

ECONOMIC REVIEW

first quarter january - march 2020

in this issue ...

COMMENTARY	1	KEY ECONOMIC VARIABLES	6	NEWS HIGHLIGHTS	11	MACRO-ECONOMIC DATA	15	NEW INSIGHTS INTO EMPLOYMENT IN BOTSWANA	16
------------	---	------------------------	---	-----------------	----	---------------------	----	--	----

COMMENTARY

Economic impact of COVID-19 likely to be deep and long-lasting

Introduction

The major economic issue in the first quarter of 2020 (and since then) has, of course, been the global COVID-19 (novel coronavirus) pandemic and its impact on health systems, societies and economies. COVID-19 burst on to the global scene in March 2020, after having been regarded as mainly a Chinese or Asian problem since its initial outbreak in Wuhan, China in December 2019. Since then COVID-19 has appeared in virtually every country of the world, to a greater or lesser extent. Our commentary in this edition of the *Economic Review* will focus on the economic impact of COVID-19, both on Botswana and on the world economy, instead of our normal economic commentary. Given the inevitable lags in producing economic data, available data refers mainly to the last quarter of 2019 and in some cases the first month or two of 2020 – i.e., pre-coronavirus – and has to a large extent been overtaken by subsequent events. Developments with regard to key economic indicators are discussed in the next section of the Review. Hard economic data on the period from March onwards will only become available in May or June.

sponsored by



COMMENTARY

The Coronavirus Impact

As we reported in our Special Edition of the *Economic Review* in March 2020, the economic impact of COVID-19 is huge, both globally and in Botswana. Since that time, the situation has become more serious, and the negative economic impact is now likely to be larger than we projected a month ago. This is in part due to the “lockdown” that has been imposed in Botswana (as in many other countries) for most of the month of April, at least, which involves severe restrictions on movement, social interaction and economic activity. The aim of lockdowns is to limit contact between people and reduce the transmission of the highly-infectious virus, and hence to limit the level of COVID-19 infection in the population and avoid excessive stress on health systems.

It is worth reiterating that the impact of COVID-19 is mainly felt through three channels:

- The health impact: people becoming ill, and perhaps dying, and the need to strengthen the health system to deal with coronavirus-related illnesses;
- The local economic impact: the lockdown involves the temporary closure of many economic activities (almost all businesses apart from those classed as essential services) and severe limitations on the movement of people and their ability to earn incomes, to consume and to spend money; there are also longer-term restrictions under the State of Public Emergency (SoPE);
- The international economic impact: most major economies have imposed lockdowns of various kinds, affecting global economic activity and trade. There are also restrictions on international travel, along with border and entry controls, which in many cases pre-dated lockdowns. Given the importance of international trade and tourism, all countries are affected, to a greater or lesser extent, by this slowdown.

In terms of the short-term economic impact, the domestic lockdown has resulted in the closure of many, if not most, businesses. Certain “essential services” are allowed to continue, but the ability of people to leave their homes and spend money even in those outlets that continue to operate is highly restricted. Movement between towns and villages is generally prohibited. Under

the State of Public Emergency (SoPE), which has been approved by Parliament to last for (up to) six months, schools and churches are closed; gatherings of more than two people are banned; the sale of alcohol and tobacco is banned; restaurants are closed; events such as weddings, sports events and conferences are prohibited, and attendance at funerals is restricted.

The short-term economic impact of COVID-19 is severe, with the domestic lockdown combining with the international economic slowdown to dramatically reduce economic activity. A wide range of economic variables are already being negatively affected, including GDP, exports, imports, employment, incomes, and government revenues.

Government has announced a range of support measures to cushion the impact on household incomes and also to mitigate the adverse impact on firms so as to support their survival and ability to take advantage of the eventual recovery, and ensure the long-term preservation of jobs. The measures implemented so far include:

- A wage subsidy covering 50% of basic salaries for citizen employees in activities affected by COVID-19, with a minimum monthly subsidy of P1,000 and a maximum of P2,500, payable for three months;
- Provision for the deferment (to 2021) of payment of Self-Assessed Tax (SAT) by corporates (SAT is the main tax on company profits);
- The establishment of a loan guarantee fund to facilitate access to bank loans (with an 80% government guarantee) for companies that need overdrafts or short term loans to deal with cashflow problems;
- Allocation of additional funds to deal with demands related to COVID-19, including health expenditure, food security, etc.;
- The provision of food baskets for eligible low-income households.

Besides these government programmes, banks have announced plans to allow repayment holidays for borrowers adversely affected by COVID-19, while the Bank of Botswana has implemented measures to provide liquidity should banks be in need of this. BoB has also undertaken to apply “regulatory forbearance” should banks run up against regulatory constraints to maintaining normal operations during this period.

COMMENTARY

These support programmes have only been running since early April and their impact and uptake cannot yet be assessed. However, it appears that at least 40% of households will receive food baskets, and 80% of eligible workers are covered by the wage subsidy. Therefore, this should go some way in mitigating part of the adverse economic effects. The estimated cost of these fiscal measures is around P4 billion, or approximately 2% of GDP. This is a relatively small fiscal injection by international standards, and may need to be extended or topped up in due course. Other measures that merit consideration include support for the informal sector and small and micro enterprises which do not meet the tax-registration eligibility requirements for access to wage subsidies, and addressing the problems that some tenants are finding in paying rents when incomes (whether for individuals or businesses) have been reduced.

Firm data on the economic impact of COVID-19 will only be available after 2-3 months. For other countries, there are fairly consistent estimates of economic activity being reduced by 30-60% in the short-term during periods of strict lockdowns, and the decline in Botswana's GDP during April 2020 is likely to be around 50%. This is only the short-term impact; however, the longer-term impact over 2020 as a whole (and even into 2021) depends on a wide range of factors. These include developments in the global economy; recovery in the diamond industry; the length of time it takes for international travel to resume; and the duration of the domestic lockdown and the restrictions imposed under the SoPE, including the ban on entry by non-residents.

Global Economic Developments

The world economy is in uncharted territory and making predictions about global growth and the speed of recovery is fraught with difficulty given the uncertainties involved. The most recent comprehensive global estimates, released by the IMF in the April 2020 World Economic Outlook (WEO), predict a contraction of 3.0% in global GDP in 2020, and a contraction of 6.1% in the GDP of advanced economies. The impact at country level depends on the structure of individual economies, with those dependent on primary commodity exports (such as oil) and tourism being particularly badly hit. For Botswana, the IMF WEO projects a GDP contraction of 5.4% in 2020.

However, as estimates of GDP growth are updated on the basis of new developments and estimates, they are generally revised downwards. Much depends on the speed of recovery. Earlier estimates that GDP would follow a

“V-shaped” pattern, with a fairly strong recovery, are now being replaced by that projections of a “U-shaped” recovery, with a long base of contraction (recession) before an eventual recovery, or even an “L-shaped” out-turn. The longer the recession lasts, the fewer the businesses that will survive the downturn, and the slower the recovery will be and the greater the likelihood of a prolonged depression.

Diamonds

The diamond industry remains the most important to the Botswana economy, even though the level of economic dependence on diamonds has been reduced somewhat over the past few decades. As we have noted earlier, 2019 was generally a poor year for diamonds, but there were signs of recovery in December 2019 and January 2020. Now, however, the global diamond industry has ground to almost a complete halt. Retail stores are currently closed in most countries, so few sales of diamond jewellery are taking place (there are some online sales). Travel restrictions mean that buyers cannot travel to physical sales events, such as those held ten times a year in Botswana. There are excess levels of inventory at all levels of the diamond value chain – retailers, jewellery manufacturers, cutters and polishers, traders and mining companies. Even when retail sales do re-start, it will take some time for the demand to flow through the value chain down to the level of diamond mining companies. There are also concerns that the impact of COVID-19 has been so traumatic that it will take time for spending on high-value luxuries to resume.

In the short term, Debswana has suspended mining operations during April 2020, having brought forward previously-planned maintenance and engineering operations. Current plans are for mining to resume in May. Even under the lockdown, mining is classed as an essential service, and most of the other mines in the country are still operating; a resumption of mining operations by Debswana would help to limit the negative impact of COVID-19 on GDP. Nevertheless, the De Beers group is projecting a 20% reduction in output below previously-planned levels in 2020, and the reduction in Debswana's output will be at this level or even higher.

However, mining diamonds that cannot immediately be sold means that they have to be stockpiled; GDP is boosted by the ongoing production, but the lack of sales means that export earnings and government revenues are impacted until sales recover. Our current expectation is that it will take 12-18 months for the global diamond industry to fully recover from COVID-19.

COMMENTARY

International Travel Restrictions

Restrictions on international travel were imposed early on as COVID-19 spread from China to other countries, as it was seen as the main channel for the international transmission of the virus. As at April 2020, international travel had come to an almost complete halt, with most countries imposing restrictions or bans on the entry of non-residents, and airlines drastically reducing flight schedules. Travel for both business and leisure purposes has been largely suspended, and the global tourism industry has been very badly hit as a result. Countries with large tourism industries are likely to be amongst those with the largest reductions in GDP. Botswana is amongst those affected, with tourism accounting directly for around 5% of GDP. Travel restrictions also impact on the country's ability to hold diamond sight sales.

At this time there is no clear indication as to when international travel restrictions will be relaxed and international travel will return to something like normal. Many airlines, tour operators and tourism companies had been hoping that this would occur by the middle of the year, but this is looking increasingly unlikely. The re-opening of borders and the restoration of international travel is dependent on clear evidence that the COVID-19 virus and the threat of contagion has been contained, which may take until late into 2020 or even into 2021. As it stands, the ban on non-residents entering Botswana is part of the SoPE regulations, which will be in force until the end of September, 2020 unless lifted earlier. If there are signs of recovery in international travel, then it would make sense to lift entry restrictions earlier – in a manner consistent with health needs – so as to support the recovery of Botswana's tourism industry, as well as other business activities.

Domestic Restrictions

The domestic lockdown started at midnight on April 2nd with a initial duration of 28 days. It has since been extended to May 21st, with a progressive relaxation of restrictions from May 8th. No information has yet been provided on the nature of the relaxation or the speed and sequencing of re-opening of different parts of the economy. The World Bank has noted that priority should be given to maintaining food supply chains, in order to support food security and household incomes; hence, care should be taken to ensure that domestic restrictions on movement and activity do not hinder the operations of agricultural producers and food processing operations. Other sectors that could be re-opened quickly include manufacturing and construction, which have little direct interaction with the public. The costs of not re-opening also need to be taken into account; for instance, the costs of keeping schools closed for long enough that a whole year of education is lost would be massive.

