

Research Update:

Botswana Ratings Lowered To 'BBB-/A-3' On Fiscal Pressures Tied To Weak Global Diamond Demand; Outlook Negative

March 13, 2026

Overview

- Structural weakness in global diamond demand will weigh on Botswana's minerals-dependent economy, balance of payments, and fiscal performance for longer than we previously expected.
- Barring a significant policy adjustment or a strong recovery in global diamond demand, we project Botswana will post sizable fiscal deficits through 2029, putting further pressures on debt metrics.
- We therefore lowered our long- and short-term sovereign credit ratings on Botswana to 'BBB-/A-3' from 'BBB/A-2'. The outlook is negative.

Rating Action

On March 13, 2026, S&P Global Ratings lowered its long-term foreign and local currency sovereign credit ratings on Botswana to 'BBB-' from 'BBB'. The outlook is negative. At the same time, we lowered our short-term foreign and local currency sovereign credit ratings to 'A-3' from 'A-2'.

We equalize our ratings on the Bank of Botswana (BoB) with our ratings on the sovereign and we therefore lowered our long-term issuer credit ratings on the central bank to 'BBB-' from 'BBB' and lowered our short-term issuer credit rating to 'A-3' from 'A-2'. The outlook on the BoB is negative.

We also revised our transfer and convertibility (T&C) assessment on Botswana to 'BBB' from 'BBB+'.

Outlook

The negative outlook reflects our view that subdued global demand and prices for diamonds will continue to constrain Botswana's economic growth prospects, and its export and fiscal receipts. It also reflects our view that the current volatile global backdrop will likely complicate Botswana's

Primary Contact

Hanns Spangenberg
Johannesburg
27-83-797-5142
hanns.spangenberg
@spglobal.com

Secondary Contact

Ravi Bhatia
London
44-20-7176-7113
ravi.bhatia
@spglobal.com

Research Contributor

Mansi Paul
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Pune

fiscal consolidation efforts, leading to the further erosion of its external and public balance sheets.

Downside scenario

We could lower our ratings if Botswana's fiscal and external performance proved materially weaker than our forecast. This could happen, for instance, if diamond demand falls further and GDP growth falters or if fiscal consolidation stalls, leading to further weakening of Botswana's fiscal and external position.

Upside scenario

We could revise the outlook to stable if Botswana's GDP growth and fiscal and external metrics improved significantly, for example, due to a sustained rebound in diamond markets. Longer-term upside could also stem from successful implementation of policy efforts to diversify Botswana's commodity-concentrated economy, exports, and tax base.

Rationale

The downgrade reflects our view that global diamond demand will likely remain weak for longer, weighing on Botswana's already-strained economy and public finances. Botswana is the world's second-largest producer of natural rough diamonds, with the diamond sector having historically represented about 70% of exports, approximately one-third of the government's fiscal receipts, and about one-quarter of GDP. Since late 2023, the diamond sector has been under pressure, with global prices and volume demand having fallen sharply. This reflects increased competition from artificial diamonds and alternative luxury spending, as well as lower demand from China. As a result, prices have fallen sharply since their peak in 2022 and remain subdued.

We expect Botswana to have only a modest economic recovery in 2026 of 2.5% and an average of 3.2% over 2027-2029 following output contractions of 2.8% in 2024 and 0.4% in 2025.

Economic growth during the third quarter of 2025 is set to be negated by a large contraction in diamond production during the fourth quarter. Real GDP was volatile, increasing by 8.2% year on year during third-quarter 2025, after a contraction of 5.2% year on year in the preceding quarter. The economy grew by 0.8% year on year for January-September 2025. However, a 56% year on year decrease in diamond production during the final three months of the year led to a full-year GDP contraction in 2025.

The fiscal fallout over recent years has been substantial and prospects for meaningful fiscal consolidation remain challenging. Given the weakness in mineral revenue and elevated spending pressures, we project a general government fiscal deficit of 8.9% of GDP in fiscal year 2026/2027 (year ending March 31, 2027). This is only a modest reduction compared with the estimated deficit of 9.3% of GDP in the previous fiscal year. In the absence of significant policy adjustments, we project net general government debt to reach 37.4% of GDP by 2029, compared with a net general government asset position before 2023. Given elevated borrowing needs and the shallow domestic capital markets, we projected the government interest bill will increase to 11% of general government fiscal revenue by 2029, double its 2024 level.

Botswana's current account and foreign exchange reserves will also remain under pressure, barring a sustained turnaround in global diamond demand. Botswana's foreign exchange reserves fell to \$3.8 billion at the end of 2025, from \$7.5 billion in 2017. In an effort to protect

foreign exchange reserves, the BoB has implemented several policy changes over the past year, including an increase in July 2025 in the downward rate of crawl to 2.76% from 1.51%, while widening the trading margins to plus or minus 7.5% from plus or minus 0.5%. This was followed by the implementation of asymmetric trading margins in January 2026. This has helped preserve foreign currency reserves, but at a lower level than a few years ago.

