecast



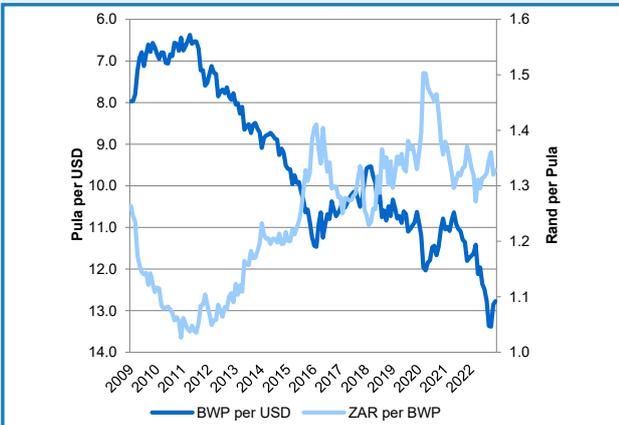
Annual inflation decreased in December 2022 to 12.4%, down from 13.8% in September 2022. Group indices were generally stable during Q4 2022 with changes less than 1.0%, except for Transport group index which recorded a change of negative 2.7% between the two quarters. It is expected that inflation will continue to decrease in 2023 and fall within the Bank of Botswana's objective range of 3-6% in the second half of the year.

## Interest Rates



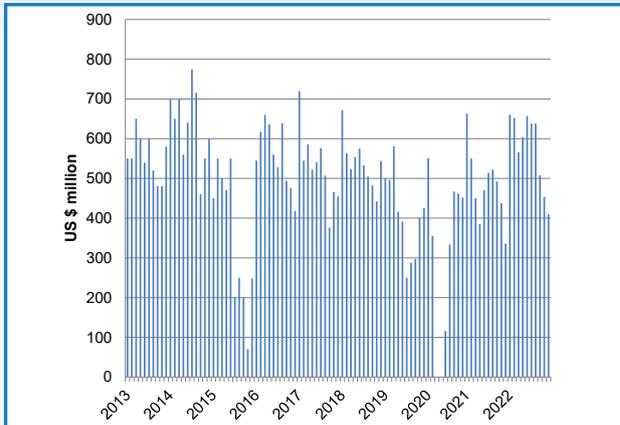
The Bank of Botswana's (BoB) Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MoPR) in December 2022. Subsequently, the banks' Prime Lending Rate was unchanged at 6.76% in Q4. Inflation is expected to decrease, easing the period of higher inflation rates. Money market rates also did not change. The 7/14-day BoBC rate was 2.65% in Q4 2022, same as in the previous quarter. The long-term government bond rate (BW012) rose marginally from 8.73% in August 2022 to 8.80% in November 2022. The anticipated decline in inflation in 2023 will reduce the pressure for further increases in interest rates.

## Exchange Rates



The Pula weakened against the Rand and strengthened against the US Dollar during Q4 2022. The Pula depreciated against the Rand by 1.4%, ending December with an exchange rate of ZAR1.328, down from ZAR1.347 in September. The Pula-US Dollar exchange rate went from 13.37, to 12.77 during the same period, reflecting an appreciation of 4.7%. The depreciation of the Pula against the Rand is welcome to support domestic companies who compete with imports from South Africa or export to the country. The Pula exchange rate policy was reviewed in December 2022, and the Pula basket of currencies has been maintained at 45% for the Rand and 55% for the Special Drawing Rights (SDR) for 2023. The downward rate of crawl was reduced to 1.51% per annum from 2.87% in 2023.

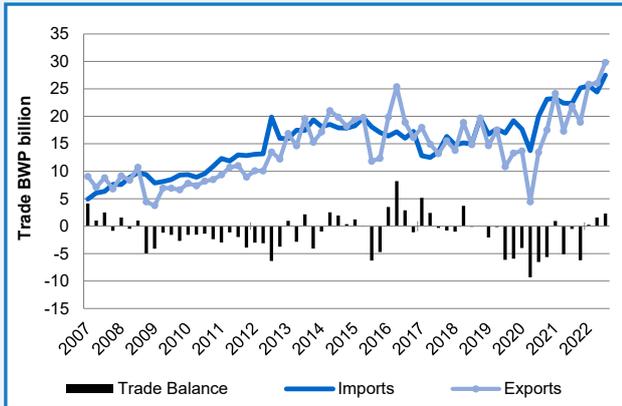
## De Beers Diamond Sales



The global market for rough diamonds softened during the last quarter of 2022. The fourth quarter of 2022 was characterised by weaker demand for diamonds and lower prices because of large inventories in manufacturing industries. De Beers Global Sightholder Sales (DBGSS) recorded sales valued at USD1.37 billion in Q4 2022 up from USD1.28 billion in Q3 2022, representing 7.5% increase between the quarters. The increase was due to there being three sight sales in Q4, compared to two sights in Q3. DBGSS sales for the year as a whole rose by 20.1% to USD5.79 billion, from USD4.82 billion in 2021.