The inability of many households to earn an income during the lockdown – particularly those in the informal sector and engaged in other forms of self-employment – will become more problematic as the lockdown continues. Analysis elsewhere in Africa indicates that the negative impact of lockdowns is non-linear, i.e., that a doubling of the length of a lockdown more than doubles the negative social and economic impact, given the limited resilience of households and firms in many countries to withstand prolonged periods with no income. South Africa's proposed programme for re-opening the economy focuses on industries that have a high impact on economic growth, employment, exports and fiscal revenues, and where the risks of virus transmission are relatively low – for instance, where social distancing measures can easily be implemented, and where contact with the public can be minimised and crowds avoided. Botswana's lockdown and SoPE restrictions need to be managed so as to minimise the economic damage of COVID-19, while maintaining sufficient restrictions to contain health risks.

The Way Ahead

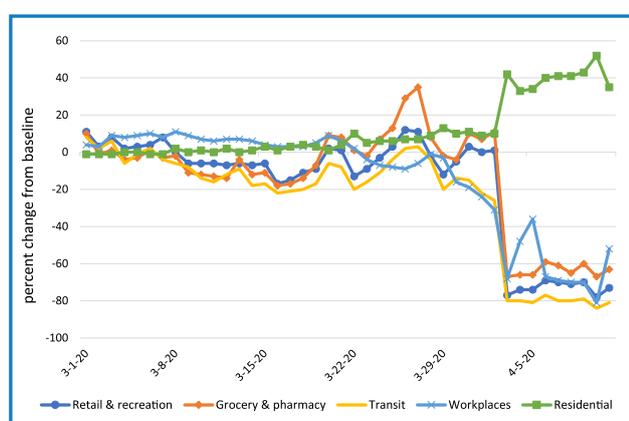
The impact of COVID-19 on the Botswana economy is almost certain to be substantially negative, with a large drop in GDP in 2020; our current estimate is that this drop will be in the range of 10-15%. The impact is likely to be prolonged, especially if restrictions on economic activity and population movement are maintained for a lengthy period, and some of the damage may well be irreversible – for instance, with firms that do not survive, jobs that are lost and government savings that are depleted to fund larger budget deficits.

However, there are several reasons for being not too pessimistic regarding the potential impact of COVID-19 on the Botswana economy. First, the current health impact of the virus is relatively low. Figures from the Ministry of Health and Wellness indicate that, as of April 28th, 6,548 individuals had been tested for COVID-19, of which only 23 had tested positive. This "positivity rate" of 0.35% is very low in a global context; by comparison, the equivalent figure in the USA (proportion of tests proving positive for COVID-19) is around 20%. Of course, this may change as more widespread testing is rolled out. However, the number of tests carried out per thousand population in Botswana – around 2.8 – is reasonably high by developing country standards, suggesting that testing coverage is reasonable; it is similar to South Africa and Ghana, but much higher than testing rates in Uganda, Kenya, Ethiopia and Nigeria, all of which are well below 0.5. These results indicate that there has been little community transmission, and that borders may have been closed early enough to keep the numbers of imported cases very low.

COMMENTARY

A second positive development is that the lockdown appears to have worked in terms of restricting peoples' movements. Data from the Google Mobility Report for Botswana shows drops of 60%-80% in terms of presence at retail stores, grocery stores & pharmacies, transit facilities (bus stations), and workplaces, and an increase of 40% in residential activity, over the period since the lockdown relative to a pre-COVID baseline.

Figure 1: Google Mobility Results for Botswana, March-April 2020



Source: Google, <https://www.google.com/covid19/mobility/>

The combination of an apparently low infection rate and an effective lockdown provides a sound basis for containing the virus, which is positive both from the perspective of health system capacity and minimising the adverse economic impact.

A third cause for optimism is that globally, there is reason to believe that the spread of the virus has peaked. According to data from the WHO, the number of new confirmed COVID-19 cases on a daily basis through April has been steady, with no trend increase. In other words, the extent of COVID-19 infections is no longer growing exponentially; this "flattening of the curve" is the precursor to a stabilisation, and eventual reduction, in the number of global infections. While this figure is also related to the roll-out of testing capacity, the fact that the number of new daily cases globally has not increased even while testing capacity has expanded is encouraging.

Fourth, some of the worst fears about the short-term impact of COVID-19 in Botswana have not been borne out. Back in March, there were concerns that cross-border supply chains would be disrupted, food supplies would run short, or that there would be fuel or power shortages. None of these have come to pass. Stores have remained well-stocked, food products are generally available – albeit with some reduction in choice; there is no problem with fuel supplies or electricity, and cross-border supply chains have remained functional.

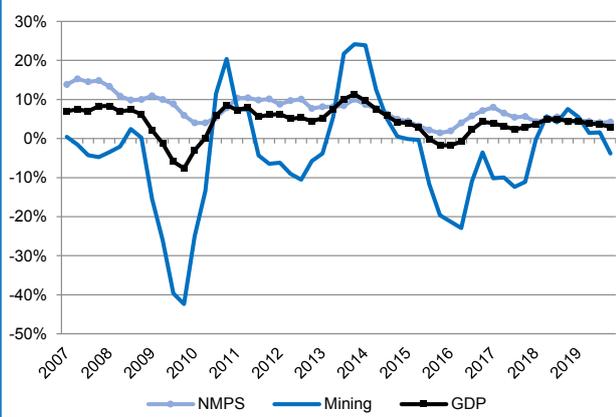
Nevertheless, the negative economic impact of COVID-19 on Botswana is severe, arising from the international economic slowdown and lockdown measures implemented domestically. Total economic losses are likely to be in the region of P250 – P300 million a day in terms of lost GDP, and therefore lost income for households, businesses and government. Against this, the cost of health-related interventions needed to stem the impact of the virus – testing, PPE, health system strengthening, etc. – is relatively small. But it does illustrate the importance of opening up economic activity in a risk-managed fashion as soon as possible. It also illustrates the importance of improving the functioning of the very frustrating permit system for essential activities and obtaining essential supplies.

Managing the adverse economic impact of COVID-19 and supporting the economic recovery in due course will place great demands on government. The impact on government revenues arising from the reduction in diamond sales and other taxes, as well as additional expenditures required in the COVID-19 support package, will place government finances under stress, requiring both a drawdown of accumulated savings and increased debt issuance. Similarly, the reduction in export revenues will require a drawdown of the foreign exchange reserves.

As in other countries, COVID-19 has caused a substantial shock to income and wealth in Botswana, the burden of which will leave nobody unaffected. One key issue is that this burden needs to be shared, and borne primarily by households and institutions that have some resilience, and the ability to survive the downturn and drive the eventual recovery, rather than those that do not. A second is to manage the situation so that the economic and social damage of COVID-19 is, as far as possible, temporary rather than permanent.

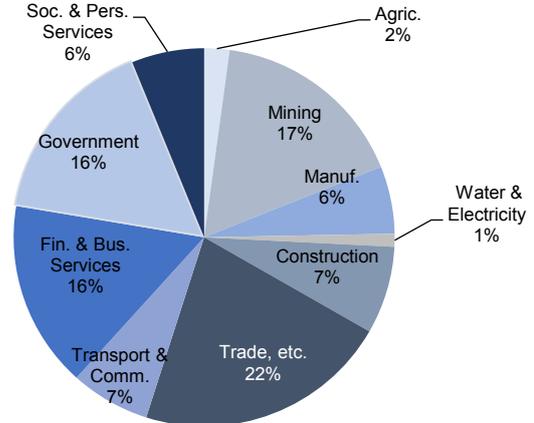
KEY ECONOMIC VARIABLES

Annual GDP Growth



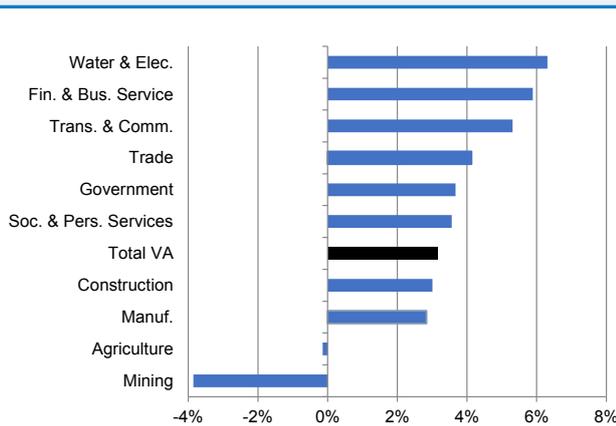
The rate of growth of the Botswana economy slowed during 2019, as a result of contraction in the mining sector, particularly diamond mining. Real GDP growth was 3.0% in the twelve months to December 2019, compared to 4.5% recorded in 2018. Growth in the mining sector experienced a sharp decrease from 7.6% in 2018 to minus 3.9% in 2019. This is attributable to weakened global demand for rough diamonds due to the oversupply in the polishing and retailing industries, leading to lower mining production. Real growth in the non-mining private sector (NMPS) improved marginally to 4.2% y-o-y between Q3 and Q4 2019. NMPS growth excluding the wholesale sub-sector - which includes diamond trade - fell to 4.7% in Q4 2019, compared to 5.1% and 4.9% y-o-y growth in Q4 2018 and Q3 2019, respectively, indicating poor performance in several economic sectors during the year.

Sectoral GDP Shares



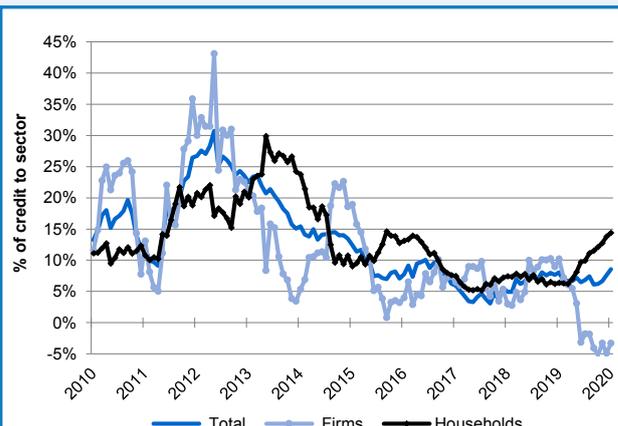
The structure of GDP in terms of economic sectors has not changed for the top four sectors in 2019, in comparison to 2018. Trade remains the largest sector of the economy for the third year in a row, accounting for 22% (measured in current prices) of national output (value added). Mining remains the second largest sector in the economy, even though its share of output continues to fall. Over the past four years, the share of mining in national output has fallen from 22% in 2016 and to a new low of 17% in 2019. Other economic sectors did not experience changes in their share of total output, and their ranking has remained the same.

Sectoral GDP Growth



Overall economic performance in 2019 was generally poor, with most sectors experiencing lower growth rates compared to the previous year; all sectors except Trade, Finance & Business Services and General Government recorded lower annual growth rates in 2019 than in 2018. There were significant decreases in the growth rates of the Agriculture, Mining and Water & Electricity sectors which recorded growth rates of -0.1%, -3.9% and 6.3%, respectively.

