

Focus on: Botswana

International Business Report 2011 – Economy focus series

The economy

Following a deep contraction in 2009, the economy of Botswana expanded by 7.2 per cent in 2010 as global trade recovered. The economy remains heavily reliant with the diamond mining industry which accounts for around one third of GDP and close to three-quarters of export earnings. An eight-week public-sector strike ended in mid-June with the authorities refusing to raise a wage offer of 3 per cent.

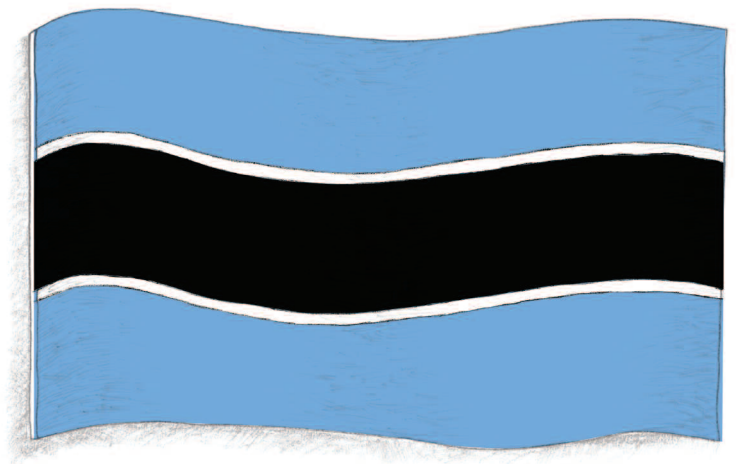
The key indicators¹ are highlighted below:

- the economy expanded by 6.4 per cent at an annualised rate in Q1, up from -2.1 per cent in Q4-2010
- the value of exports rose by 14.1 per cent in Q1 from the three months previously, whilst imports rose by 9.1 per cent
- investment also picked up: gross fixed capital formation climbed 14.4 per cent in Q1
- the inflation rate stood at 7.8 per cent in July, down from 7.9 per cent in June.

The business perspective

The Grant Thornton International Business Report (IBR) 2011 surveyed the views of over 11,000 privately held businesses (PHBs) in 39 economies around the world. This report focuses on the experiences of privately held businesses in Botswana and their expectations for the next 12 months, as illustrated in figure 1.

The IBR survey tells us that optimism for the economy over the next 12 months has dropped amongst businesses in Botswana. Expectations for employment have fallen but remain above those in South Africa. A lack of availability of skilled workers and a shortage of orders remain major constraints on business growth.



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

The outlook

Finance minister, Kenneth Matambo expects a slight reduction in the 7.2 per cent growth rate forecast for the year ending March 2012 on the back of the eight-week public sector strike which ended in mid-June. Government workers had gone on strike in mid-April demanding a 12 per cent pay rise but unions appear to have settled for 3 per cent in the face of government intransigence.

The impact of the strike on government output and consumer spending looks set to be offset by the strength of the mining sector, with growth of 5.8 per cent forecast in 2011, rising to 5.9 per cent in 2012. The major risk is a fall in global demand for diamonds.

The government has promised to eliminate the budget deficit and avoid raising the debt ceiling which is set at 40 per cent of GDP. Diversification of the economy away from capital-intensive diamond mining, improving the business environment and restraining growth in the government wage bill remain key policy challenges

Talk to us to find out how we can help you deal with the challenges your business is facing today.



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Figure 1: Key indicators for businesses

Botswana compared to the global average	2009 Bot	2010 Bot	2011 Bot	2011 Global
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+81%	+62%	+54%	+66%
Change in employment levels				
Balance of PHBs expecting an increase over those expecting a reduction	+49%	+50%	+40%	+30%
Constraints on expansion				
Shortage of orders/reduced demand	28%	26%	35%	23%
Lack of availability of a skilled workforce	54%	43%	53%	53%

Source: Grant Thornton IBR 2011



International Business Report results

The Grant Thornton IBR 2011 reveals that business optimism has risen in most economies around the world. However, businesses in Botswana are less optimistic about their economy over the next 12 months; their optimism/pessimism balance² has fallen by 8 percentage points from +62 per cent in 2010 to +54 per cent in 2011.

Businesses in India and Chile are once again the most optimistic globally, topping the league table of optimism with +91 per cent. They are followed by the Philippines (+85 per cent), Sweden (+81 per cent) and the United Arab Emirates (+80 per cent). Japan is the least optimistic country once again with a balance of -66 per cent, followed by Spain (-48 per cent) and Greece (-45 per cent).

