

Focus on: Botswana

International Business Report 2010 – Country focus series

The recovery

The contraction in the Botswana economy across 2009 – driven by the temporary closure of diamond mines which remain the key source of GDP – was revised downward to 3.7 per cent from the 6.7 per cent previously estimated as fiscal stimulus and loose monetary policy helped Botswana avoid the worst. The economy has stabilised thanks largely to an increase in output from the key mining sector but longer term growth remains inextricably linked to diversification of the economy.

The key indicators¹ are highlighted below:

- GDP expanded by 4.1 per cent in the first quarter, an increase of 36.4 per cent year-on-year
- Botswana exported \$139.6 worth of rough diamonds in July, taking the total exported to \$650.3 in Q2, a 0.9 per cent decline from 12 months previously; however, the H1 2010 performance was 58 per cent above H1 2009
- overall, exports increased by 6.9 per cent quarter on quarter in Q1 2010
- investment appears robust with gross fixed capital formation increasing by 5.9 per cent in Q1 2010.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Botswana, the experiences and attitudes of its businesses and how they have been affected by the economic crisis along with how they are dealing with recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Botswana are slightly less optimistic about the economy over the course of 2010 than they were in 2009. Expectations for employment growth, revenues and profitability all remain positive, but bureaucracy and a lack of skilled workers are holding businesses back.



¹ Source: International Monetary Fund, The Economist and Experian.

Looking ahead

Forecast growth in the Botswana economy has been revised upwards from 4.8 per cent to 5.8 per cent on the back of buoyant rough diamond prices. Looking further ahead, diversification of the economy and creating an environment for private sector investment in sectors other than diamond mining will be key to growth, which could average 4.9 per cent up until 2014.

A return to global economic growth, particularly in the eurozone, provides the biggest risk to this forecast. The government – which relies on the diamond exports for around two-fifths of its revenues – is also faced with a swelling fiscal deficit and resurgent inflation. Further diversification into industries such as tourism (a Botswana Tourism Organisation has been created) will be needed to reduce inequalities and drive consumer demand.

As the economy exits recession, all businesses will face new challenges and will need to take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for businesses

Botswana compared to the global average	2008 Bot	2009 Bot	2010 Bot	2010 Global
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+66%	+81%	+62%	+24%
Change in employment levels				
Balance of PHBs expecting an increase over those expecting a reduction	+62%	+49%	+50%	+20%
Constraints on expansion				
Lack of availability of a skilled workforce	56%	54%	43%	21%
Regulations/red tape	28%	29%	45%	32%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.



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International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. However, businesses in Botswana are less optimistic about prospects for 2010; their optimism/pessimism balance² has fallen 19 percentage points from +81 per cent in 2009 to +62 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

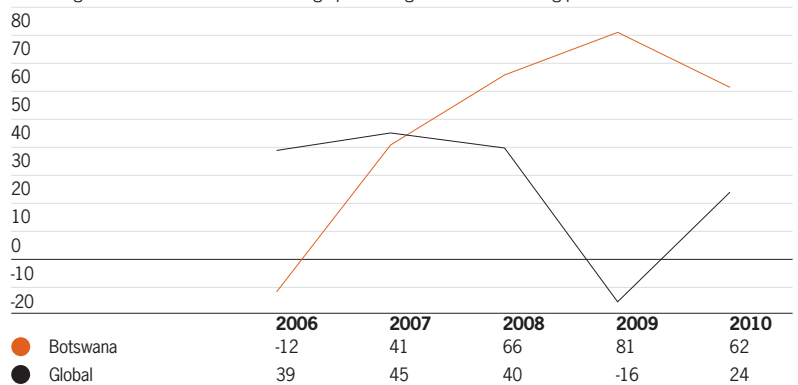
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Optimism/pessimism