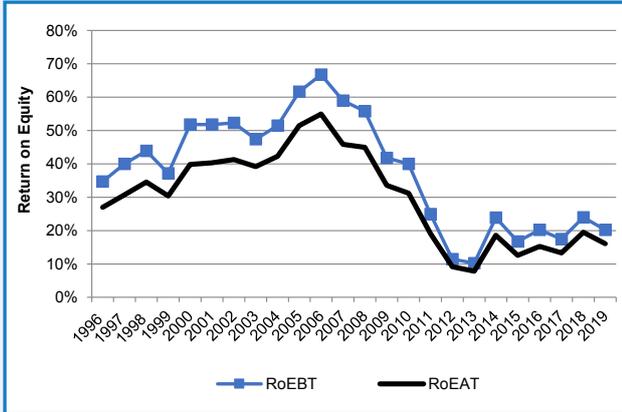
Annual Credit Growth



Annual bank credit increased significantly in January 2020 to 8.6%, up from 6.2% in October 2019, reaching its highest growth rate since 2016. The increase is attributable to increases in the growth of credit to both firms and households. Growth of credit to firms rose from minus 5.2% in October 2019 to minus 3.3% in January 2020, whilst household credit growth rose from 12.1% to 14.4% during the same period. The increase in annual bank credit reflects an improved credit environment, with Non-Performing Loans (NPLs) reported to have decreased between 2018 and 2019 (Monetary Policy Statement, 2020).

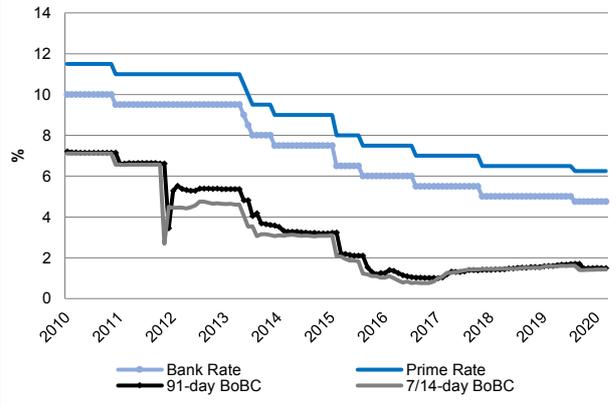
KEY ECONOMIC VARIABLES

Bank Profitability



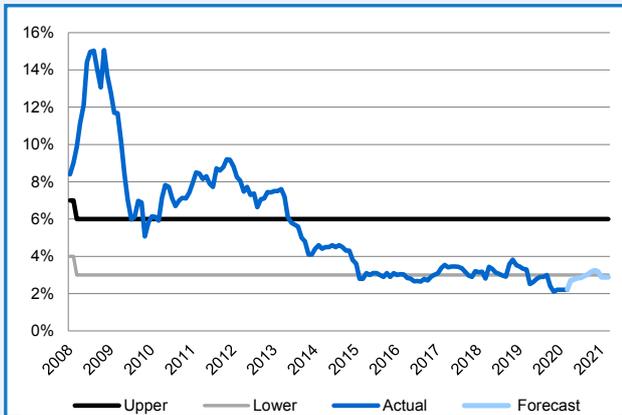
Bank profitability as measured by the return on equity (RoE) declined in 2019. Bank profitability post-tax (RoEAT) fell to 16.1% in 2019, from 19.5% in 2018. The decrease in bank profitability reflects the continued slow growth in bank credit (7.6% in 2019), despite the reduction in total arrears during the year, and the reduction in interest rates by BoB.

Interest Rates



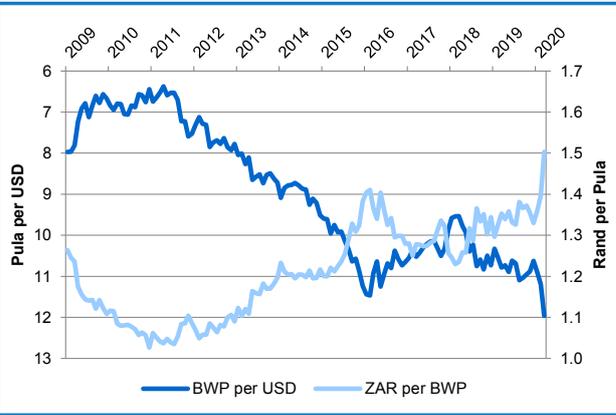
The Bank of Botswana's Monetary Policy Committee (MPC) maintained the Bank Rate at 4.75% at the meeting held in February 2020. Notwithstanding domestic demand pressures on inflation (downward adjustment to the NEER crawl, anticipated increase in administered prices and increment in public service salaries for 2020/21), the Bank considers the medium-term inflation outlook to be positive. The commercial bank Prime Lending Rate (which is pegged to the Bank Rate) was also unchanged, at 6.25%. The money market interest rate was unchanged for the 91-day BoBC at 1.49%, and increased for the 7-day BoBC rate from 1.41% to 1.44% between Q4 2019 and Q1 2020.

Inflation and Forecast



Annual inflation was unchanged at 2.2% in March 2020, recording the same rate as in December 2019. Group indices were generally stable during the quarter, recording changes less than 1.0%. Core inflation (trimmed mean) was recorded at 1.9%, whilst core inflation without administered prices was 2.7%. Projections in the BoB's 2020 Monetary Policy Statement indicated that inflation was expected to gradually increase in the first half of the year. However, lower fuel and commodity prices due to COVID-19 will reduce global and regional inflation, although this will be offset domestically by the impact of the 22% increase in electricity prices in April 2020. Botswana inflation is now expected to increase to around 3% in the coming months.

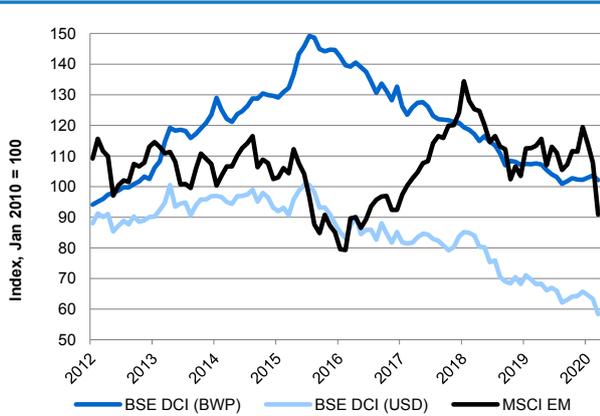
Exchange Rates



Foreign exchange markets were characterised by extreme volatility during the first quarter of 2020. This was due to market responses to the global COVID-19 virus epidemic, notably the flight from more risky emerging market currencies such as the South African rand, and the strengthening of the US dollar. As result, the Pula strengthened against the rand by 13%, ending Q1 2020 with an exchange rate of ZAR1.503 from ZAR1.330 in Q4 2019. On the other hand, the Pula depreciated by 11.2% against the US dollar, ending Q1 2020 with Pula per US dollar exchange rate of 11.96, up from 10.62 in Q4 2019. This is the lowest Pula per US dollar exchange rate since 2011. The Bank of Botswana also implemented an annual downward rate of crawl of 1.51% for 2020 and maintained the Pula basket weights at 45% for the rand and 55% for the IMF's unit of account, the Special Drawing Rights (SDR). The appreciation of the Pula against the rand is already causing severe competitiveness problems for Botswana firms competing with imports.

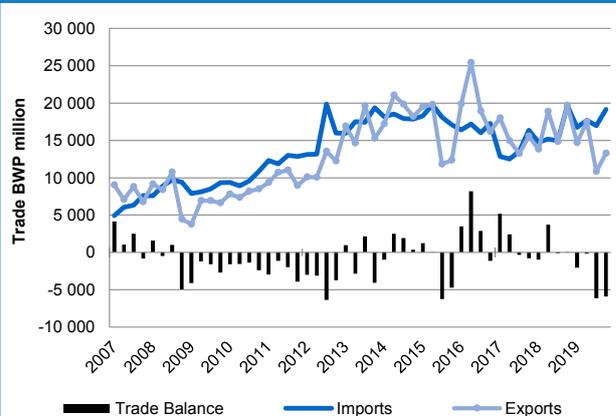
KEY ECONOMIC VARIABLES

Stock Markets



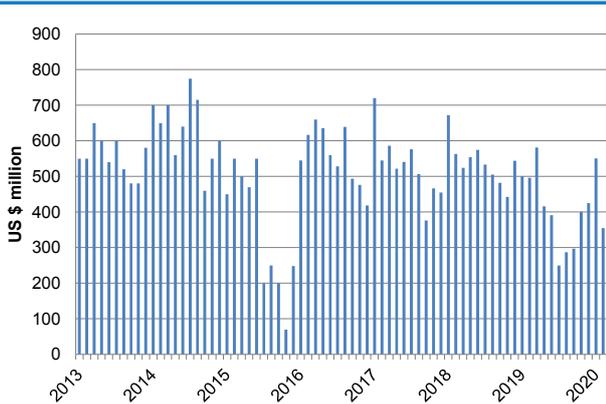
The COVID-19 virus has caused havoc in international stock markets, resulting in huge losses during the first quarter of 2020. International stock markets fell sharply in Q1 2020, with MSCI World and MSCI Emerging Markets indices down by 21.4% and 23.9%, respectively. However, the Domestic Companies Index (DCI) of the Botswana Stock Exchange (BSE) weakened by only 0.1% in Pula terms in Q1 2020, although there was a larger decline of 11.2% in US dollar terms due to exchange rate changes. For the majority of listed companies, profits will be adversely affected by COVID-19 – in some cases substantially – so the lack of movement in share prices is surprising and may reflect lack of market liquidity.

International Trade



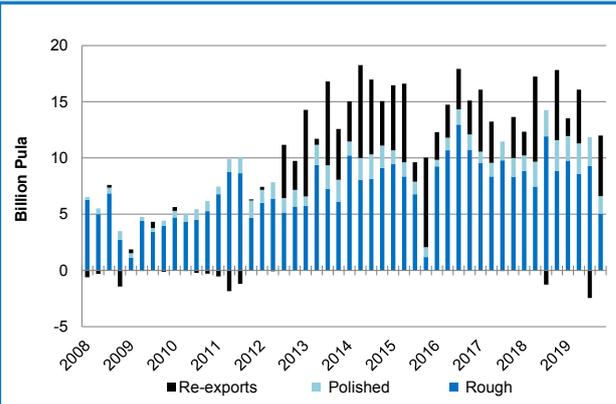
Total international trade performance was mixed during the year to December 2019, with imports increasing and exports decreasing as compared to 2018. Total imports increased by 9.3% from P64.5 billion in 2018 to P70.5 billion in 2019, whilst exports declined by 16.2% from P67.2 billion to P56.3 billion during the same period. This resulted in a large trade deficit of P14.3 billion in 2019, compared to a trade surplus of P2.7 billion in 2018. Trade performance during 2019 is reflective of the overall poor performance of diamonds as well as other export categories.

