

Botswana

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in Botswana are more optimistic about 2008 (+66 per cent) than they were about 2007 (+41 per cent).

The Botswanan economy

Botswana has been among the fastest-growing economies in Africa over the past 40 years, and real GDP grew 5.4 per cent in 2007. The government invested heavily in mining, irrigation and power generation as total investment grew by 18 per cent overall.

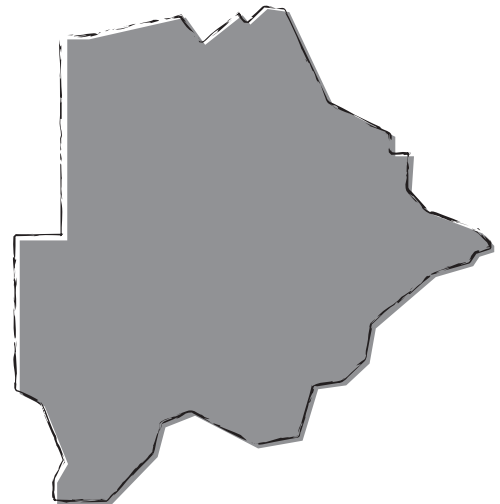
The mining sector continues to dominate the economy, accounting for around 40 per cent of total GDP with the diamond trade making up 75 per cent of exports. However, whilst the mining sector grew by 5.2 per cent in 2006/07, growth in the non-mining sector was 6.8 per cent, which bodes well for the government's efforts at production diversification.

Inflation spiked at 11.6 per cent in 2006 but fell to 7.1 per cent in 2007, whilst the current account balance was 16.8 per cent of total GDP thanks to strong diamond exports. Unemployment remains high at 17.6 per cent.



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¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

Business expectations/revenue

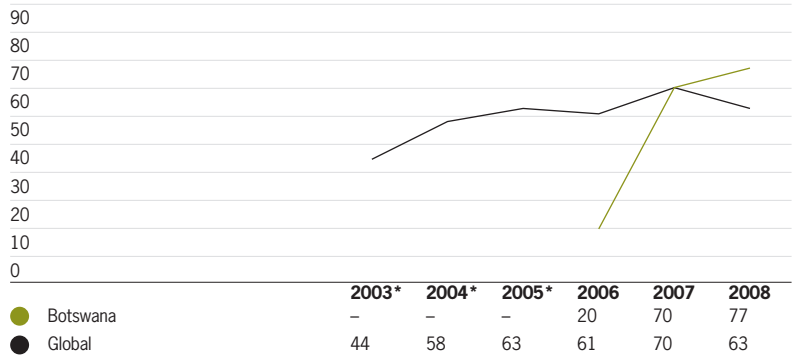
- PHBs in Botswana are more optimistic about their revenue prospects in 2008 (+77 per cent) compared to 2007 (+70 per cent).
- Their levels of optimism regarding revenue performance are well above the global average (+63 per cent).
- Levels of optimism regarding exports (+14 per cent) are marginally below the global average (+18 per cent) but are up from +8 per cent in 2007.

Employment

- Expected employment growth in Botswana has risen from +49 per cent in 2007 to +62 per cent in 2008.
- Businesses globally are far less optimistic with regard to employment growth in 2008 (+33 per cent) than PHBs in Botswana.
- Actual reported employment growth in Botswana (+50 per cent) was marginally higher than expected in 2007.

Figure 1: Revenue expectations for Botswana and the global average 2003-2008

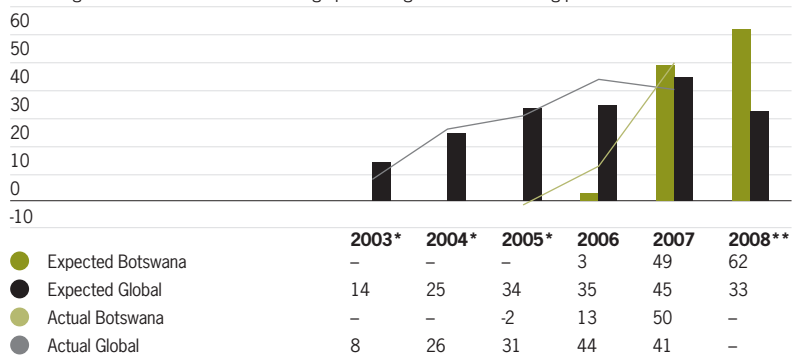
Percentage balance of businesses indicating optimism against those indicating pessimism