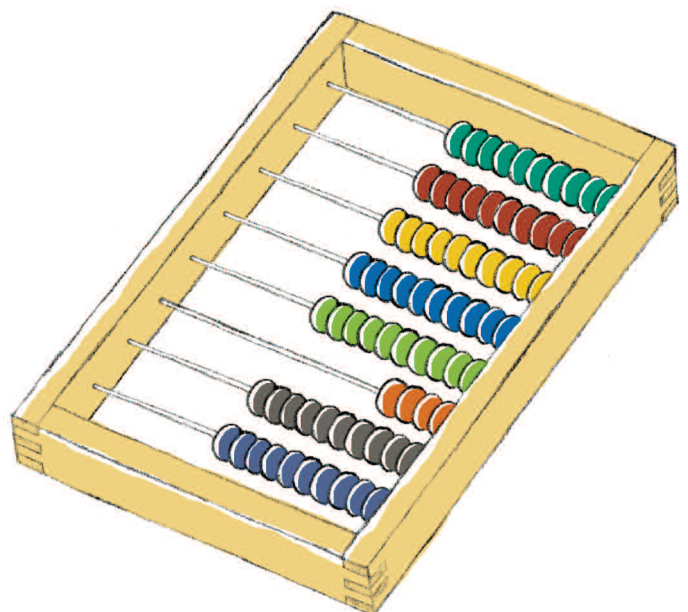
- businesses in Botswana are slightly less optimistic about their economy's performance outlook (+62 per cent) compared with 12 months previously (+81 per cent)
- optimism amongst businesses globally has risen by 40 percentage points this year.

Figure 2: Outlook for the economy over the next 12 months: 2006-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



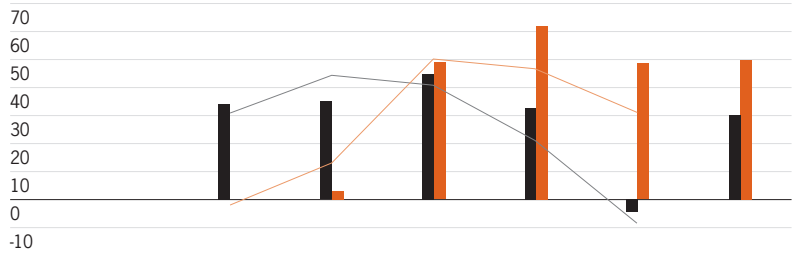
²the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

Employment

- +50 per cent of businesses expect employment to increase this year
- actual employment growth in 2009 (+31 per cent) was lower than expected (+49 per cent)
- globally +20 per cent of businesses expect to increase employment.

Figure 3: Employment history: 2005-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	2005	2006	2007	2008	2009	2010*
Expected Global	34	35	45	33	-4	20
Expected Botswana	-	3	49	62	49	50
Actual Global	31	44	41	21	-8	-
Actual Botswana	-2	13	50	47	31	-

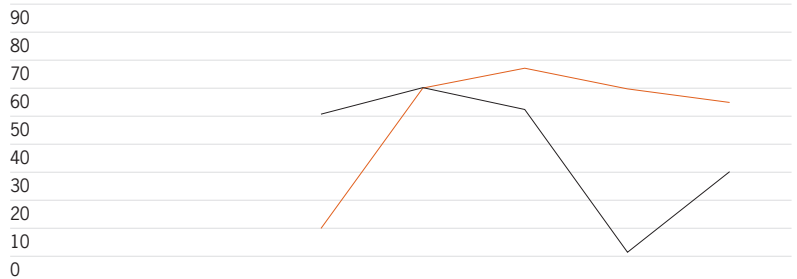
*actual 2010 data will be documented in IBR 2011
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects, which stayed relatively positive in 2009 (+70 per cent), fell to +65 per cent this year
- the global average has risen by 29 percentage points.