De Beers Diamond Sales



The global market for rough diamonds started the year on a positive note, but this was quickly offset by the COVID-19 virus epidemic. The global market for rough diamonds was showing signs of improvement in demand at the first sales cycle of 2020 as stockpiles in the midstream industry were easing from the oversupply of rough diamonds in 2019. De Beers Global Sightholder Sales (DBGSS) recorded sales valued at USD906 million Q1 2020, up from USD825 million in Q4 2019, but lower than USD996 million sales in Q1 2019. Due to the COVID-19 virus pandemic, sightholders at the second sales cycle were allowed to defer the purchase of goods destined for the China market as the retail market there was largely closed, De Beers also cancelled the March-April cycle as a result of travel restrictions into Botswana.

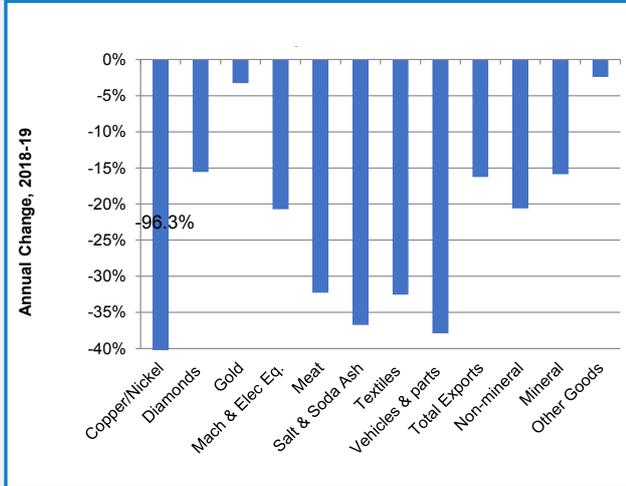
Diamond Exports



Global demand for rough diamonds was generally weak in 2019, although there was an improvement in the fourth quarter. Total diamond exports increased by 27% between Q3 and Q4 2019; however, on a year-on-year basis total exports fell by 16% between 2018 and 2019. Diamond exports decreased for all categories of rough and re-exports, although exports of polished diamonds increased by 3% in 2019.

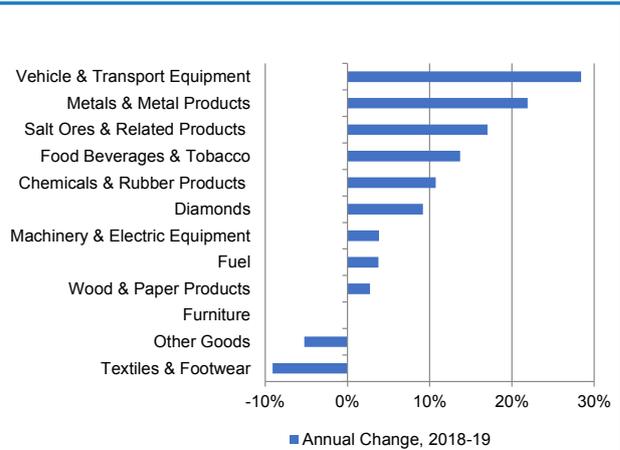
KEY ECONOMIC VARIABLES

Export Growth



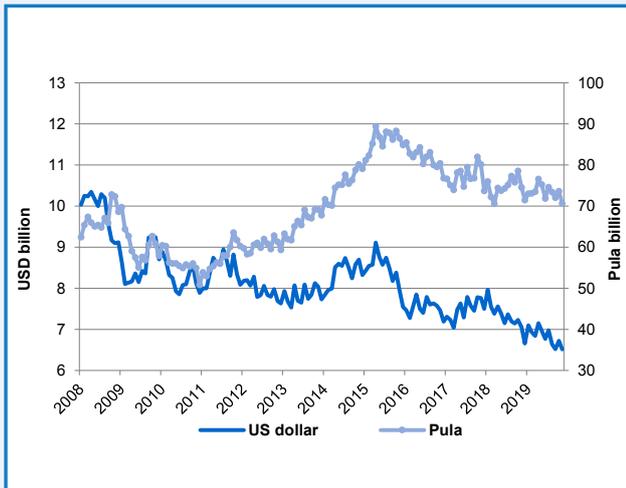
Overall export performance in 2019 was poor, with a decline in the value of all major categories of exports, both mineral and non-mineral. Non-mineral export commodities fell by 21% in 2019, down from 14% growth in 2018. The worst performing export sectors were Meat, Textiles and Vehicles & Parts, which fell by 32%, 33% and 38%, respectively. Exports of mineral commodities fell by 16%, with copper and nickel having the biggest contraction of 96% (albeit from a very low level). The poor performance of the export sector demonstrates the urgent need to increase the competitiveness and diversification of Botswana's exports.

Import Growth



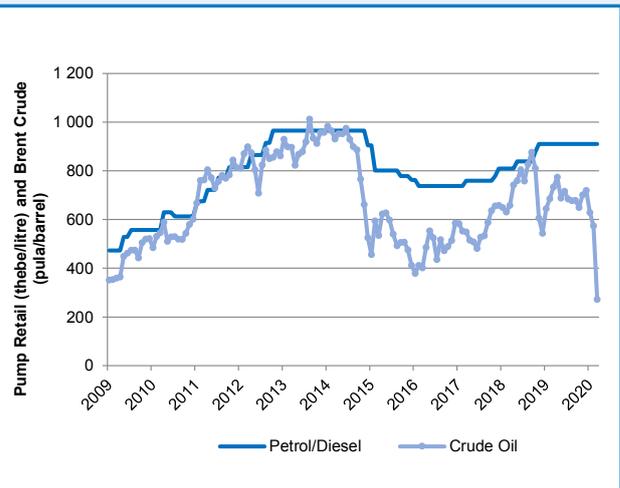
Imports registered year-on-year growth across most sectors in 2019, the exceptions being Textiles & Footwear, Other Goods and Furniture. Total imports grew by 9% in 2019, compared to 17% growth in 2018. The main drivers of growth were Vehicles & Transport Equipment, Metals & Metal Products and Salt, Ores & Related Products, registering growth rates of 28%, 22% and 17%, respectively.

Foreign Exchange Reserves



Foreign exchange reserves decreased in Pula, US dollar and SDR terms in November 2019, when compared to the same period in 2018. Reserves declined by 5.2% in Pula terms from P74.6 billion in November 2018 to P72.0 billion in November 2019. Similarly, foreign exchange reserves decreased by 7.6% in US dollar terms and 7.2% in SDR terms to USD6.5 billion and SDR4.7 billion respectively during the same period.

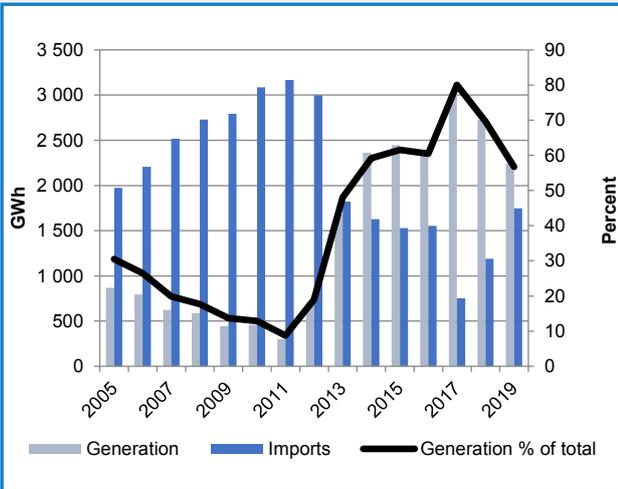
Fuel Prices



Local retail prices for petrol and diesel have been held constant in the first quarter of 2020, and indeed have been steady since November 2018. However, international prices for fuel plummeted in Q1 2020, hitting 18-year lows as a result of the COVID-19 virus pandemic causing a sharp fall in the demand for oil. International prices for fuel collapsed, falling by 62% between Q4 2019 and Q1 2020. Local prices have not been adjusted, mainly because of the need to replenish the National Petroleum Fund (NPF).

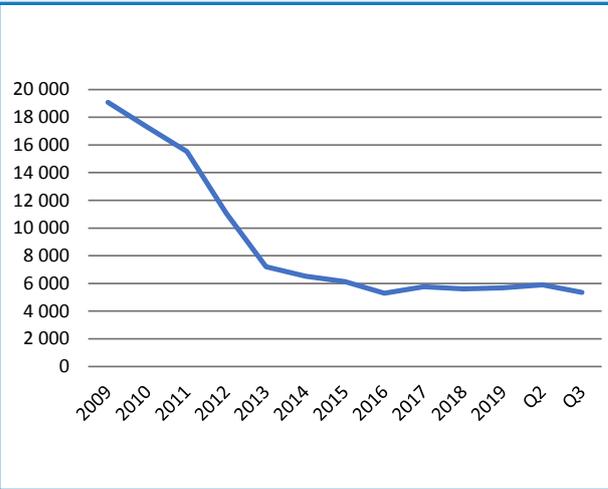
KEY ECONOMIC VARIABLES

Electricity



Total consumption of electricity increased by 0.8% in 2019, rising from 3,919GWh in 2018 to 3,951GWh. Electricity imports rose from 1,189GWh in 2018 to 1,746GWh in 2019, a significant increase of 46.8%. Domestic electricity generation declined during the year by 17.9% to 2,240GWh, down from 2,729GWh, due to continued operational problems at Morupule B power station. As a result, the contribution of generated electricity to total electricity consumption decreased from 69.7% in 2018 to 56.7% in 2019.

Work Permit Holders



The number of non-citizens holding work permits in Botswana declined by 9.2% between Q2 2019 and Q3 2019, from 5,890 to 5,347. The highest number of work permit holders were in the Agriculture sector, followed by Education and Construction, at 27.6%, 15.9% and 12.2% of the total, respectively. The number of work permit holders is a good barometer to check whether changes in the business environment are having a positive impact. However, the general downward trend in the number of individuals holding work permits indicates that the country is still lagging behind in improving the business environment for foreign investment and enabling domestic firms to recruit foreign workers to fill skills gaps.