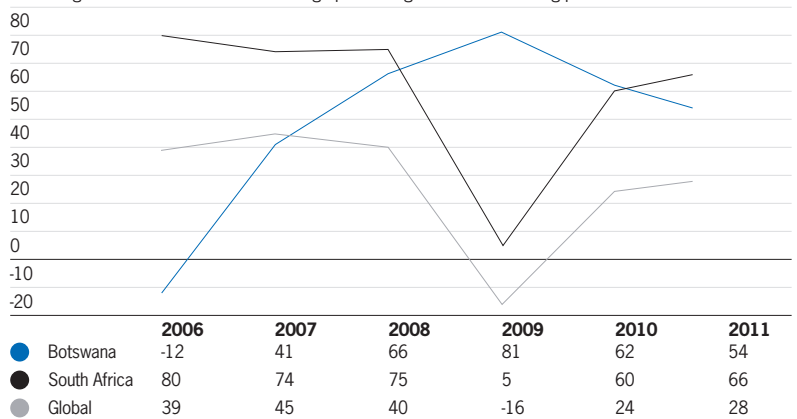
Overall optimism amongst businesses globally has risen: this year on balance, +28 per cent of PHBs across all countries are positive about their country's economy, compared with +24 per cent in 2010.

Optimism/pessimism

- businesses in Botswana are less optimistic about the next 12 months compared with last year: the optimism balance has fallen from +62 per cent in 2010, to +54 per cent this year
- in South Africa, the optimism balance rose from +60 per cent in 2010, to +66 per cent this year
- globally, business sentiment has risen from +24 per cent in 2010 to +28 per cent in 2011.

Figure 2: Outlook for the economy over the next 12 months: 2006-2011

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2011



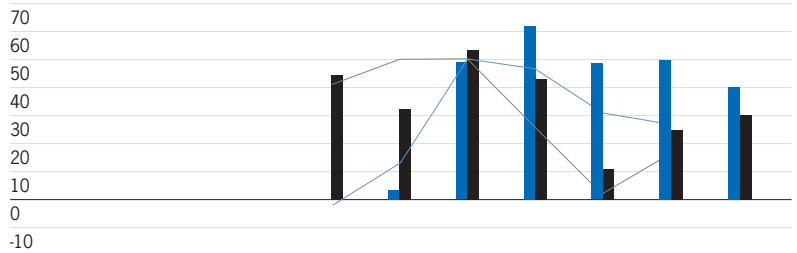
² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

Employment

- a balance of +40 per cent of businesses in Botswana expect to increase staff levels in 2011, compared with +30 per cent in South Africa
- actual employment growth reported by businesses in Botswana for 2010 (+27 per cent) was much lower than expected 12 months previously (+50 per cent).

Figure 3: Employment history: 2005-2011

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



	2005	2006	2007	2008	2009	2010	2011*
Expected Botswana	-	3	49	62	49	50	40
Expected South Africa	45	32	53	43	11	25	30
Actual Botswana	-2	13	50	47	31	27	-
Actual South Africa	41	50	50	26	2	17	-

*actual 2011 data will be documented in IBR 2012

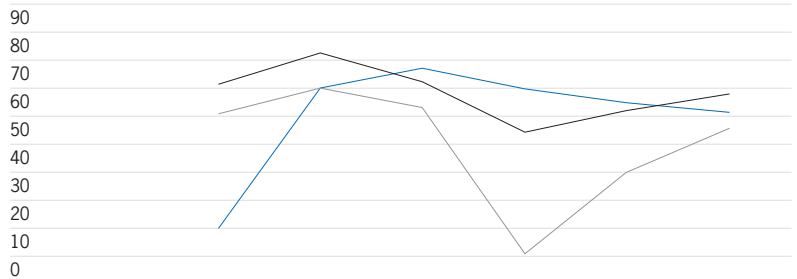
Source: Grant Thornton IBR 2011

Revenue expectations

- revenue expectations declined slightly compared with last year, down to +61 per cent in 2011 from +65 per cent in 2010
- expectations for revenue increased in South Africa from +62 per cent in 2010, to +68 per cent this year
- globally, +55 per cent of businesses expect revenues to increase in 2011, compared with +40 per cent in 2010.