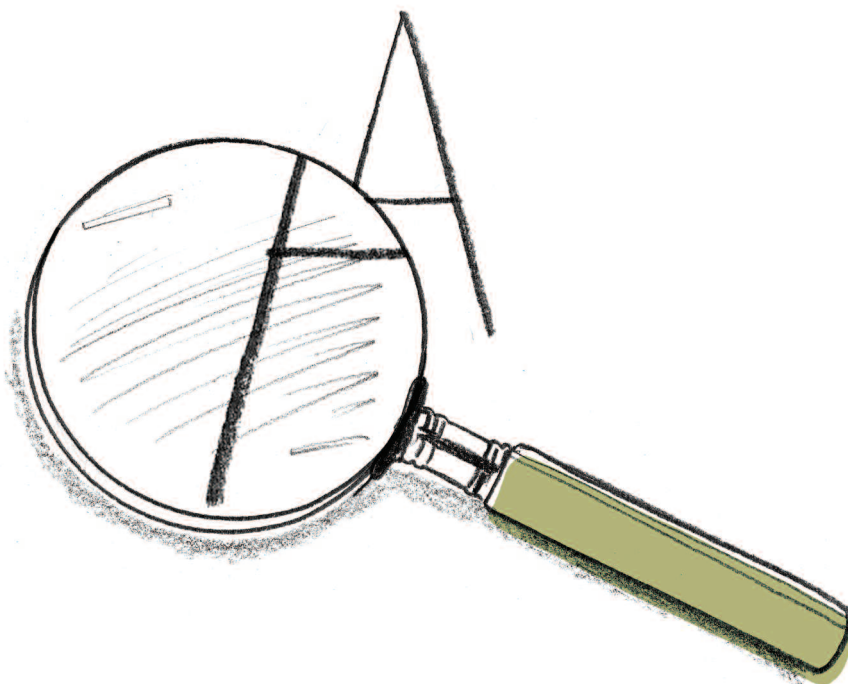
*no data available for Botswana
Source: Grant Thornton IBR 2008

Figure 2: Employment history of Botswana and the global average 2003-2008

Percentage balance of businesses indicating optimism against those indicating pessimism



*no data available for Botswana
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

- The availability of a skilled workforce is the constraint restricting expansion cited most by businesses both in Botswana (56 per cent), and globally (35 per cent).
- The cost of finance is cited by 45 per cent of PHBs in Botswana, but by only 27 per cent of businesses globally.
- The shortage of long-term finance is viewed as a constraint restricting expansion by almost one third of PHBs in Botswana, compared to 21 per cent of businesses globally.

Emerging markets

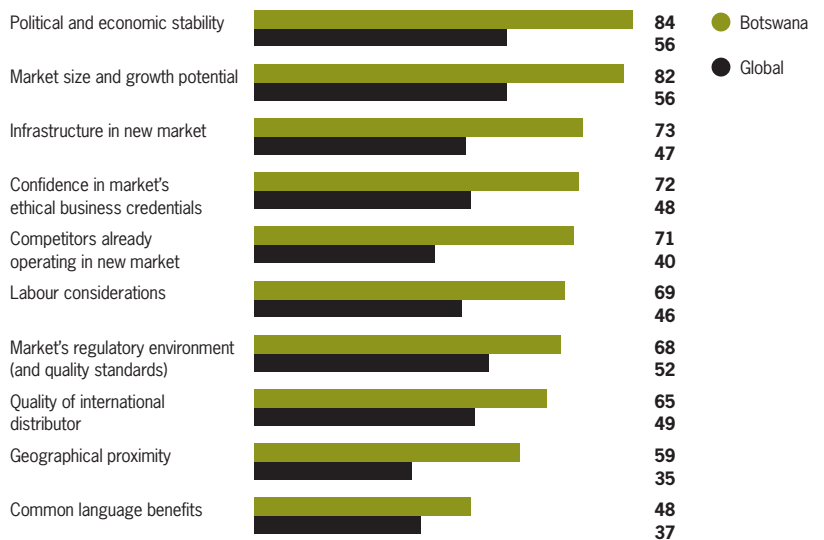
- The most important factor for PHBs in Botswana, when determining whether to invest internationally, is political and economic stability (84 per cent).
- The proportion of PHBs in Botswana which export (19 per cent) is below the global average (39 per cent), but is up from 12 per cent in 2007.
- Three-quarters of PHBs in Botswana import, which is above the global average (39 per cent).
- 56 per cent of PHBs in Botswana see their main competition coming from local sources. This is above the global business average of 36 per cent.

Figure 3: Largest constraint on growth for Botswanan businesses compared to the global average
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 2008

Figure 4: Importance of factors determining foreign investment
Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Competitiveness

