



Bank of Botswana

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PRESS RELEASE

S&P GLOBAL RATINGS DOWNGRADES THE SOVEREIGN CREDIT RATING ON LONG-TERM BONDS BUT AFFIRMS THE RATING ON SHORT-TERM BONDS AND THE ECONOMIC OUTLOOK ON BOTSWANA

On 12 September 2025, S&P Global Ratings (S&P) released an update on Botswana's sovereign credit rating. The Rating Agency downgraded the country's long-term sovereign credit ratings for both foreign and local currency debt, from 'BBB+' to 'BBB'. However, the short-term ratings for foreign and domestic currency debt were affirmed at 'A-2', and the outlook remains negative. The rating remains within the investment-grade category.

According to S&P the revision is on account of the decline in diamond revenues and related weakening of the fiscal and external positions. Thus, the Rating Agency observed that subdued global demand and lower prices for natural diamonds are likely to weigh down heavily on the country's minerals-dependent economy, adversely impacting fiscal revenue, and export performance. Further, S&P considered that without a meaningful and impactful policy adjustment, Botswana's net government debt is likely to continue rising, while foreign currency reserves will remain under pressure. The negative outlook reflects the anticipation that weak diamond market conditions will

challenge efforts to strengthen fiscal balances, thus complicating the government's fiscal consolidation agenda.

Nonetheless S&P stated that the ratings continue to be supported by the country's strong institutional framework, which has underpinned the prudent management of the country's natural resource wealth over the years; the comparatively strong, although eroding, external balance sheet; and a comparatively low, albeit rising, government debt burden. The ratings are also supported by the country's democratic strength and institutional checks and balances as reflected by the free elections and smooth change of government in October 2024. In addition, the Rating Agency expects the recently concluded deal between the Government and De Beers, extending mining rights until 2054, as well as the possibility of Botswana to increase its stake in De Beers, to improve diamond sector prospects for Botswana. However, the country's narrow economic base, which relies heavily on the diamond sector, which is vulnerable to fiscal and external shocks continues to constrain the ratings.

S&P indicated that a revision of the outlook from 'negative' to 'stable' could occur if economic growth, as well as fiscal and external performance improved significantly, among others, due to a sustained rebound in the diamond markets. Importantly, effective implementation of policy measures aimed at diversifying Botswana's commodity-concentrated economy, exports, and the tax base will positively impact the ratings and the outlook. However, deterioration of Botswana's fiscal and external performance because of the low demand for diamonds and the sustained negative growth rates, as well as fiscal consolidation challenges could lead to a downgrade of the overall ratings.

The downward revision in ratings reinforces the need to maintain robust institutions and sound policy frameworks that deliver and support macroeconomic stability and sustainable economic growth. Furthermore, it underscores the importance of traction of the ongoing economic structural transformation and policy reforms by Government. It is observed that these efforts are necessary to accelerate economic diversification and

industrialisation; rebuild fiscal buffers; reduce dependence on commodity-based revenues; enhance fiscal sustainability; and strengthen overall economic growth and resilience. Progress in these areas could, over time, positively influence the country's credit ratings and outlook.

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