NEWS HIGHLIGHTS

08/01/2020	BSE DCI shed 4.7% in 2019 (Mmegi)	The Domestic Companies Index (DCI) of the Botswana Stock Exchange (BSE) declined by 4.7% in 2019. Growth was weighed down by the poor performances of major financial services firms such as Letshego and Standard Chartered.
08/01/2020	France removes Botswana from tax haven blacklist, adds Seychelles (Ecofin Agency)	Botswana has been removed from France's tax haven blacklist. French authorities stated that Botswana "has complied with the rules on the exchange of information on taxable entities."
10/01/2020	Bank of Botswana takes regulatory authority over multi-billion-pula mobile money market (Mmegi)	Botswana's mobile money sector is now formally regulated by the Bank of Botswana (BoB). This follows the new Electronic Payment Services (EPS) regulations coming into effect on 1st January 2020. Under the new regulations, service providers (BTC Mobile, Mascom and Orange) are to register separate companies for the service, adhere to strict anti-money laundering provisions and provide a minimum capital of P2 million.
14/01/2020	Exchange rate developments: rate of crawl revised (Bank of Botswana)	Following the annual review of the Pula Exchange Rate Policy Framework, a decision was made to maintain the Pula basket weights at 45% South African rand and 55% Special Drawing Rights (SDR). There will, however, be an adjustment from an upward rate of crawl of 0.3% in 2019 to a downward rate of crawl to 1.51% per year, effective 1st January 2020.
16/01/2020	Louis Vuitton buys 1,758 carat diamond from Lucara (Diamonds.net)	Lucara Diamonds has sold Sewelo, the largest diamond ever recovered in Botswana, to Louis Vuitton. The mining company will receive an upfront payment for the 1,758-carat diamond and retain a 50% interest in the final polished stone. Polishing of the stone will take place through a partnership with Belgium's HB Company.
18/01/2020	Giyani Metals starts feasibility study work at Botswana manganese project (Miningreview.com)	Giyani Metals Corp. has started work on the feasibility study for its K.Hill manganese deposit in Botswana. A site visit was conducted in December 2019, which surveyed the K.Hill deposit and surrounding areas. The potential benefits and impacts of the project on Kanye, the neighbouring town, will be examined in the environmental and social impact assessment that will run parallel to the feasibility study.
20/01/2020	A-Cap Energy shelves Letlhakane Uranium Project to 2021 (Weekend Post)	The Letlhakane Uranium Project (LUP), owned by Australian-based A-Cap Energy, has deferred the construction of its proposed mine to 2021 due to depressed uranium prices on the global market. The Ministry of Mineral Resources, Green Technology and Energy Security approved the request for postponement in August 2019. A-Cap Energy received a mining license in September 2016, with the mine expected to produce 3.75 million pounds of uranium ore per annum over an 18-year mine life.
21/01/2020	National lottery on the cards (Sunday Standard)	According to the Gambling Authority (GA) CEO, Thulisizwe Johnson, the license for Botswana's National Lottery is set to be awarded by the end March 2020.

NEWS HIGHLIGHTS

28/01/2020	Botswana Diamonds to raise £250 000 for exploration (MiningWeekly.com)	In a bid to raise £250,000 for exploration in Botswana, South Africa and Zimbabwe, Botswana Diamonds will issue about 41-million new ordinary shares at 0.6 pence a unit.
29/01/2020	De Beers' diamond sales jump after a terrible year for gems (Bloomberg.com)	De Beers recorded sales of USD545 million in their January Sight Sale, the first of the year. This is the highest sales value since April 2019. De Beers CEO, Bruce Cleaver, stated that there was an increase in the demand for rough diamonds "following the end of year selling season and subsequent inventory restocking."
06/02/2020	Lucara recovers 549 ct. diamond at Karowe (Miningweekly.com)	Lucara Diamonds has recovered an unbroken 549 carat white diamond from its Karowe mine. The diamond is the fourth largest to be recovered from the mine.
07/02/2020	Botswana auctions permits to hunt elephants (BBC)	Botswana hosted its first auction for the right to hunt elephants since the hunting ban was lifted in 2019. Seven packages of ten elephants were sold. Only locally-registered buyers were permitted to bid for licenses, and each bidder had to pay a refundable deposit of P200,000.
10/02/2020	Barclays Botswana completes transformation to Absa (Mmegi)	Barclays Bank Botswana has officially launched as Absa Bank Botswana. The full implementation of the deal that saw the Absa group acquire the African operations of Barclays PLC is set to be completed by mid-2020 across the whole African continent.
11/02/2020	BHC Rental revenue down by 3% (Sunday Standard)	Botswana Housing Corporation (BHC) recorded rental revenue of P193 million in 2019, a 3% decline when compared to the P198 million raised in 2018. However, there was a 7% increase in total revenue for BHC from P478 million in 2018 to P511 million in 2019.
18/02/2020	Absa resumes trading on BSE (Weekend Post)	The Botswana Stock Exchange (BSE) has lifted the trading halt in the shares of Absa following its restructuring from Barclays Bank. Absa will be trading under the code "ABBL".
26/02/2020	Finestar Diamonds opens manufacturing factory (Mmegi)	Finestar Diamonds Botswana, a subsidiary of Finestar Jewellery and Diamonds of India, has officially opened its factory located in Block 3, Gaborone. The factory will cut, polish and manufacture jewellery from rough diamonds purchased by Finestar from De Beers Sightholder Sales.
26/02/2020	Bank of Botswana maintains the policy rate at 4.75 percent (Bank of Botswana)	The Bank of Botswana (BoB) maintained the Bank Rate at 4.75% at the February Monetary Policy Committee meeting. The Bank noted a positive outlook for price stability with inflation forecast to rise to between 3-6% (the Bank's objective range) by the second quarter of 2020 and into the medium term.
26/02/2020	South Africa surpasses Botswana in attractiveness as a mining investment destination (Miningweekly.com)	According to the Fraser Institute's latest 'Annual Survey of Mining Companies', South Africa has surpassed Botswana in attractiveness to investors in 2019. The Investment Attractiveness Index (IAI) derived from the survey ranked Guinea, South Africa and Botswana as the three most attractive investment destinations in Africa, scoring 76, 64 and 63 out of 100, respectively. The IAI is constructed by considering both the policy environment of a country and its mineral potential.

NEWS HIGHLIGHTS

27/02/2020	Lucara expects P2.3bn in earnings (Mmegi)	Lucara Diamonds expects revenues of P2.3 billion in 2020, up from P2.1 billion in 2019. However, the firm expects sales volumes of 390,000 carats, down from 411,732 carats recorded in 2019.
28/02/2020	Government, Bank of Botswana open talks on P15 billion debt limit (Mmegi)	Discussions between the Ministry of Finance and Bank of Botswana (BoB) to increase the current P15 billion domestic bond limit are advancing. This follows a recommendation from BoB to government, to shift from using the drawdown of reserves to using domestic debt in order to fund infrastructure projects and budget deficits.
02/03/2020	Botswana-China beef export deal at an advanced stage (Sunday Standard)	Negotiations for a deal to export beef from Botswana to China are back under way. The ban of Botswana's beef in the Chinese market was lifted on the 15th February 2020 following an audit of the foot and mouth disease status in Botswana.
04/03/2020	De Beers' rough diamonds sales fall to \$355mn (Miningweekly.com)	De Beers' second sales cycle of 2020 earned USD355 million, down from USD551 million during the previous sales cycle and 28.4% lower than the second sales cycle of 2019. In light of the COVID-19 outbreak, De Beers CEO, Bruce Cleaver, said that the company allowed customers who mainly focused on supplying the Chinese market to defer allocations of the relevant diamonds.
06/03/2020	Stampede as Government raises P1.295 billion in capital market (Mmegi)	The Government of Botswana raised P1.295 billion at the February 28 bond auction. The three government bonds up for auction were the BW013, BW014 and BW015, which mature in 2023, 2029 and 2043, respectively.
06/03/2020	Moody's affirms the "A2" and stable outlook sovereign credit rating for Botswana (Bank of Botswana)	Moody's have given Botswana a sovereign credit rating score of "A2" for long term bonds denominated in both domestic and foreign currency along with a "stable" outlook. The ratings agency warned that the credit rating could be downgraded if Botswana's fiscal consolidation efforts experience limited success, fiscal buffers are eroded, the growth rate of recurrent expenditure is not contained and progress in diversifying the economy is not achieved. Improving the credit rating score would require several interventions, one being the implementation of structural reforms that will enhance the business environment.
13/03/2020	Pula hits 16-year high against rand (Mmegi)	The Pula was valued at ZAR1.44 on Monday, 9th March 2020. This is the strongest the Pula has been against the rand since January 2004. Conversely, on the same day, the Pula sank to its lowest against the American dollar since at least 1992, trading at USD0.0885 (BWP11.30 per USD)
15/03/2020	BIHL posts stronger profit (Sunday Standard)	Botswana Insurance Holdings Limited (BIHL) has posted improved profits for the year ended December 2019. Total revenue was recorded at P3.7 billion, up by 17.7% from 2018. When compared to the previous year, the group's pre-tax profit rose by 15% to P537 million, whilst post-tax profit improved by 18.9% to P440.4 million.

NEWS HIGHLIGHTS

17/03/2020	De Beers' diamond buyers locked out in Botswana travel ban (Bloomberg)	The Government of Botswana has implemented a travel ban on 18 high-risk COVID-19 countries. The ban includes nations which are home to the world's leading diamond dealers such as China, Belgium and India, which would affect the De Beers Sightholder Sale set for 30th March. De Beers intends to go ahead with the sight as planned and are set to hold an emergency meeting with government.
20/03/2020	Mineral revenues forecast cut by P2bn (Mmegi)	The Minister of Mineral Resources, Green Technology and Energy Security, Honourable Lefoko Moagi, announced to Parliament that forecasts for mineral revenues for the 2020/21 financial year have been revised to P12.4 billion, down from P14.4 billion as stated in the Budget Speech. The downward revision was made due to the negative impact the COVID-19 pandemic has had on the diamond market.
25/03/2020	Electricity tariff increase (BERA)	The Botswana Energy Regulatory Authority (BERA) announced an upward adjustment of 22% to the electricity tariff, effective 1st April 2020. The increase was made to give the Botswana Power Corporation (BPC) the ability to deliver on its mandate and "to ensure that the tariff is cost reflective, affordable and appropriately priced." according to a press release from BERA.
27/03/2020	Giyani gets approval for Lobatse environmental plan (Mining.com)	Giyani Metals has received final approval for its Lobatse manganese project's Environmental Management Plan (EMP). Approval was required in order to allow the company to proceed with exploration activities in the region and was granted by the Department of Environmental Affairs (DEA) following a customary month-long public review process.
29/03/2020	Air Botswana suspends schedule service of operations (Daily News)	Air Botswana has suspended its scheduled services from March 27 to May 31, 2020. The suspension applies to its domestic and regional network and was put in place due to the COVID-19 outbreak. The suspension period is subject to regular review in order to align it with the rapid changes taking place in the industry.
30/03/2020	As the world economy slows, De Beers cancels its third sale (Business Day)	Anglo American has announced that De Beers will not host its third Sightholder Sale of 2020 which was scheduled to take place on March 30. "Due to the public health restrictions on the movement of people and products in Botswana, SA and India, which prohibit customers from travelling and prevent the shipment of goods to customers' international operations, De Beers Group will not hold its third sight of 2020," the company said.