Figure 4: Revenue expectations: 2006-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	2006	2007	2008	2009	2010
Botswana	20	70	77	70	65
Global	61	70	63	11	40

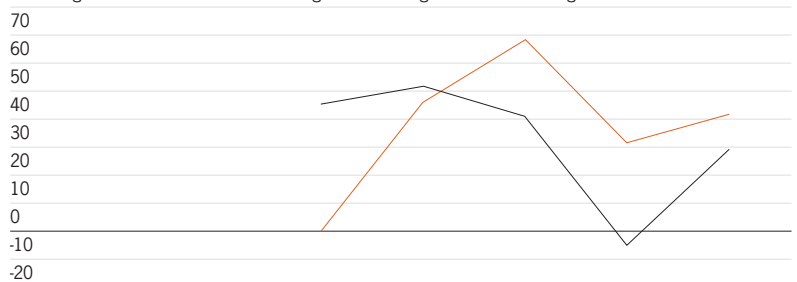
Source: Grant Thornton IBR 2010

Profitability expectations

- profitability expectations amongst businesses in Botswana have risen by ten per cent this year; a balance of +31 per cent of businesses expected profits to rise in 2009, compared with +41 per cent this year
- the global average has bounced back even more sharply, climbing by 34 percentage points, from -5 per cent to +29 per cent.

Figure 5: Profitability expectations: 2006-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	2006	2007	2008	2009	2010
Botswana	0	46	69	31	41
Global	46	52	41	-5	29

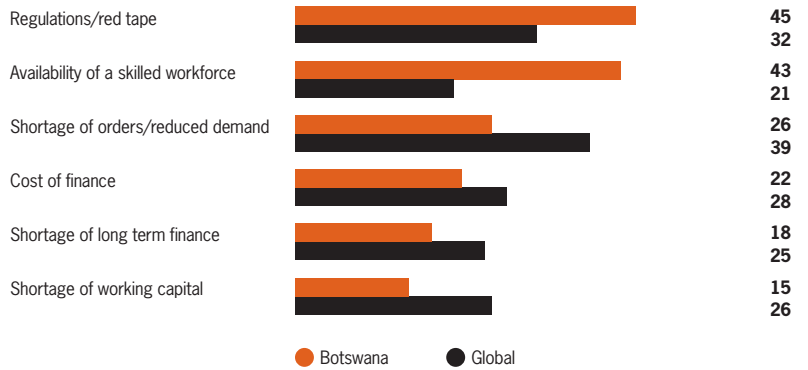
Source: Grant Thornton IBR 2010

Constraints

- regulations/red tape (45 per cent) was cited as the major constraint restricting expansion by businesses in Botswana
- the lack of availability of a skilled workforce (43 per cent) emerges as the second greatest constraint
- the greatest concern for businesses globally is shortage of orders/reduced demand (39 per cent); this factor is cited by just 26 per cent of businesses in Botswana.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



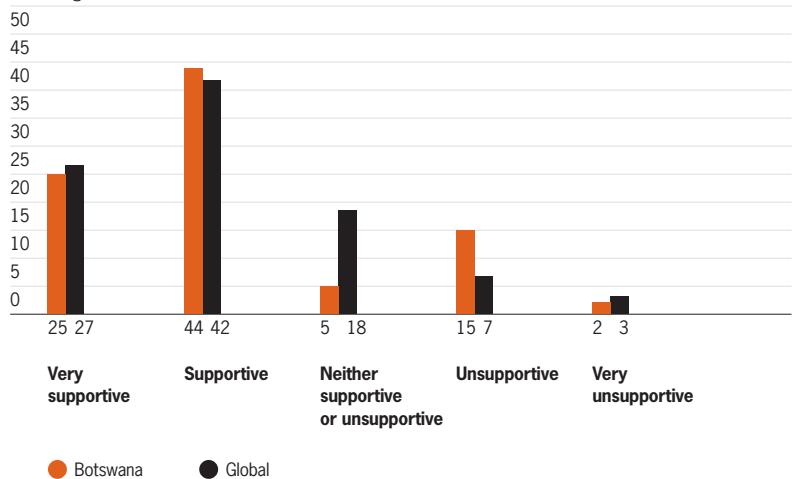
Source: Grant Thornton IBR 2010

Support of lender

- the majority of businesses in Botswana are happy with the level of support provided by lenders; 69 per cent class lenders as supportive or very supportive towards their business, identical to the global average
- 17 per cent of businesses in Botswana believe that lenders are unsupportive or very unsupportive of their business, compared to ten per cent globally.