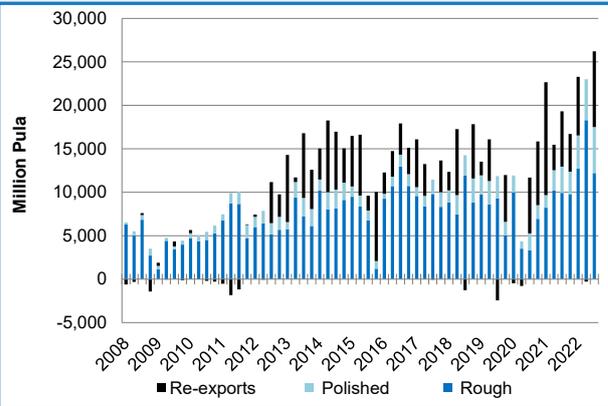
# KEY ECONOMIC VARIABLES

## International Trade



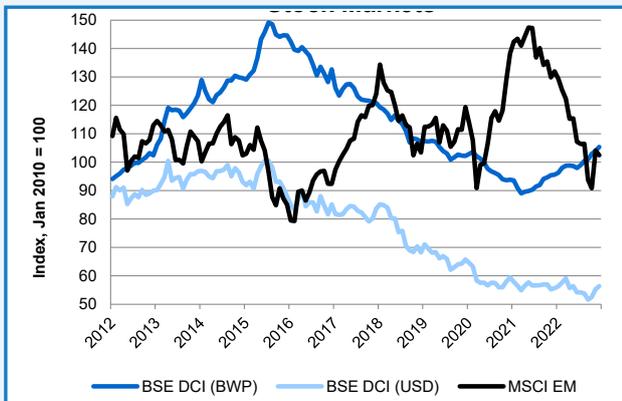
International trade activity continued to increase during Q3 2022, recording higher exports than imports. Total exports were P29.82 billion in Q3 2022, up from P26.02 billion in Q2. This represented an increase of 14.6%. Total imports also rose during the period, by 12.6% to P27.21 billion, up from P24.44 in Q2 2022. This resulted in a trade surplus of P2.32 billion in Q3, up from a trade surplus of P1.59 billion Q2 2022. The improvement in trade balance will contribute positively to the overall balance of payments account.

## Diamond Exports



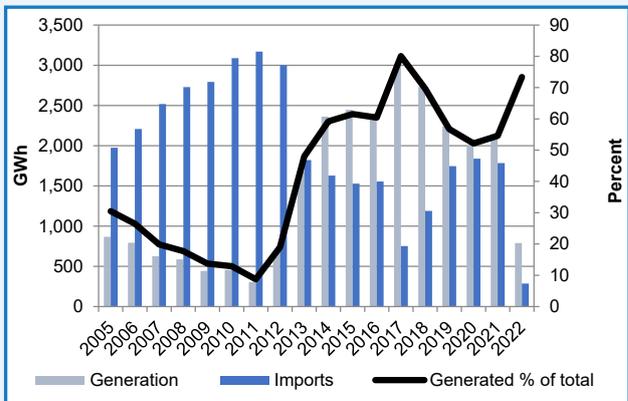
Global demand for rough diamonds increased in Q3 2022. Total diamond exports recorded an increase of 15.4% in Q3 to P26.2 billion up from P22.7 billion in Q2 2022. This was driven by re-exports, which rose from a deficit of P287 million in Q2 to P8.7 billion in Q3. Botswana polished exports increased while falling for rough exports. Polished exports rose by 12.3% to P5.3 billion while falling by 33.3% for rough exports to P12.2 billion, between Q2 and Q3 2022.

## Stock Markets



The Botswana Stock Exchange's (BSE) Domestic Company Index (DCI) strengthened in Q4 2022. The DCI rose by 4.4% and 9.3% in Pula and Dollar terms, respectively. Overall, the BSE has performed very well throughout 2022, increasing by 10.2% in Pula terms and 1.3% in Dollar terms. The DCI outperformed global markets during the year, with the MSCI World Index and MSCI Emerging Markets Index declining by 19.5% and 22.4%, respectively.

## Electricity



Domestic generation of electricity declined between Q2 and Q3 2022. Total electricity generated was 789.4 GWh in Q3 2022, down from 937.6 GWh in Q2 2022, representing a decrease of 15.8% between the quarters. Similarly, total electricity consumed during Q3 2022 fell by 2.2% to 1,075.5 GWh, down from 1,003.7 GWh consumed in Q2 2022. Conversely, the volume of imported electricity during the same period rose significantly by 76.3% to 286.2 GWh, up from 162.3 GWh in the previous quarter. Imports increased to augment the decrease in the volume of electricity produced which fell because of operational challenges at Morupule power plant.