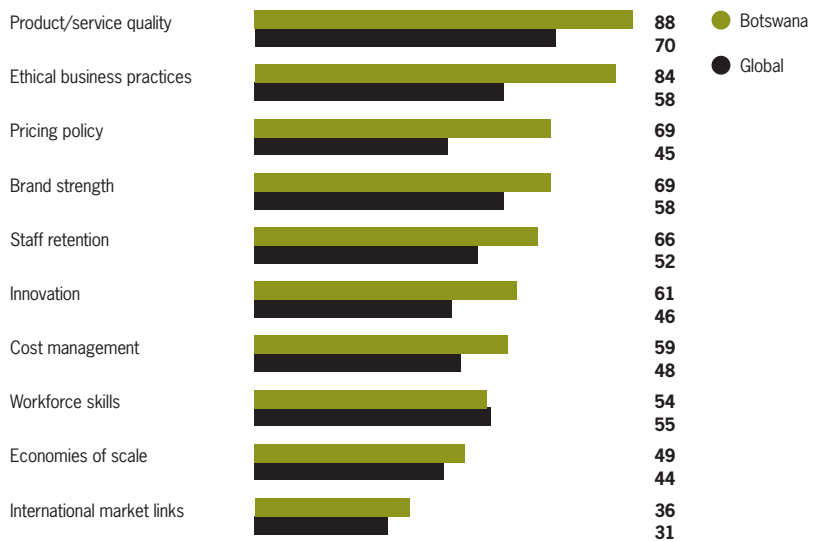
- PHBs in Botswana see their greatest source of competitive advantage as product service quality (88 per cent), as is true of businesses globally.
- 84 per cent of PHBs in Botswana see ethical business practices as a source of competitive advantage, above the global business average of 58 per cent.
- Over two-thirds of PHBs in Botswana cite pricing policy as a source of competitive advantage compared to under half of businesses globally.

Corporate social responsibility (CSR)

- Cost management is viewed as the biggest driver towards more ethical practices by PHBs in Botswana (77 per cent). This is higher than the global average (63 per cent).
- 88 per cent of PHBs in Botswana donated to community causes/charities in the past year, compared to 65 per cent of all businesses.
- 38 per cent of PHBs in Botswana have incorporated their policies in to a written CSR document, which is lower than the global average of 56 per cent.

Figure 5: Main sources of competitive advantage for Botswanan businesses compared to the global average

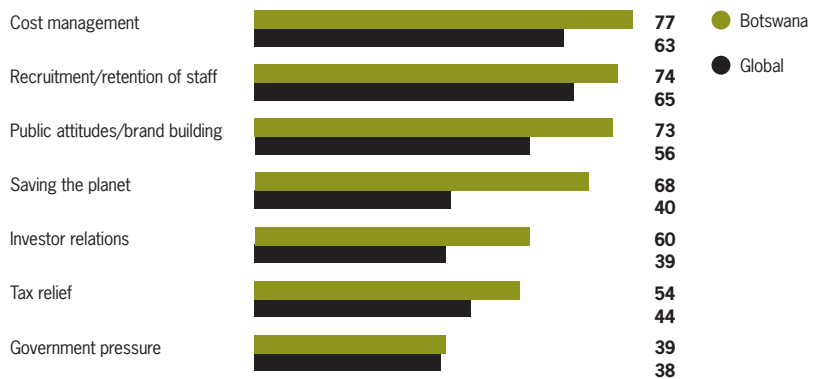
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Botswanan businesses compared to the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



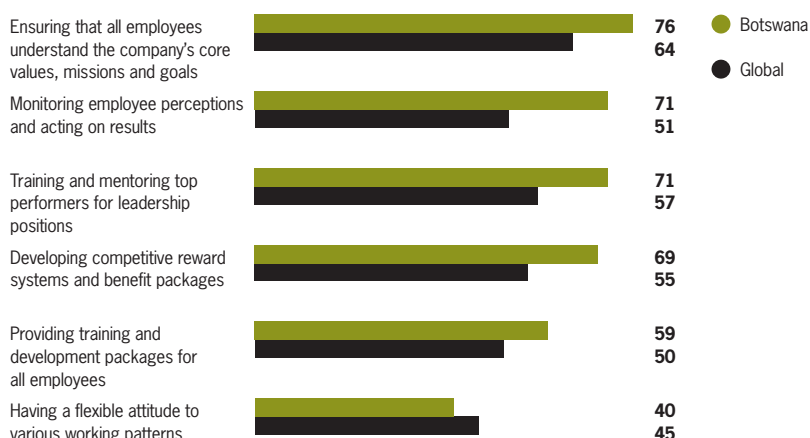
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of PHBs in Botswana more focused on retention than one year ago is +79 per cent. This is above the global business average (59 per cent).
- 76 per cent of PHBs in Botswana ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention. This is above the global average of 64 per cent.
- Cited by 26 per cent of PHBs in Botswana, an increased workload for remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 86 per cent of PHBs in Botswana significantly more to pay their staff than it was 12 months ago. This is well above the global average (63 per cent).

Figure 7: Usage of recruitment and retention tools for Botswanan businesses compared to the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Botswanan economy

The current National Development Plan (NDP 9) finishes in 2009 and growth is forecast to slow slightly to five per cent in 2008 and 4.3 per cent in 2009, driven principally by strong, but more moderate, public and private investment.

How the government continues to deal with over reliance on the mining sector, especially in terms of exports, will be central to future performance. Erratic diamond production is expected to contribute to a drop in the current account balance, which is forecast to make up 8.6 per cent and 8.3 per cent of GDP in 2008 and 2009 respectively. The government is committed to making the private sector a major engine of growth and the mandate of the newly-created Botswana Tourism Board, which is to transform the sector into a real area of strength for the economy.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six-year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

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



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