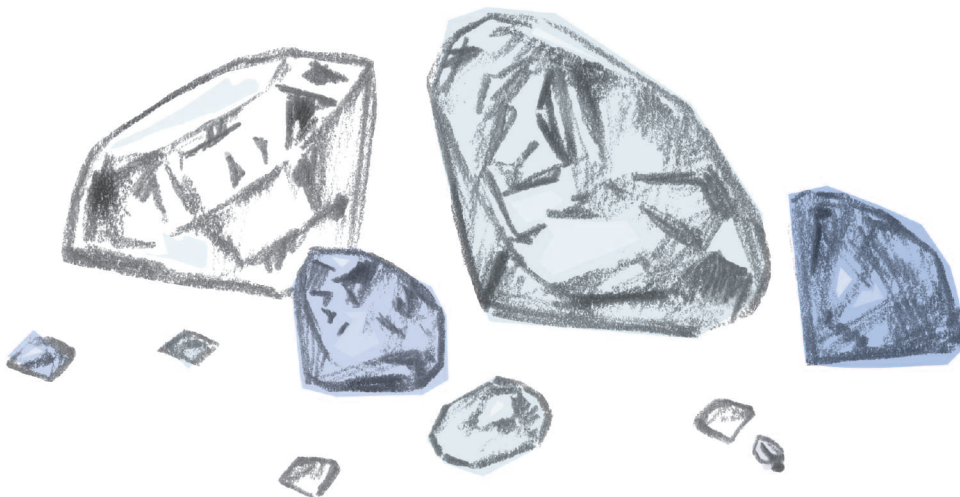
Figure 4: Revenue expectations: 2006-2011

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



	2006	2007	2008	2009	2010	2011
Botswana	20	70	77	70	65	61
South Africa	71	82	72	54	62	68
Global	61	70	63	11	40	56

Source: Grant Thornton IBR 2011

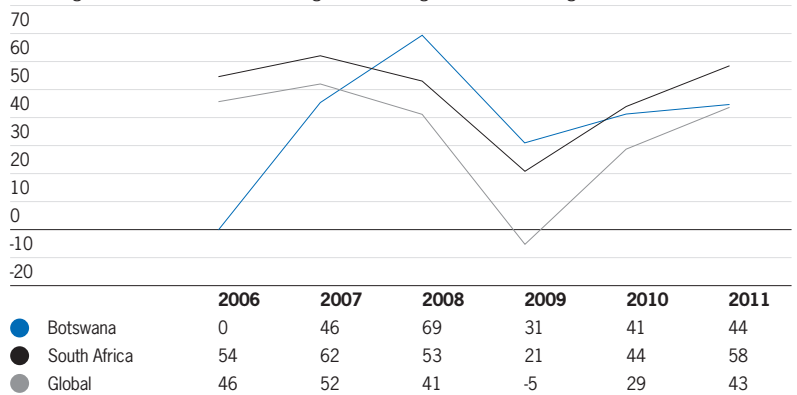


Profitability expectations

- expectations for profits climbed 3 percentage points this year in Botswana, up from +41 per cent in 2010 to +44 per cent
- in South Africa +58 per cent of businesses expect to increase profits over the next 12 months, compared with +44 per cent in 2010
- globally, +43 per cent of businesses expect to see profits rise over the next 12 months, an increase of 14 percentage points on 2010.

Figure 5: Profitability expectations: 2006-2011

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



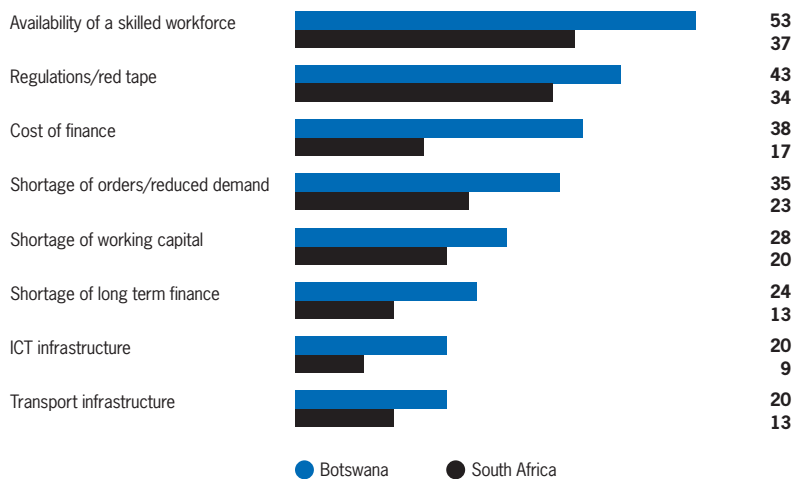
Source: Grant Thornton IBR 2011

Constraints

- a lack of availability of skilled workers emerges as the major constraint on business growth in Botswana this year (53 per cent)
- this is also the primary constraint in South Africa, although it is cited by around a third fewer businesses (37 per cent)
- all constraints are cited by a greater proportion of businesses in Botswana than in South Africa.