## NEWS HIGHLIGHTS

6th October	Cresta Returns to Profitability. (Botswana Gazette News)	Group Cresta Marakanelo Limited reported an increase in profit after tax of P9.4 million for the half year ended June 2022, up from loss of P34.1 million during the same period in 2021. The Group's performance is attributable to an increase in occupancies and effective implementation of cost reduction measures. The tourism industry experienced an improvement in international and domestic tour operations since lifting covid-19 travel restrictions.
7th October	BBS expects commercial banking launch by June 2023. (Mmegi)	Botswana Building Society (BBS) Limited, expects to begin commercial banking activities during the first half of 2023. BBS will be the first locally owned commercial bank in Botswana.
10th October	Gambling Authority issues four more casino licences. (MMEGI)	The Gambling Authority will issue at least four more casino licences in Gaborone, Maun, Palapye and Kasane. This is in addition to nine casino licences that have already been issued.
11th October	BB and BEMA signed MoU on Cooperation with Türkiye's Foreign Economic Relations Board (DEIK). (The Pan Afrikanist)	The private sector umbrellas of Botswana and Türkiye have signed a Memorandum of Understanding (MoU). The MoU will see the establishment of a Business Council between the private sectors of both countries which will aim to promote trade, investment and collaboration (both industrial and technological) between the two. The MoU was signed by Business Botswana (BB), the Botswana Exporters and Manufacturers (BEMA) and the Foreign Economic Relations Board of Türkiye (DEIK).
13th October	BHC and WUC owed More than P760m. (Botswana Gazette News)	According to the Bank of Botswana's Household Indebtedness Survey Report of 2021/22, total arrears by households to Botswana Housing Corporation (BHC) and Water Utilities Corporation (WUC) increased by 2.8% to P769.1 million in 2021, up from arrears of P748.4 million in 2020.
14th October	IMF further cuts growth forecast for Botswana. (Mmegi)	The International Monetary Fund (IMF), through the October 2022 edition of the World Economic Outlook (WEO), has reduced Botswana's growth forecast to 4.1% for the year. This follows initial projections of 4.7% (October 2021) and 4.3% (April 2022). The reduction in projected growth has been attributed to persistently high levels of inflation and rising interest rates.
16th October	Bruce Cleaver steps down as De Beers CEO. (Sunday Standard)	Chief Executive Officer (CEO) of De Beers Group, Bruce Cleaver, will step down from his current position to pick up a new role as Co-Chairman of the company with effect from early 2023. Al Cook has been announced as his successor.
17th October	Botswana's world digital competitiveness up two notches. (Mmegi)	Botswana has marginally improved its ranking on the World Digital Competitiveness Rankings published by the Institute for Management Development (IMD). Botswana rose from a ranking of 63 out of 64 countries to 61 out of 63 countries, achieving a score of 48.25/100.

## NEWS HIGHLIGHTS

20th October	Monetary Policy committee decision - October 2022. (Bank of Botswana)	The Monetary Policy Committee (MPC) of the Bank of Botswana (BoB) has maintained the Monetary Policy Rate (MoPR) at 2.65%. Furthermore, the MPC does not expect any demand-driven inflationary pressures in the short to medium term.
28th October	Cut 9 ahead of schedule at Jwaneng. (Mmegi)	The development of the Cut 9 expansion project at Jwaneng Mine by Debswana is reported to be 11 months ahead of schedule. Mining at the expansion is expected to begin towards the end of July 2027. The P22 billion expansion project entailed deepening the Jwaneng Mine pit beyond 650 metres and will extend the life of mine to 2035.
28th October	Chobe Holdings Profits to increase by more than P130m. (Botswana Gazette News)	Chobe Holdings Limited is optimistic about profits for the half year ending August 2022. The company expects profit before tax to be more than P130 million, significantly higher than a loss of P28.2 million during the same period in 2021.
1st November	Debswana posts 37.5% jump in 9-month diamond sales. (mining.com)	Debswana recorded a 37.5% and 52.5% increase in rough diamond sales during the first nine months of 2022 in US Dollar and Pula terms, respectively. According to data released by Bank of Botswana, Debswana recorded rough diamond sales worth USD3.578 billion between January and September 2022, up from USD2.602 billion for the same period in 2021.
3rd November	Diamond miner Lucara on track for solid year, says CEO Thomas. (Mining Weekly)	Lucara Diamond Corporation president and CEO, Eira Thomas has stated that the diamond miner is on track for another solid year despite the diamond market softening in recent times. For the nine months to September 2022, 245,764 carats were sold from their Karowe mine at an average price USD528 per carat. The company's revenue guidance of USD195 million – USD225 million has been affirmed.
6th November	Botswana firms project 3.8% growth. (Bank of Botswana)	Bank of Botswana's Business Expectations Survey (BES) revealed that domestic companies expect Botswana's overall output to expand by 4.2% in 2022, similar to projections by the Ministry of Finance and the International Monetary Fund (IMF) for the same period. Firms are more optimistic about business conditions reflecting expectations of positive domestic economic performance following relaxation of COVID-19 restrictions as well as implementation of the ERTF among others.
7th November	Tlou Energy raises P16m for Lesedi project. (Mmegi)	Tlou Energy has raised P16.9 million for the development of their Lesedi Power project. Tlou Energy issued approximately 57 million new shares at a 30 thebe per share to a new strategic partner. The Lesedi Power project aims to extract natural gas from the Lesedi coalbed methane (CBM) fields.