MACRO-ECONOMIC DATA

Key Economic Data

	unit	2015	2016	2017	2018	2019	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1
--	------	------	------	------	------	------	--------	--------	--------	--------	--------

Annual Economic Growth

GDP	%	-1.7	4.3	2.9	4.5	3.0	4.5	3.9	3.6	3.0	..
Mining	%	-19.6	-3.7	-11.1	5.3	-3.9	5.5	1.5	1.6	-3.9	..
Non-mining private sector	%	1.4	7.1	5.6	4.7	4.2	4.7	4.4	4.1	4.2	..
GDP current prices	P bn	146.07	170.56	180.10	190.37	197.27	49.01	49.18	49.59	49.49	..
GDP 2006 prices	P bn	86.08	89.79	92.39	96.53	99.40	24.43	24.81	24.87	25.29	..

Money & Prices

Inflation	%	3.1	3.0	3.2	3.5	2.2	3.3	2.8	3.0	2.2	2.2
Prime lending rate	%	7.5	7.0	6.5	6.5	6.25	6.5	6.5	6.25	6.25	6.25
BoBC 7/14-day	%	0.97	0.84	1.45	1.52	1.41	1.60	1.60	1.40	1.41	1.44

Trade & Balance of Payments

Exports - total goods	P bn	63.48	80.34	61.67	67.17	56.26	14.67	17.50	10.82	13.27	..
Exports - diamonds	P bn	52.73	70.78	54.38	60.41	51.01	13.52	16.09	9.41	11.99	..
Balance of payments	P bn	-4.15	-3.28	-4.28	-4.20	..	-0.91	-2.68	-2.17	..	..

Foreign Exchange

Exchange rate BWP per USD	end	11.24	10.65	9.87	10.73	10.63	10.79	10.62	11.04	10.63	11.96
Exchange rate ZAR per BWP	end	1.38	1.28	1.26	1.34	1.33	1.35	1.33	1.37	1.33	1.50
FX reserves	\$ bn	7.55	7.19	7.50	6.66	..	6.84	6.77	6.52	..	..
FX reserves	P bn	84.88	76.80	73.69	71.43	..	73.51	71.81	72.01	..	..

Financial Sector

Deposits in banks	P bn	59.96	62.44	63.58	69.27	75.71	71.64	71.48	75.36	75.71	..
Bank credit	P bn	48.31	51.32	54.18	58.33	62.77	58.36	60.18	61.10	62.77	..
BSE index		10 602	9 728	8 860	7 854	7 495	7 886	7 623	7 461	7 495	7 488

Business Indicators

Diamond production (a)	mn cts	20.73	20.88	22.96	24.38	0.00	6.08	5.83	5.79	5.97	..
Copper production (b)	tonnes	23.05	16.88	1.24	1.46	..	..	..	..	..	..
Nickel production	tonnes	16.79	13.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	..
Business confidence index		44%	43%	46%	..	..	..	..	..	..	..
No. of companies formed		19 134	17 133	20 707	..	..	..	..	..	..	..
Electricity consumption	GWh	3 974	3 929	3 772	3 919	3 906	966	926	927	1 088	..
Crude oil (Brent)	\$/bar	36.61	54.96	66.73	50.57	67.77	67.93	67.52	60.99	67.77	22.74

Employment (formal)

Government		130 220	129 216	129 009	133 238	..	..	..	..	..	..
Parastatals		19 411	19 008	19 444	19 830	..	..	..	..	..	..
Private sector		191 484	194 202	193 745	195 681	..	..	..	..	..	..
Total		341 115	342 426	342 198	348 749	..	..	..	..	..	..

Govt Budget		2017/18	2018/19	2019/20	2020/21
		(d)	(d)	Revised (e)	Projection (e)
Revenues	P bn	56.41	53.47	60.71	62.39
Spending	P bn	58.39	62.35	68.64	67.62
Balance	P bn	0.00	-8.88	-7.93	-5.22
Public debt & guarantees	P bn	32.99	34.41	36.19	34.91
Govt deposits at BoB	P bn	30.09	21.56	..	..
GDP	P bn	182.19	193.48	205.13	221.74
Revenues	%GDP	31.0%	27.6%	29.6%	28.1%
Spending	%GDP	32.0%	32.2%	33.5%	30.5%
Balance	%GDP	0.0%	-4.6%	-3.9%	-2.4%
Public debt & guarantees	%GDP	18.1%	17.8%	17.6%	..
Govt deposits at BoB	%GDP	16.5%	11.1%	..	..

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 (Ghagoo) and Lerala mines (no longer operational)
- (b) Copper production starting Q2 2017 for Mowana mine
- (c) Numbers in Italics reflect revisions from the previous review
- (d) Actual
- (e) Budget

New insights into employment in Botswana

Introduction

Information on the labour force – employment, unemployment, etc. – has long been one of the weak spots of Botswana’s economic statistics. In the past, Statistics Botswana has published data on formal employment in the Formal Employment Survey (FES), on a quarterly (but somewhat erratic) basis. It has also carried out nationwide Labour Force Surveys (LFS), but with long gaps (up to ten years), and added questions on employment and unemployment to other surveys, such as the Population and Housing Census and Botswana AIDS Impact Surveys. As a result, detailed information on employment has been available at only long intervals, and information on unemployment has not been available regularly or on a consistent basis. There have also been questions regarding the quality of the FES results, which are derived from a survey of firms, but with low response rates and hence a weak statistical basis.

Recently, Statistics Botswana has introduced a new statistical survey aimed at collecting much more accurate, detailed and timely information on employment and many other aspects of household welfare. The Quarterly Multi Topic Survey (QMTS) gathers information about individuals and households relating to employment, other economic activity, income and expenditure, etc. It differs from the old Formal Employment Survey (FES), in that the QMTS collects labour market data and information from households rather than firms as with the FES.

The QMTS differs from previous Labour Force Surveys in the frequency of which data will be collected and published (quarterly rather than every ten years or so), and the scope of data collected. Broadly speaking, the QMTS combines the previous Labour Force, Information Communication Technology and Core Welfare Indicators Surveys into one. Besides providing regular information on employment and unemployment, it will also be used to generate information on poverty and inequality at a much higher frequency than the previous Core Welfare Indicators and Household Income and Expenditure Surveys.

Although the high frequency of data (every quarter) will provide a rich data set for end users, it is worth noting that this comes at the cost of a potential seasonality bias.

In this article, we explore some of the key results of the first QMTS, for the third quarter of 2019. These cover aspects such as the position of males and females in the labour force; levels of education; distribution of employment by industry; occupational structure of the labour

The QMTS results show that, as of Q3 2019, the total working age population (15 years and above) was 1,572,736. Of these, 940,546 were economically active (in the labour force). The labour force participation rate was therefore 60%.

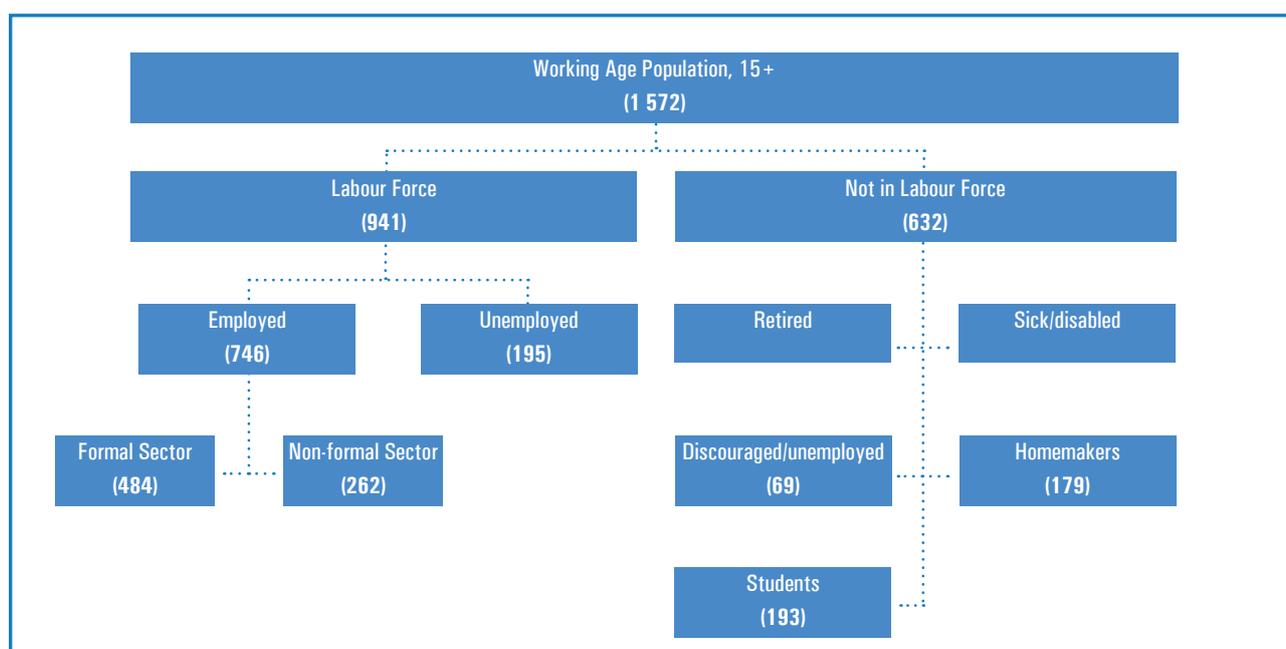
¹The time of year the survey is undertaken will affect employment and unemployment figures, especially in sectors that do not require labour all year round, e.g., agriculture. Previous household surveys were spread over a 12-month period and so did not have this problem.

SPECIAL FEATURE

Table 1: Key Terms and Definitions

Term	Definition
Economically Active	This refers to any persons providing (working) or ready to supply labour (unemployed and available for work) for the production of goods and services.
Employed	Any persons who: 1) did some work during the reference period for payment in cash or in kind; or 2) were self-employed for profit or family gain; or 3) were temporarily absent from these activities, but definitely going to return to them.
Formal Employment	Work performed in an establishment which is registered as a company, keeps a set of formal accounts and employs five or more employees. Includes <i>lpelegeng</i> workers (see below).
Informal Employment	Persons working for an establishment satisfying one or more of the following criteria: not registered as a company; not registered with professional association; having less than 5 employees; having informal accounts or none; expenditure not easily distinguishable from household expenditure; employees casually hired and often temporary or mobile or in owner's home/plot.
Non-Formal Employment	Persons working in informal employment, self-employment, households, piece jobs, or small-scale agriculture (including own farms).
Unemployed	Working age persons unable to find work, but had been available for it and were actively seeking work in the last 30 days or 4 weeks.
Population in Labour Force	The sum of all Economically Active persons (employed and unemployed).
Working Age Population	Persons aged 15 and above (whether or not in the Labour force).
Not in Labour Force	Adults who are not employed or unemployed. Includes retirees, the sick/disabled, students, homemakers, discouraged unemployed persons of working age.
<i>lpelegeng</i>	The <i>lpelegeng</i> scheme provides short-term employment in public works activities as a poverty alleviation measure. Technically, employees work for local government authorities and are hence included under formal employment.