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

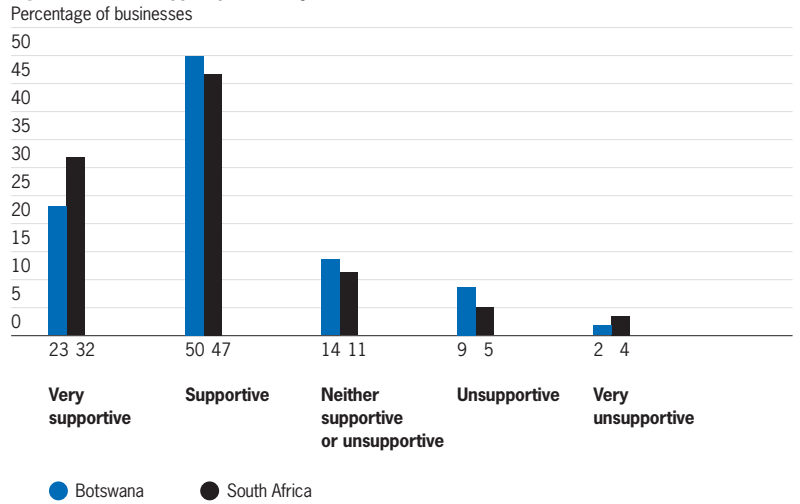


Source: Grant Thornton IBR 2011

Support of lender

- the majority of businesses in Botswana are happy with the level of support provided by lenders; 73 per cent class lenders as supportive or very supportive towards their business
- this compares with 79 per cent of businesses in South Africa
- 11 per cent of businesses in Botswana class lenders as unsupportive, compared to 9 per cent in South Africa.

Figure 7: Level of support provided by lenders

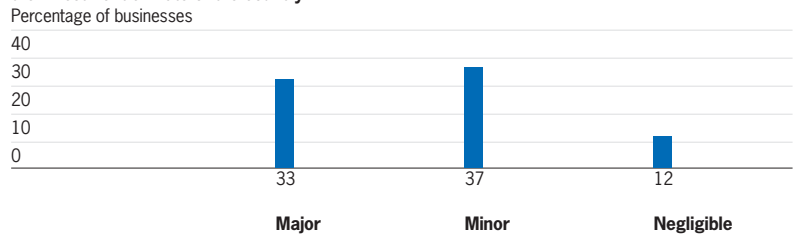


Source: Grant Thornton IBR 2011

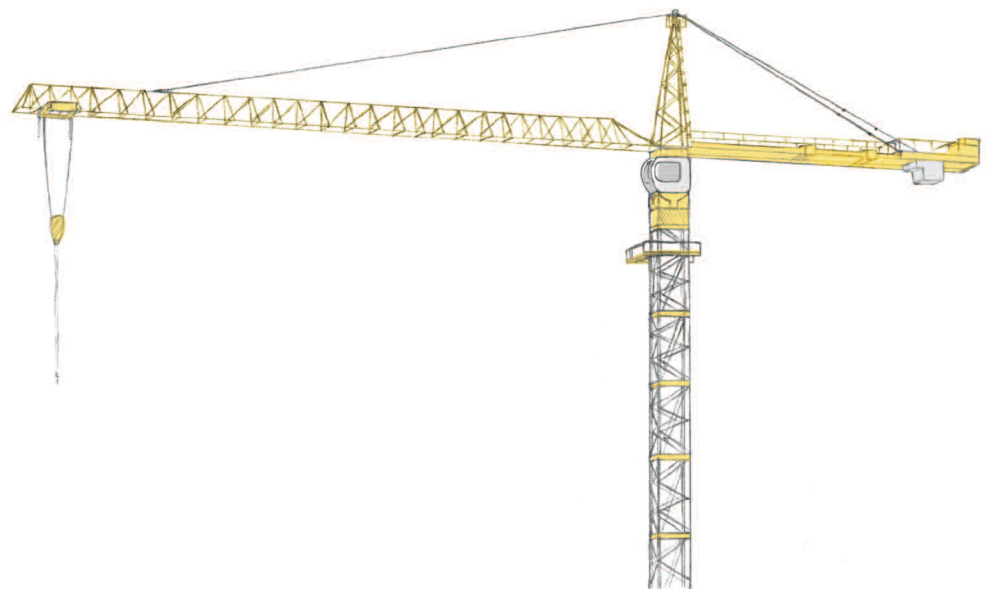
Country specific questions

- a third of businesses believe the proposed changes in tax legislation will have a major impact on the investment climate of the country, with a further 37 per cent expecting a minor impact
- meanwhile, 79 per cent of respondents believe security in Botswana is the best in the SADC region
- businesses are split as to whether appropriate action has been taken to bridge the gap between scarcity of skills and the demand caused by rapid economic development: 48 per cent agree, but 47 per cent disagree.

Figure 8: How severe an impact do you believe the proposed changes in the tax legislations affect the investment climate of the country?



Source: Grant Thornton IBR 2011



The Grant Thornton International Business Report (IBR) is a quarterly survey of around 3,000 senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 11,000 PHBs in 39 economies on an annual basis providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy.

In Botswana 175 businesses were surveyed across all industry sectors between November 2010 and May 2011. These businesses ranged from small to medium in size with total employment of between 25 and 299.

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



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