## NEWS HIGHLIGHTS

7th November	Tsodilo Resources commences legal action against Botswana Ministry of Minerals & Energy. (Bloomberg)	Gcwihaba Resources, a wholly owned subsidiary of Tsodilo Resources, is pursuing legal action against Botswana's Ministry of Minerals & Energy over the renewal of their PL020/2018 license. The dispute rises from part of the area included in the PL020/2018 license falling within the buffer zone surrounding the Okavango Delta, a UNESCO World Heritage Property. As a result, prospecting in the area is subject to environmental assessment measures. PL/020/2018 is one of five licenses (four of which have been renewed) that form the Xaudum Iron Formation project.
7th November	Botswana wins bid to host anti-conflict diamond watchdog. (Reuters)	Botswana was successful in its bid to host the permanent secretariat of the Kimberly Process (KP). Botswana was unanimously elected amongst competition from China only after Austria pulled out of the bidding process. The secretariate is expected to be operational in 2024.
8th November	High Interest Rates pushing banks profitability. (Sunday Standard)	Over the period January to August 2022, commercial banks' net interest income increased by 10.3% to P3.2 billion, when compared to the same period in 2021. The increase in interest rates and bank credit drove commercial banks' interest income during the period. Annual bank credit growth was 6.6% in August 2022, up from 6.4% credit growth recorded in August 2021.
14th November	Study confirms \$1bn cash generation potential for K.Hill manganese project. (Mining Weekly)	A feasibility study prepared by SRK Consulting for Giyani Metals Corporation at their K. Hill project has confirmed a low capital intensity, for what can be one of the largest high-purity manganese sulphate monohydrate (HPMSM) projects in the world. The report determined a post-tax net present value of USD481 million for the project, along with an internal rate of return of 28%. The estimated cost of capital for commencement of the project is USD281 million with first commercial production being achievable in 2025. The total net free cash flow over the life of mine is projected to be USD1.09 billion.
17th November	Lucara and HB extend sales deal for 10 Years. (Rapaport News)	Lucara Diamond Corporation and Belgian manufacturer HB Trading, also referred to as HB Antwerp, have extended their sales agreement through to December 2032. The renewed contract is consistent with the previous deal and will see Lucara continue to sell all of its diamonds that weigh more than 10.8 carats to HB Antwerp.
21st November	India's Jindal wins bid to build Botswana's 300 MW coal power plant. (Reuters)	India based Jindal Steel & Power Ltd. has been selected as the preferred bidder by Botswana's Ministry of Minerals & Energy for the construction of a 300 megawatt coal-fired power plant. Jindal won the bidding process over African Energy Resources and Minergy. The coal plant is the only fossil fuel-based plant that Botswana plans to procure in the next 20 years.

## NEWS HIGHLIGHTS

28th November	African Exchanges linkage project goes Live. (Sunday Standard)	The African Exchanges Linkage Project (AELP) has gone live on integrating African capital markets by facilitating cross-border trading and free movement of investments on the continent through the AELP Link platform. The interconnectivity platform enables the trading of exchange-listed securities across seven participating securities exchanges and their participating brokers. Future phases of the project may include automated cross-border payment systems, participation of additional ASEA member Exchanges and their respective brokers and additional brokers from the current participating Exchanges after the pilot phase. Botswana Stock Exchange (BSE) and Ghana Stock Exchange (GSE) will kick off the second phase of the AELP with technical connectivity to the Link expected to commence in 2023.
30th November	USD105 million earmarked for Karowe expansion in 2023. (The Midweek Sun)	During 2023, Lucara Diamond will spend USD105 million on the underground expansion of its Karowe mine. The capital cost projections for the underground expansion of Karowe have been updated to USD534 million – USD547 million.
11th December	De Beers to Offer more rough to African Factories. (Rapaport News)	De Beers Diamond Company plans to allocate more of its rough to manufacturing units in Africa in 2023, according to sightholders, resulting in less supply for other cutting operations amid a drop in the miner’s overall output. A greater proportion of De Beers’ diamonds will go to manufacturers in Botswana, Namibia, and South Africa, to support beneficiation in its host countries. Manufacturing companies in Botswana, estimated at around 40 companies, will start to receive smaller rough stone (1-2 carats) than before (2 or larger carats). The De Beers’ decision is part of a progression toward manufacturing more of its goods in Africa.
12th December	Lucara’s bright forecast. (The Voice BW)	Lucara Diamond Corp expects 2023 to be another dazzling year, with the mining giant predicting they will rake in between P2.6 to P3 billion in diamond revenue from Karowe Mine. According to the company’s outlook for the upcoming year, they expect to recover anywhere between 395,000 - 425,000 carats from 4.1 - 5.1 million tonnes of ore to be mined over the 12-month period. This represents a slight increase from the revised 2022 sales guidance, which forecasts revenue of P2.5 to P2.9 billion.
12th December	Botswana gets more loans. (Sunday Standard)	The Ministry of Finance (MoF) has requested Parliament to approve about P1.3 billion loan application from the Organisation of the Petroleum Exporting Countries Fund for International Development (OPEC Fund), as part of the Programmatic Economic Resilience and Green Recovery Programme. The loan will support government’s efforts to improve fiscal efficiency and sustainability, further supporting private sector led industrial development and to advance economic and social inclusion. In addition, the African Development Bank (AfDB) has approved a loan of approximately P2.3 billion for Botswana.