Figure 1: Structure of the Working Age Population



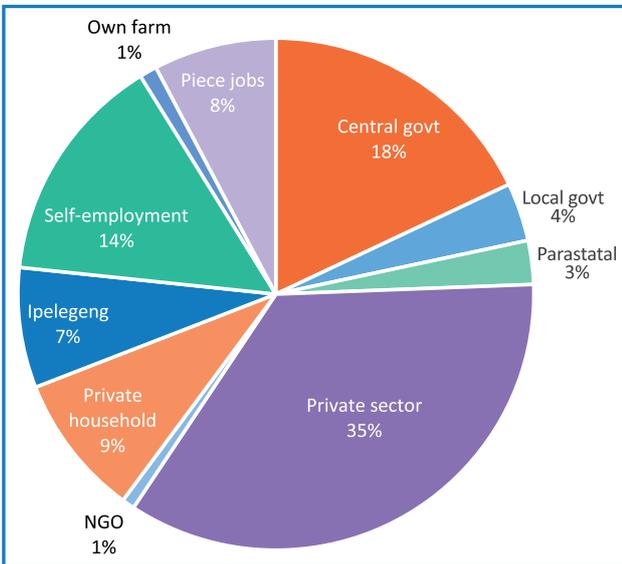
Note: figures refer to size of segment in thousands

SPECIAL FEATURE

Employment by Type of Employer

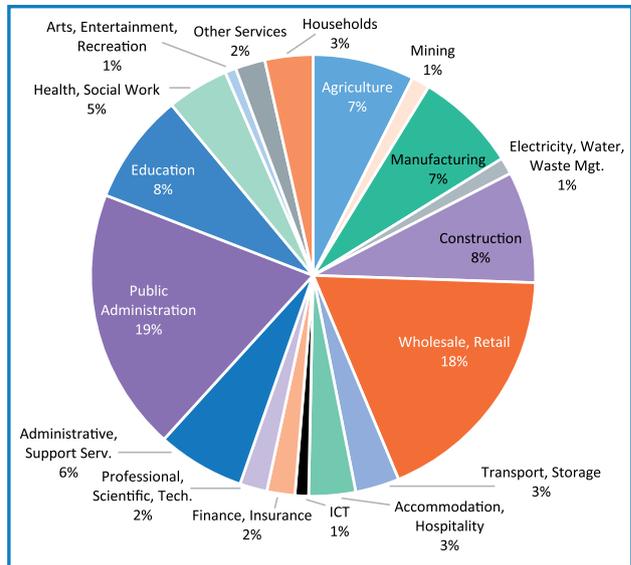
The QMTS provides information on the where jobs are distributed across types of employers (Figure 2). The private sector accounts for the largest share of jobs (35%), including both formal and non-formal employment. The public sector (central and local government, parastatals and *Ipelegeng*) accounts for around 32% of employment. These are followed by self-employment (14.5%), employment in private households (9%) and piece jobs (irregular employment) (8%).

Figure 2: Employment by Type of Employer



We can also see the distribution of employment across types of economic activities (Figure 3). In terms of these, public administration is the largest single employment sector (19% of total employment), followed by wholesale and retail trade (18%). Provision of health and education services – mostly by government – is also important, at 13% of total employment. Other important sectors for employment include construction, manufacturing and agriculture, at 7-8% each of the total. Tourism is not directly identified as an economic sector, but cuts across a number of sectors, including accommodation, hospitality, and transport, and accounts (directly) for an estimated 3-4% of total employment.

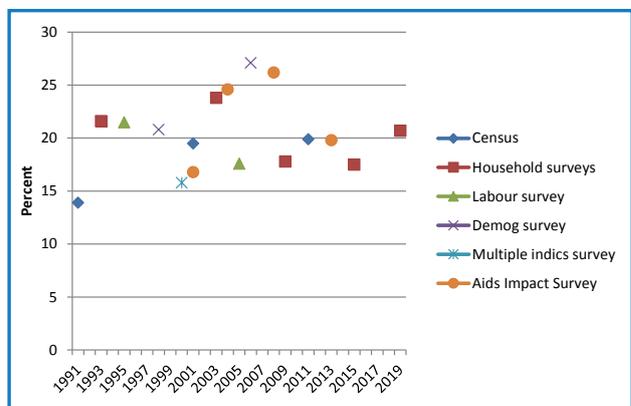
Figure 3: Employment by Economic Activity



Unemployment

As noted above, an adult is unemployed (and in the labour force) if they have not worked during the reference period, but have been actively seeking work. The overall national unemployment rate in Q3 2019 was 20.7%, with 194,990 unemployed individuals. As noted earlier, this result is not directly comparable with previous measures of the unemployment rate, due to seasonality, but it is nonetheless consistent with earlier readings (see Figure 4). The data are not sufficient to conclude that unemployment is increasing or decreasing. However, once the QMTS data is released regularly on a quarterly basis, it should be possible to analyse changes in the unemployment rate on a more consistent, timely and regular basis.

Figure 4: Unemployment Rates (various surveys)



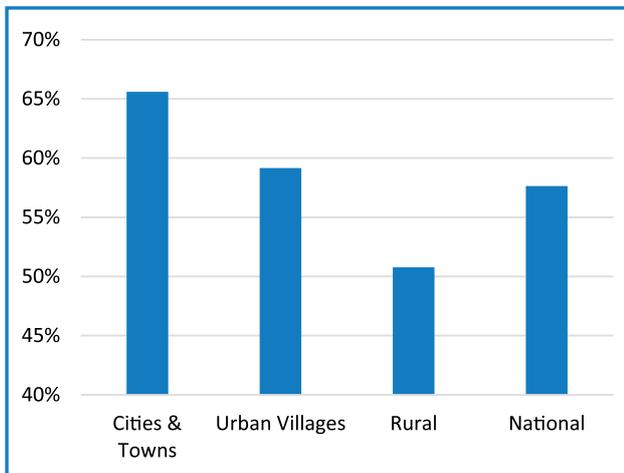
SPECIAL FEATURE

Unemployment is not distributed evenly across the country or demographic groups:

- Unemployment is higher for females (21.6%) than for males (19.8%);
- The unemployment rate varies across settlement types: cities/towns (16.5%); urban villages (21.4%) and rural areas (23.0%);
- Unemployment is more serious amongst young adults: of the total unemployed, 55% are aged between 20 and 34; the unemployment rate amongst this age cohort is 25.7%.

The difficulties in finding work are illustrated by the duration of unemployment; nationally, 58% of the unemployed have been unemployed for more than one year, and 41% for over two years. However, this is a more serious problem in urban areas than elsewhere; 66% of the unemployed in urban areas have been looking for work for more than a year, compared to only 51% in rural areas. This probably reflects the greater reliance on short-term piece jobs and agricultural work in rural areas.

Figure 5: Percentage of Unemployed Seeking Work for 1 Year or More



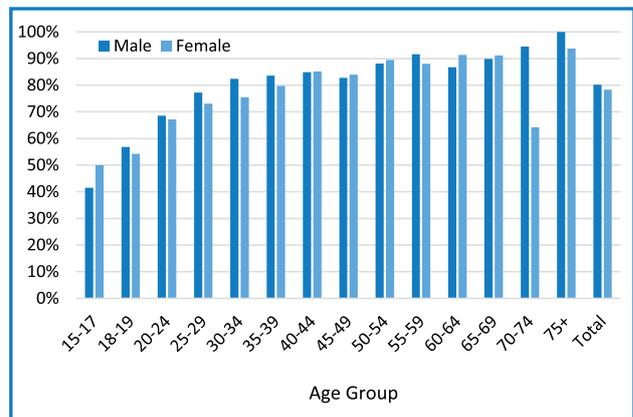
The formal (international) definition of unemployment refers only to those that are unemployed and actively seeking work. In addition, there is a group of “relaxed” or “discouraged” unemployed persons who are available for work, but who have not taken active steps to find work in the previous four weeks. Extending the definition of unemployed to include discouraged job seekers adds a further 68,654 individuals, and takes the “expanded” unemployment rate to 26.1% of the (extended) labour force. Interestingly, men are more likely to be amongst the discouraged or relaxed unemployed persons than are women. Also, the unemployment rate of discouraged persons is much higher in rural areas (10.4%) than in urban villages (6.1%) and urban areas (3.3%). The main reason cited (by 48% of the total) for not actively

seeking work was “Tired of looking for jobs, no jobs in the area”; again, the proportion citing this reason was higher in rural areas.

Gender Balance

There are approximately similar numbers of males and females in the labour force (around 470,000 for each). However, there are marginally more males employed than females (377,000 vs. 369,000), giving a slightly higher employment rate for males (80%) than females (78%). This may indicate a bias against the hiring of females in Botswana. The slightly higher male employment rate applies across almost all age groups.

Figure 6: Employment Ratio by Age and Gender



Analysis of the gender composition of the employed labour force reveals some interesting results. Amongst the most skilled occupations (managers, professionals and technicians), female workers exceed male workers (51%/49%). However, in all of these categories, average monthly earnings for males exceed that of females; in the case of managers, by almost 100%. In fact, average earnings for males exceed those for females in almost all occupational categories (the exceptions are “Elementary Occupations” and “Other”). Across the whole of the employed labour force, average earnings for males were 52% higher than for females.

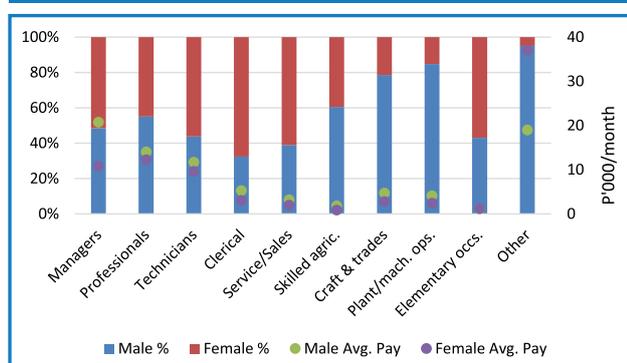
Overall, the largest contributors to employment were the Elementary Occupations and Service/Sales workers sectors, which together accounted for half of all employment. These occupations, along with clerical work, tend to be dominated by females. They are also relatively low-paid sectors, which in part accounts for the lower average earnings for women. Males, however, are more strongly represented amongst the better-paid craft & trade workers and plant & machine operator occupations. So, while these results show lower average earnings for women, this reflects both lower earnings for women within sectors and an over-representation of women in lower-paying occupations.