Nevertheless, several key credit factors still support our investment-grade rating on

Botswana. They include the country's strong institutional framework, which has underpinned the broadly prudent management of the country's natural resource wealth over several decades; the economy's net external asset position; and still-comparatively low, albeit fast-rising, government debt. The ratings are constrained by the country's narrow economic base because it still relies very heavily on the diamond sector, with its vulnerability to fiscal and external shocks coming to the fore when global diamond demand falters.

We equalize our ratings on the BoB with our ratings on the sovereign because we consider monetary authorities to be analytically inseparable from the sovereign.

Institutional and economic profile: Botswana's minerals-dependent economy continues to face pressure from weak global diamond demand

- Over-reliance on the diamond sector continues to expose the economy to global diamond-price and volume demand shocks.
- We estimate Botswana's economy contracted in 2025 for a second consecutive year, but forecast a mild recovery in 2026-2029.
- The smooth change of government after free and fair elections in October 2024 highlights the country's democratic strength and institutional checks and balances, which support the rating.

Structural shifts in the global diamond market pose a challenge to Botswana's natural-diamond-dependent economy.

Lab-grown diamonds have rapidly gained market share, capturing approximately 20% of the global market by value and up to 50% by volume in the U.S. engagement ring segment in 2025, reflecting changing consumer preferences that affect the under-two-carat mined diamond sector, in particular. Concurrently, diamond sales have been depressed by several other factors such as softening demand in key markets like China and the U.S.; U.S. tariffs on Botswana and on diamond-cutting countries such as India; a shift in demand from diamond to gold jewelry; sanctions on Russian diamonds; and a broader weakness in global luxury goods spending.

Factors weighing on diamond prices may prove temporary and cyclical, but this is not certain.

The lab-grown diamond industry has expanded rapidly in recent years, and lab-grown diamonds can be produced relatively cheaply. Increasingly, they are grown using renewable energy and then marketed as an environmentally friendly alternative to natural mined stones. High inventory of natural stones among retailers and wholesalers, resulting from overstocking in recent years (partly owing to threats of sanctions on Russia), have also hindered more recent demand for rough uncut mined diamonds, creating a very challenging environment for the rough mined diamond industry. We could see some of these factors being reversed--U.S. tariffs may be lowered after negotiations, demand from China could rebound, and greater price differentiation between lab-grown and natural stones could support natural stones in the future. However, this is not certain and so far low diamond prices have persisted.

Debswana, Botswana's main diamond mining company, cut production at some mines in 2025 and temporarily closed others. For Debswana alone, the downturn since the second half of 2023 led to a cut in production by 27% to 17.9 million carats in 2024, and further to 15.1 million carats last year. Debswana further expects to maintain production at the 15 million carats level in 2026--an approximate 40% decrease from its output in 2023--with only slight increases in production in 2027 and 2028.

Botswana has been shaped by recent political transition and socioeconomic strain. The 2024 elections marked the first change in the ruling party in several decades, with the Umbrella for Democratic Change, the former opposition, winning and assuming office. The new administration inherited a fragile situation with the presidency having to institute a nationwide health emergency in August 2025 due to a shortage of medicines. Against this backdrop, the focus for policy reforms and medium-term goals under the new government through the "Reset-Agenda" and the "National Development Plan 12 (NDP 12)" has been to bring about diversification, social development, and sustainable non-mining-led growth.

The new government will navigate a complex economic environment in trying to meet its ambitious diversification and social development reforms, some of which will carry a sizable fiscal cost. The Reset Agenda aims to diversify the Botswanan economy and promote sustainable growth beyond mining, underscoring the government's commitment to structural reforms. Initially launched as a post-pandemic recovery strategy in 2021, the Agenda now focuses on enhancing public sector efficiency, advancing digitalization, and developing value chains in key sectors such as minerals, tourism, food, and education, with the ultimate objective of achieving high-income status by 2036. The NDP 12 aims to implement reforms from April 2026 to March 2030 and will carry a fiscal cost of approximately \$24.3 billion during that period (90% of the estimated cost of \$27 billion is set to be covered by government).

The reforms are set to support social development through changes in health care, education, and social protection, with environmental sustainability and governance. Policy measures to meet these targets include increments in student allowances and old age pensions, provision of health products, a newborn allowance, and the construction of 100,000 housing units. Value enhancement for state owned enterprises is another objective, which the government will assist by pursuing asset securitization instead of relying on budget allocations.

Further to the NDP 12, the government has also launched the Botswana Economic Transformation Program (BETP). The strategy's immediate five-year execution plan will be carried out through NDP 12, with a broader policy reform execution plan aligned with the country's Vision 2036 agenda. BETP will have several key focus points. Firstly, promoting diversification by transitioning away from a resource-dependent economy. Secondly, developing its service sector with the goal of establishing Botswana as a regional services hub within southern Africa. These two objectives involve leveraging Botswana's institutional and governance strengths to deliver equitable and inclusive growth. The framework suggests renewed focus on priority sectors. Examples include agribusiness to ensure food security, health care to tackle drug shortage issues, renewable energy industries to reduce external reliance, and technology to help develop knowledge-based high value industries and enhance the financial sector through digitalization and inclusion efforts.