## NEWS HIGHLIGHTS

12th December	BSE ends the year green. (Sunday Standard)	The year 2022 was a momentous year for the Botswana Stock Exchange (BSE), marked by improved trades and gains in listed stocks. By the end of December 2022, the BSE's Domestic Company Index (DCI), which tracks share price performance of the 24 listed companies on the domestic board, went up by 10.2% year-on year, maintaining the upward trajectory that started in 2021. The sustained upward trajectory in share prices for some companies has been on the back of solid profits that are defying the economic headwinds, allowing the companies to give out bigger dividends to shareholders.
20th December	A\$5 million to accelerate Cobre's exploration program. (Mining Review Africa)	Cobre Limited has secured funding to accelerate exploration works at its Kalahari Copper Belt in Botswana. The company managed to raise USD5 million, and shares were issued at USD0.15 per new share. The secured funding was through the issuance of new shares from existing and new shareholders. The first drilling results at the project indicate significant high-grade copper-silver grades. The company has entered on to a partnership agreement with Sandfire Resources' Tshukulu Exploration for exploration works at Cobre's Kitlanya East and Kitlanya West copper projects. The agreement entails sharing cost equally and allows Sandfire to use the results for their own interpretation.
31st December	Plans to turn Pandamatenga into Agriculture hub are at an advanced stage. (Sunday Standard)	According to the Special Economic Zones Authority (SEZA), Pandamatenga will become a fully-fledged agricultural hub in 2023. The construction of 12 more silos, with capacity of 60,000 metric tonnes, is currently ongoing to increase storage as well as food processing facilities. These would contribute to increasing production including production of other crops like rice.

## MACRO-ECONOMIC DATA

Key Economic Data		unit	2017	2018	2019	2020	2021	2022Q1	2022Q2	2022Q3	2022Q4
<b>Annual Economic Growth</b>											
GDP	%		4.1	4.2	3.0	-8.7	11.4	13.1	6.7	6.4	..
Mining	%		6.3	8.4	-3.7	-26.5	29.9	42.0	16.5	9.2	..
Non-mining private sector	%		3.7	2.9	4.2	-6.7	8.80	8.4	5.2	5.7	..
GDP current prices	P bn		166.65	173.73	179.58	171.04	195.30	58.81	65.22	62.50	..
GDP 2016 prices	P bn		171.18	178.35	183.76	167.73	186.80	49.82	49.10	51.09	..
<b>Money &amp; Prices</b>											
Inflation	%		3.2	3.5	2.2	2.2	8.7	10.0	12.7	13.8	12.4
Prime lending rate	%		6.50	6.50	6.25	5.25	5.25	5.25	6.26	6.76	6.76
BoBC 7/14-day	%		1.45	1.52	1.41	1.04	1.10	1.11	2.15	2.65	2.65
<b>Trade &amp; Balance of Payments</b>											
Exports - total goods	P bn		61.67	67.17	56.29	49.12	82.26	25.83	26.02	29.82	..
Exports - diamonds	P bn		54.38	60.41	51.01	42.54	73.41	23.29	22.73	26.22	..
Balance of payments	P bn		-4.28	-4.20	-12.02	-20.06	-2.87	2.17	3.04	..	..
<b>Foreign Exchange</b>											
Exchange rate BWP per USD	end		9.87	10.73	10.63	10.79	11.74	11.42	12.36	13.37	12.77
Exchange rate ZAR per BWP	end		1.26	1.34	1.33	1.36	1.35	1.272	1.314	1.347	1.328
FX reserves	\$ bn		7.50	6.66	6.17	4.94	4.81	4.63	4.377	4.102	..
FX reserves	P bn		73.69	71.43	65.23	53.36	56.02	53.07	54.238	54.547	..
<b>Financial Sector</b>											
Deposits in banks	P bn		63.58	69.27	75.71	80.54	84.36	84.55	86.61	91.44	..
Bank credit	P bn		54.18	58.33	62.77	65.55	68.92	69.61	71.32	72.925	..
BSE index			8,860	7,854	7,495	6,879	7,010	7,243	7,183	7,402	7,726
<b>Business Indicators</b>											
Diamond production (a)	mn cts		22.96	24.38	23.67	16.87	22.70	6.30	5.58	6.726	..
Copper production (b)	'000t		1.24	1.46	0.00	..	11.74	5.71	8.32	9.474	..
Electricity consumption	GWh		3,772	3,919	3,906	3,842	3,928	1,006	1,100	1,076	..
Crude oil (Brent)	\$/bar		66.73	50.57	67.77	51.22	77.24	107.29	119.78	88.9	82.82
<b>Employment (formal) (f)</b>											
Government			129,009	156,785	156,785	152,973	152,225				
Parastatals			19,444	23,497	23,497	18,933	21,056				
Private sector			193,745	250,778	227,281	250,715	268,086				
Total			342,198	431,060	407,563	422,621	441,367				
<b>Govt Budget</b>											
			2019/20	2020/21	2021/22	2022/23	2023/24				
			(d)	(e)	Preliminary (f)	Revised (g)	Projection (h)				
Revenues	P bn		54.30	49.37	68.45	71.56	78.99				
Spending	P bn		65.40	65.79	68.46	79.24	79.15				
Balance	P bn		-11.10	-16.41	-0.01	-7.69	-0.16				
Public debt & guarantees	P bn		38.18	41.56	46.76	53.77	..				
Govt deposits at BoB	P bn		19.86	6.20	12.82	..	..				
GDP	P bn		180.60	171.91	202.27	217.72	248.14				
Revenues	%GDP		30.1%	28.7%	33.8%	32.9%	31.8%				
Spending	%GDP		36.2%	38.3%	33.8%	36.4%	31.9%				
Balance	%GDP		-6.1%	-9.5%	0.0%	-3.5%	-0.1%				
Public debt & guarantees	%GDP		21.1%	24.2%	23.1%	24.7%	..				
Govt deposits at BoB	%GDP		11.0%	3.6%	6.3%	..	..				