Figure 7: Level of support provided by lenders

Percentage of businesses



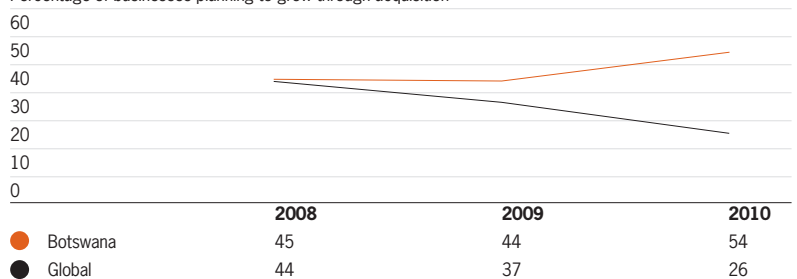
Source: Grant Thornton IBR 2010

Mergers & acquisitions

- 54 per cent of businesses in Botswana are planning to grow through acquisition this year, a rise of ten per cent from 2009
- 72 per cent of those planning to grow in this way expect to acquire domestic businesses, whilst 41 per cent expect to acquire foreign businesses
- for 52 per cent of businesses planning to acquire, the key driver is access to new geographic markets.

Figure 8: Plans to grow through acquisition in the next three years

Percentage of businesses planning to grow through acquisition

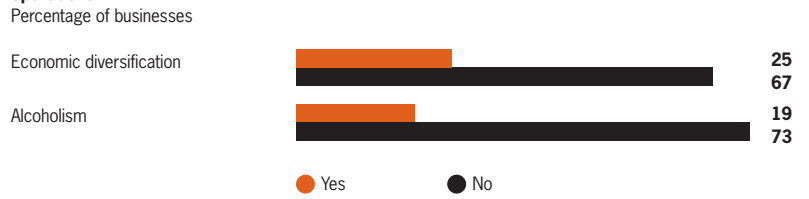


Source: Grant Thornton IBR 2010

Impacts on business

- the government's efforts at economic diversification have had an impact on a quarter of businesses in Botswana; almost two-thirds say this has had no impact
- almost a fifth of businesses in Botswana are affected by alcoholism, with almost three-quarters unaffected in this way.

Figure 9: Have the government's efforts to diversify or alcoholism had any impact on your business operations?

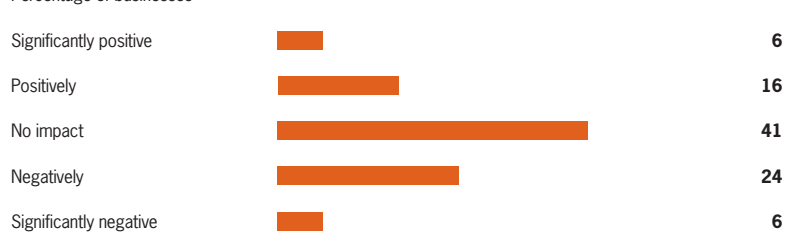


Source: Grant Thornton IBR 2010

Instability

- the instability in neighbouring countries has had a positive impact on over a fifth of businesses in Botswana
- whilst 41 per cent report no impact, a further 30 per cent believe regional instability has impacted negatively on their operations.

Figure 10: How has the regional instability of neighbouring countries impacted on your business?



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 businesses in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the ‘engine’ of the world’s economy. In Botswana 100 businesses were surveyed across all industry sectors. These businesses ranged from small to medium in size, employing between 25 and 149 workers.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina	Japan
Armenia	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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