SPECIAL FEATURE

Table 2: Employment and Average Monthly Earnings by Occupation and Gender

Occupation	Count			Average Earnings (P)		
	Male	Female	Total	Male	Female	Total
Managers	27,879	29,588	57,467	20,764	10,848	16,685
Professionals	30,755	25,051	55,806	14,004	12,253	13,199
Technicians	29,053	37,281	66,334	11,702	9,614	10,431
Clerical	12,099	25,278	37,377	5,292	3,026	3,741
Service/sales workers	68,271	107,048	175,319	3,195	1,983	2,521
Skilled agric. & forestry	9,243	6,024	15,267	1,858	848	1,464
Craft & trade workers	67,493	18,416	85,909	4,730	2,779	4,266
Plant & machine operators	41,491	7,467	48,958	4,116	2,441	3,842
Elementary occupations	85,122	112,582	197,704	1,199	1,238	1,222
Other	4,905	259	5,164	19,006	37,000	19,908
Not Stated	251	-	251	-	-	-
Total	376,562	368,994	745,556	6,054	3,972	4,989

Figure 7: Employment and Wages by Gender and Occupation



The labour force in Botswana is dominated by those who have been educated to Secondary School level, who accounted for 47.8% (449,853) of the total (Figure 8). The second largest group are university degree holders, who made up 14.6% (137,443) of the labour force. Only 6% of the members of the labour force have never been to school, and 13% educated to primary level only. Almost one-third of the labour force (32%) have benefitted from post-secondary education (university, college or technical training).

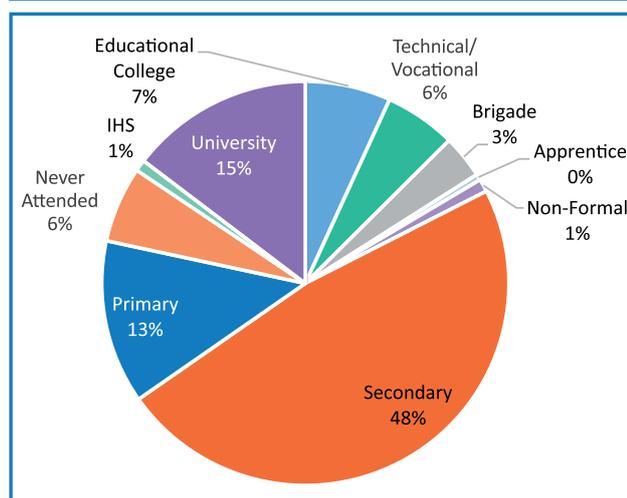
Table 3: Employment, Unemployment and Formal Employment by Level of Education

Level	Unemployed	Employed	Formally Employed
Educational College	9,750	54,228	45,324
Technical/Vocational	6,825	46,658	29,900
Brigade	10,334	22,351	13,550
Apprentice	780	3,822	2,657
Non-Formal	780	8,834	4,878
Secondary	110,949	338,899	201,783
Primary	24,764	98,615	51,516
Never Attended	12,284	44,864	20,364
IHS	195	8,486	8,224
University	18,719	118,800	105,471
Pre-School	0	0	146

Note: IHS – Institute of Health Sciences

Educational Level

Figure 8: Labour Force Composition by Highest Level of Education Attained



SPECIAL FEATURE

Being in the labour force implies that an individual is either employed or looking for work. It is useful to consider how an individual’s level of education impacts on their likelihood of being employed (or unemployed), and whether it affects the likelihood of them finding formal employment (which tends to be better paid than informal employment). It is clear that undertaking post-secondary education is generally beneficial, in that those with university, college or technical/vocational education have lower unemployment rates than average. Furthermore, those with post-secondary education who are in employment are more likely to be in formal employment than the average across the employed labour force.

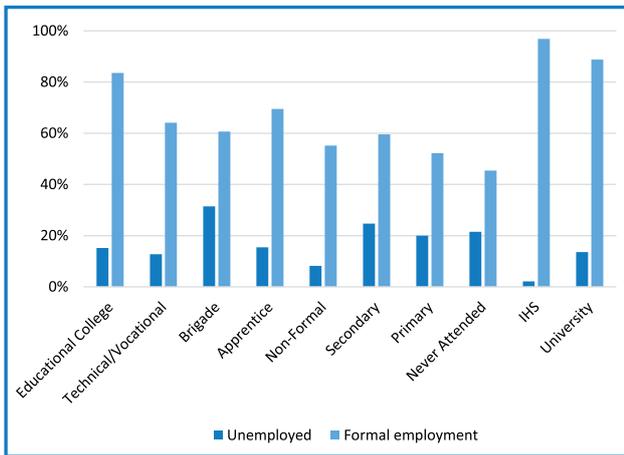
more likely for those with primary, secondary Brigades-level and non-formal education.

Youth Activity

Unemployment rates are not particularly relevant for young adults, as many of them are not in the labour force – for instance, those who are still in education or training. More relevant is the measure of those who are “Not in Employment, Education or Training” (NEET). The NEET figures are therefore important as they serve as a broad reflection of the number of youths (aged 15-35) that are not gainfully engaged in any economic or educational activities. This has long-term implications for human capital accumulation and workforce gender imbalances.

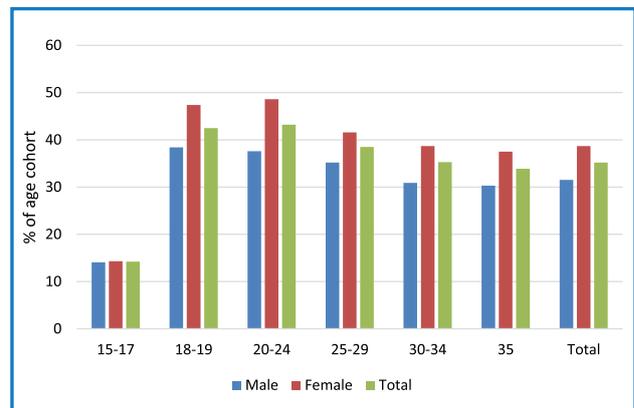
In 2019, the total number of NEETS stood at 297,136, of which 43.5% (129,193) were male and 56.5% (167,943) were female.

Figure 9: Unemployment and Formal Employment Rates by Education Level



The one exception to this is with respect to those who are educated at the level of Brigades, which does not seem to be a route to success, as the unemployment rate for Brigades graduates is the highest for any educational cohort. At the other extreme, the results do not suggest that there is a chronic unemployment problem amongst university graduates, despite popular perceptions to the contrary. There were an estimated 18,643 unemployed university degree holders, for whom the unemployment rate was 13.6%, far below the average unemployment rate of 20.7%. Individuals trained at the Institute of Health Sciences (IHS) were the most likely to be employed, boasting the lowest unemployment rate of 2.2%. The chances of being unemployed having pursued technical or vocational training are quite low, with an unemployment rate 12.7%.

Figure 10: Proportion of Youth Not in Employment, Education or Training (NEET), by Age Cohort



As Figure 10 shows, the NEET rate is higher for females across all youth age groups. This may reflect both labour market opportunities as well as the role of women in child-rearing and home-making. But the high NEET rate for females in the immediate post-school age cohorts (18-19 and 20-24), approaching 50%, is of concern with regard to employment opportunities for women. Females are less likely to begin shaping their careers or gaining human capital at a young age than their male counterparts, which has negative implications on their future earnings.

Formal vs Non-formal Employment

The QMTS provides figures on total employment and on formal employment. From this, we can derive the estimated size of non-formal employment in Botswana. Essentially, the non-formal sector here comprises all of those who are employed but not in “formal” firms (see Table 1 above); it therefore includes those who work in micro enterprises, are self-employed (own account), or

² The formal employment ratio/rate refers to the proportion of all employed individuals with a particular level of training/education that are formally employed.

SPECIAL FEATURE

work in private households or in agriculture (excluding large-scale commercial agriculture). The total number of non-formally employed by this definition is 261,741 (35% of total employment), as compared to the formal sector 483,815 (65%). Unlike formal employment, there are more males (143,993) than females (117,748) non-formally employed. This may reflect the fact that there are far more males than females employed in agriculture (non-formal), and far more females than males employed under the *lpelegeng* scheme (formal).

We can also work out the difference in average monthly earnings between formal and non-formal employment. As expected, average monthly earnings in the formal sector (P5,404) were higher than in the non-formal sector (P4,222). The differential (28%) is perhaps smaller than might have been expected. The explanation for this may be that formal employment includes a large number of *lpelegeng* workers, who, on average, earn only a small proportion (perhaps 12%) of reported formal monthly earnings, hence bringing down the formal average.

Table 4: Average Monthly Earnings by Formal/Informal and Gender

	Formal Employment		
	Male	Female	Total
Average Monthly Earnings (P)	6,729	4,178	5,404
	Non-formal Employment		
	Male	Female	Total
Average Monthly Earnings (P)	4,964	3,532	4,222

The average monthly earnings are higher for males than females across both the formal and non-formal sectors. In the formal sector, males are, on average, earning 37.9% more than females. The gender pay gap is slightly less in the non-formal sector with males earning on average 28.8% more than females.

Conclusions

The 2019Q3 QMTS Labour Force Module results are important as the start of a new data series that will, in time, enable us to gain a better understanding of labour force dynamics, including unemployment, the nature and lo-

cation of employment, earnings, etc. The new data series should be more timely and detailed than past labour force data, and fills an important gap in our understanding of the economy. Analysis of trends and changes over time will become possible when we have a full year of data, i.e., from the publication of the 2020 Q3 results, presumably sometime early in 2021. To be useful from a policy perspective, future results publications should separate out *lpelegeng* from the rest of the formal sector, as its inclusion distorts the results from the formal sector of the economy.

The current results do not have any great surprises and largely confirm what other surveys had already shown: the dominant position of public sector employment; the level of unemployment; and the fact that unemployment mainly affects the youth. A worrying result is that the majority of the unemployed are long-term unemployed (a year or more), which points to a lack of dynamism in the labour market. From a gender perspective, the results confirm that females have lower average earnings than men, although further work is needed to ascertain whether this is due to lower pay for similar jobs or the tendency of women to work in less-well paid occupations and sectors of the economy. One encouraging result is that women make up slightly over half of employment in the most skilled occupations (managerial, technical, etc.).

There are other key insights from the survey results. One is that post-secondary training has a positive impact on the likelihood of finding work. A second is that there is a worryingly high level of young adults “not in employment, education or training” (NEET) – and who are either unemployed or who have left the labour force entirely, meaning that investment in their education is not yielding the anticipated benefits. Third, the magnitude of the graduate unemployment problem has perhaps been overstated – the unemployment rate for graduates is less than the overall (average) rate, and graduates make up well under 10% of the unemployed labour force. Finally, the most reliable post-secondary training route for finding employment is health – graduates of the Institute of Health Sciences have an unemployment rate of almost zero. And the ongoing COVID-19 pandemic is likely to raise the profile of public health in the future and raise the demand further for those with training in health sciences.

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

The Econsult Economic Review is sponsored by BIFM, Botswana's largest asset manager. All content and commentary in the Review is produced by Econsult and should not be attributed to BIFM.



Bifm
Dynamic
Wealth Management