Sources: BoB; MFED; Statistics Botswana; Department of Mines; CIPA; BSE; US Energy Information Administration; Bloomberg; Econsult

### Notes:

(a) Figures include production from Lucara Diamonds (Karowe mine) and Debswana. In 2016 and 2017, figures also include production from Gem Diamonds (Ghaghoo) and Lerala mines. (no longer operational)

(b) Copper production starting Q2 2017 for Mowana mine and Q2 2022 for Khoemacau

(c) Numbers in Italics reflect revisions from the previous review.

(d) - (e) Actual.

(f) Employment figures up to 2018 are not comparable with those from 2019 onwards due to changed methodology of data collection and reporting

## SPECIAL FEATURE

## Secondary Education Statistics

In 2022, Statistics Botswana released statistics on some aspects of secondary education in Botswana, from the 2019 calendar year. Notwithstanding their somewhat slow release after the relevant time period, the statistics contain some interesting information. In particular, they include data on pupils, schools, classrooms and teachers, across government, government-aided and private secondary schools. These are essentially measures of inputs to secondary education. They do not, unfortunately, include information on outputs, such as exam grades and pass rates. Perhaps these can be added in future.

In the discussion below, we include government (237 schools) and government-aided (4 schools) in one category. Amongst the headline results are that government schools account for 83% of the secondary schools in the country, and private schools 17%. Government schools tend to be much larger, with an average of 709 pupils per school, compared to private schools with an average of 162 pupils per school. As a result, the distribution of pupils is much more skewed in favour government schools, which account for 95.5% of all secondary school pupils, with private schools the remaining 4.5%.

What about teachers? There is a frequent narrative that government schools are short of teachers, but this is not really supported by the data. Government schools have 94.5% of all secondary school teachers. Given that the distribution of teachers is close to the distribution of pupils, the logical conclusion is that pupil-teacher ratios are similar in government and private schools. This is by and large shown in the statistics: the pupil-teacher ratio is 11.7 in government schools, and 9.6 in private schools. Despite this, government schools have on average 3.3 teachers per class (stream), whereas private schools have only 2.3 teachers per class.

The main contrast between government and private secondary schools relates to the availability of classrooms. Government schools have one classroom per 48.0 pupils, whereas private schools have one classroom per 15.2 pupils. This explains the concerns about large class sizes in Government schools, which is due to a shortage of classrooms rather than a shortage of teachers.

Figure 1: Distribution of secondary pupils

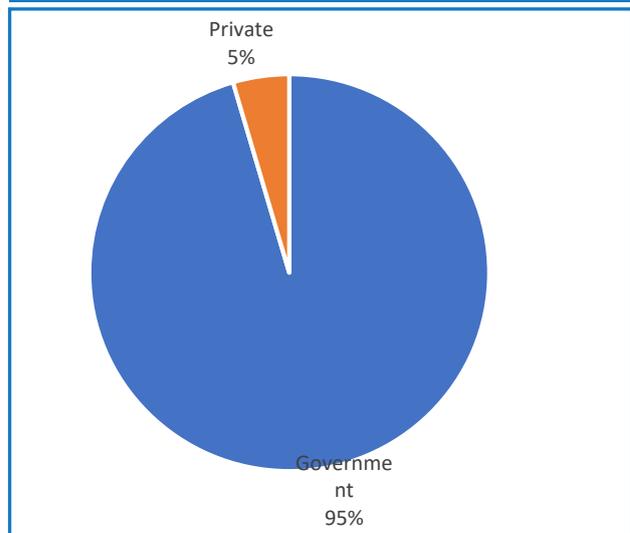
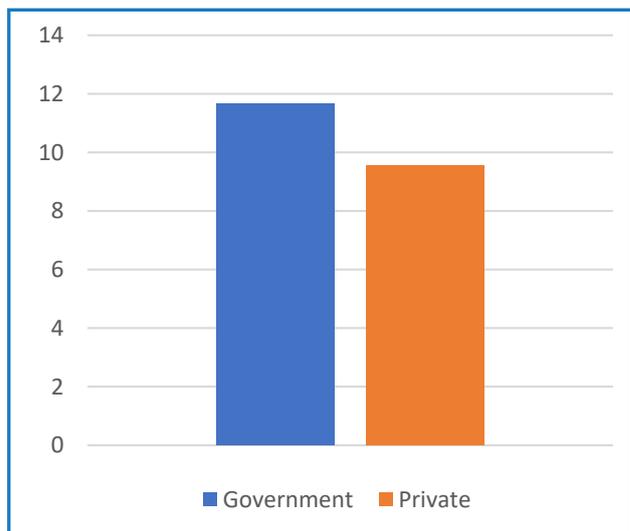
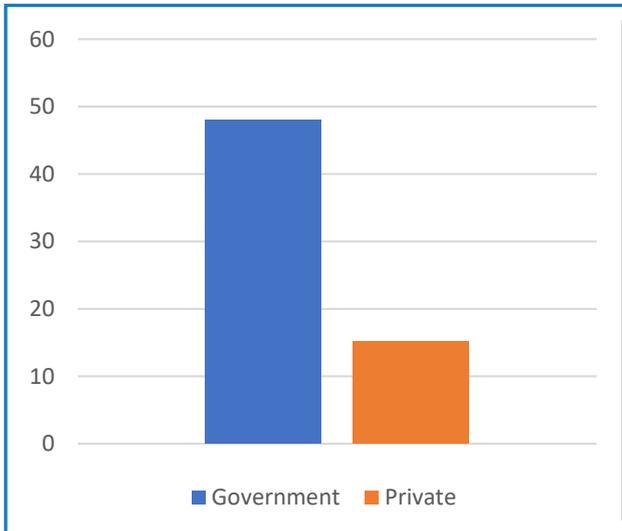


Figure 2: Pupil-teacher ratios

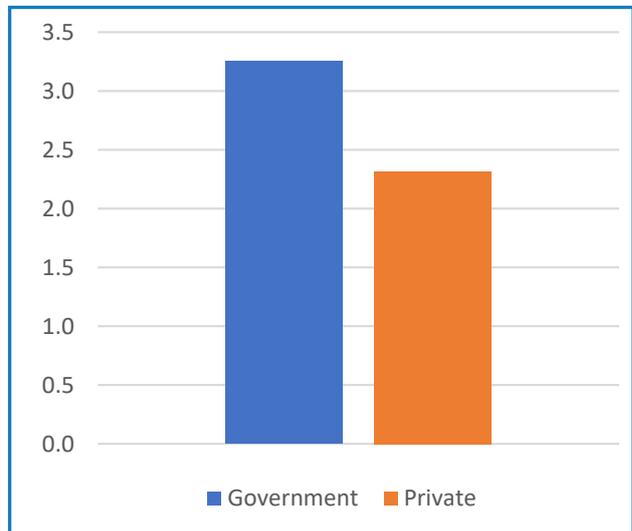


# SPECIAL FEATURE

**Figure 3: Pupils per classroom**



**Figure 4: Teachers per class (stream)**



	Schools	Classrooms	Streams (classes)	Students	Teachers
Government (incl. govt-aided)	241	3,563	4,504	170,851	14,663
Private	50	533	367	8,122	850
Total	291	4,096	4,871	178,973	15,513

Source: Statistics Botswana, Secondary Education Statistics, 2019

**SPECIAL FEATURE**

# National Income and Compensation of Employees

The GDP report published in 2022 Q3 includes a range of useful information besides the usual data on overall economic output and growth and the sectoral breakdown of economic activity. This additional information, which is published in Q3 every year, includes data on how GDP is distributed across different forms of income. One important category of income is **compensation of employees**, i.e., payment of salaries and wages. The second major category is **gross operating surplus**. This itself includes several sub-categories, notably profits of companies, mixed income (earnings of the informal sector, self-employed individuals, farmers etc.), consumption of fixed capital (depreciation), and mineral rents (earnings from mining not attributable to capital or labour).

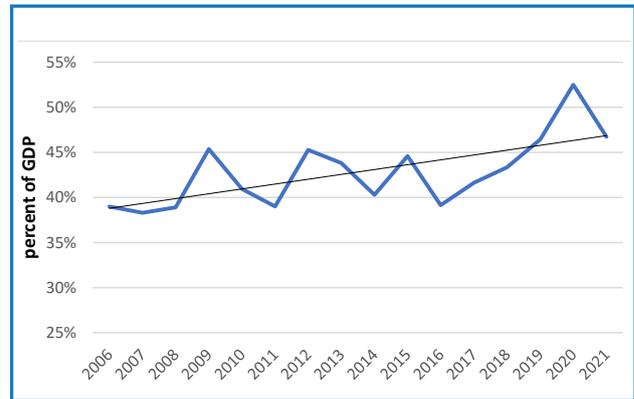
Category of Income
Compensation of employees
Gross operating surplus
Profits (return to capital)
Mixed income
Consumption of fixed capital (CFC)
Mineral rents
<b>Total value added</b>
Indirect taxes less subsidies
<b>Gross Domestic Product</b>

Not all of these sub-categories are recorded in the national accounts (mixed income and mineral rents are not separated from profits), so they cannot be easily tracked. However, it is useful to observe trends in the share of value added that is distributed as wages and salaries (compensation of employees).

As Figure 1 shows, the share of value added paid out as wages and salaries has been rising gradually over time. After excluding consumption of fixed capital, compensation of employees accounted for 39% of value added in 2006,

rising to 47% in 2021. This is an encouraging result, as it means that a greater share of national income is going to employees, which should help to reduce inequality over time.

**Figure 1: Compensation of Employees as share of (net) Value Added**

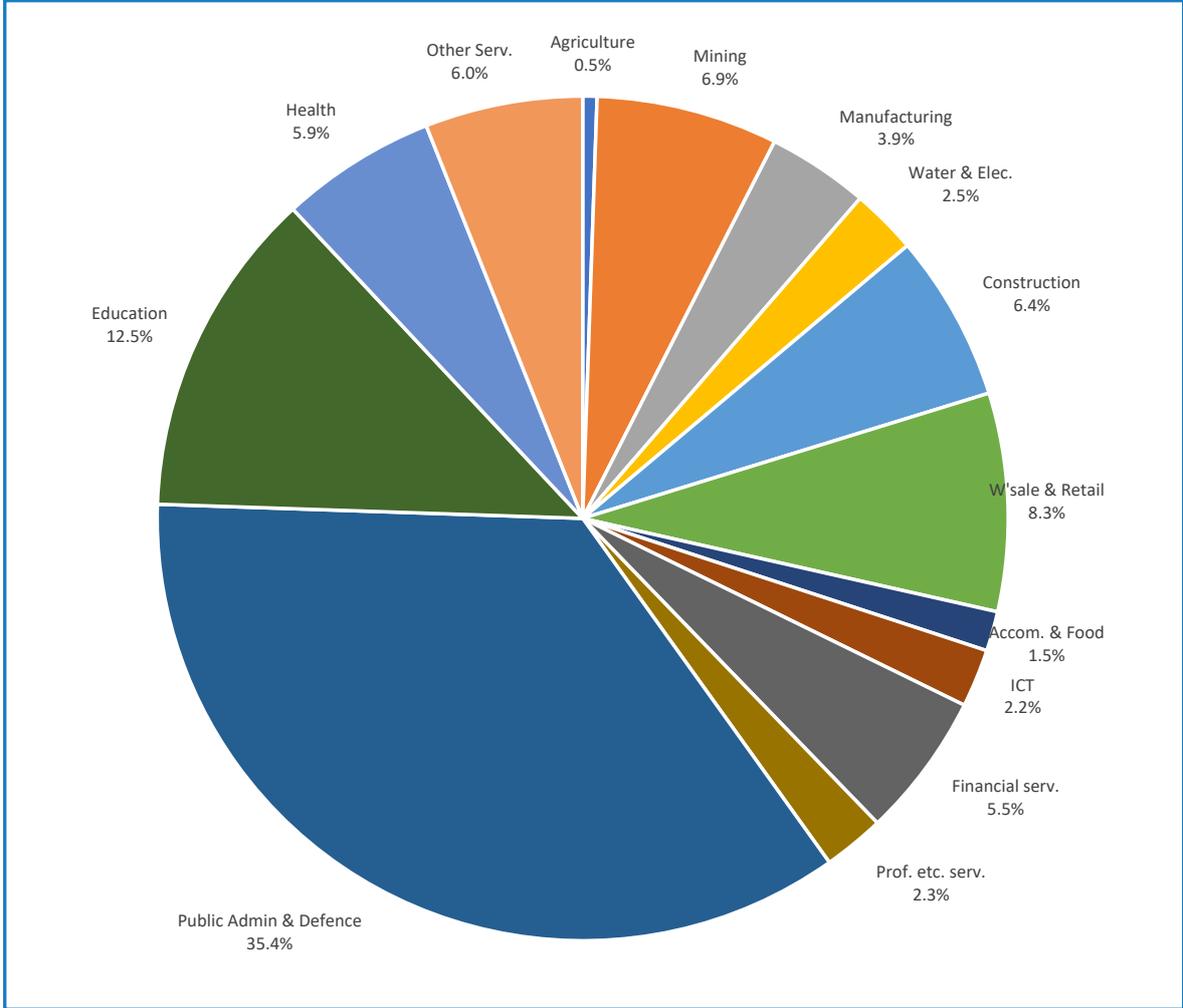


A related aspect of the data on compensation of employees shows how this is distributed across sectors of the economy. Figure 2 shows how the entire wage and salary bill of the economy is attributable to different sectors (in 2021). Not surprisingly, the largest by far is Public Administration and Defence, accounting for 35.4% of the total. This is followed by Education (12.5%), Wholesale and Retail (8.3%), Mining (6.9%) and Construction (6.4%).

The National Accounts report also shows how total wages and salaries are divided between Government and the Private Sector (including parastatals). General Government accounts for 51.1% of the total. Besides Public Administration and Defence employees, additional components include employees in Education (public schools and colleges), accounting for 10.4% of the national wage and salary bill, and government Healthcare workers (5.3%). Including parastatals along with General Government would raise the share of the Public Sector further, but this is not specified in the Statistics Botswana data.

**SPECIAL FEATURE**

**Figure 2: Share of total compensation of employees by sector, 2021**



PO Box 45016, Gaborone, Botswana

tel [+267] 390 0575  
 fax [+267] 390 0585

email keith@econsult.co.bw  
 sethunya@econsult.co.bw  
 kitso@econsult.co.bw  
 www.econsult.co.bw

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