Botswana faces significant economic challenges stemming from persistently high unemployment, particularly among youth. The unemployment rate was 21% in 2024, with youth unemployment at 28.9%. This is exacerbated by a capital-intensive, mineral-dependent economy because the mining sector contributes only 2.3% of employment. This structural issue risks social

instability and has contributed to a rise in the poverty rate to 13.1%, alongside increased inequality. The government's NDP 12 and Reset Agenda aim to address these risks by fostering economic transformation and job creation to absorb the substantial annual influx of new labor market entrants.

Flexibility and performance profile: Botswana's budget deficit will remain sizable, notwithstanding attempts at fiscal consolidation

- Botswana operated a significant fiscal deficit in fiscal years 2024 and 2025. In the absence of positive terms of trade or a stronger policy effort, fiscal deficits will continue to erode the country's net external asset position and increase general government debt.
- We project Botswana's net general government debt (net of liquid assets) will reach 37.4% of GDP by 2029, compared with a net asset position of 6.3% of GDP in 2023.

We project Botswana's fiscal position will remain under pressure. This reflects persistent structural shifts in the diamond sector that are likely to dampen mineral revenue growth and constrain overall fiscal receipts. We estimate the fiscal 2025 general government deficit widened to 9.3% of GDP, from 7.3% in 2024, and will narrow only slightly to 8.9% of GDP in 2026 and then average 5.1% in 2027-2029.

Botswana's general government debt is rapidly increasing due to sizable fiscal deficits. The government partially financed the fiscal deficit through drawdowns from the Government Investment Account (GIA), its savings account, which has fallen sharply, alongside sizable domestic debt issuance as well as external issuance. GIA drawings brought the GIA assets down sharply to Botswana pula (BWP) 846 million (\$60 million) as of year-end 2025 from BWP5.4 billion in mid-2024. Consequently, we project the government will pause its use of the GIA to finance future forecast fiscal deficits and rather use increased debt. We therefore forecast net general government debt (net of liquid assets) will rise to 37.4% of GDP by 2029, compared with a government net asset position of 6.3% of GDP in 2023.

Botswana's domestic borrowing costs have risen and we expect a continued rise. While short-term rates were relatively low at the start of 2025, they increased sharply during 2025 and further into 2026. From 3.43% at the start of 2025, the yield on the three-month T-bill had increased to 8.85% by the end of 2025. Yields continued to climb in 2026, with the short-term instrument exceeding 10.5% by in March 2026 as the government increased its reliance on domestic debt to fund the budget deficit. In terms of composition, external debt accounts for 12.5% of GDP, while domestic debt has reached its statutory ceiling of 20% of GDP, although this will likely be raised. Our projections indicate that the overall interest bill will rise to 8.2% of general government revenue in 2026 and further to 11% of GDP by 2029.

Despite some improvement in Botswana's current account balance in 2025, we expect current account deficits to average 1.5% of GDP in 2026-2029. Preliminary data indicates that the country recorded a current account surplus of 3.8% of GDP in the first nine months of 2025, compared with a deficit of 2.4% of GDP during the same period in 2024. The shift is largely due to stronger export performance, which has been on the uptick since third-quarter 2024. Notably, diamond exports rebounded after a 28% year-on-year contraction in first-quarter 2025, increasing 30% in the second quarter and 82% in the third quarter on a year-on-year basis. Higher exports were accompanied by a moderation in goods imports, which fell by 39% year on year over the first three quarters of 2025. Still, we expect the current account to shift back to deficits over the forecast period due to pressure on goods trade balance dynamics from still-low diamond exports and high import requirements.

The central bank has implemented several policy changes in order to contain foreign exchange reserve levels. The current crawling peg exchange policy framework remains unchanged, with a 50% weighting to the South African rand and 50% to the IMF's special drawing rights (SDR).

However, in July 2025, the downward rate of crawl was increased from 1.51% to 2.76% per year, and trading margins were widened to plus or minus 7.5% from plus or minus 0.5%, contributing to a depreciation of the exchange rate. Following a December 2025 exchange rate policy review, several additional adjustments to the exchange rate parameters were implemented. Firstly, asymmetric pula trading margins were adopted, with the buy rate reduced from 7.5% to 3% relative to the central parity, while the sell rate was maintained at -7.5%. The new trading margins took effect on Jan. 1, 2026, while the annual downward rate of crawl was maintained at 2.76% and the Pula currency basket weights were maintained at 50% for the South African rand and 50% for the SDR. Official foreign exchange reserves have remained broadly stable since the interventions, indicating that the July 2025 exchange rate parameter adjustments have broadly achieved their intended objectives.

Diamond sales and policy action by the central bank have led to a small recovery in foreign exchange reserves, but a more marked increase is unlikely barring a sustained turnaround in global diamond demand. Botswana's foreign reserves levels have faced pressure over the past few years, first from the global COVID-19 pandemic then from the downturn in global demand for diamonds. As a result, foreign exchange reserves fell to \$3.5 billion by end of 2024 from \$7.5 billion in 2017, before showing some resilience in 2025 due to an uptick in diamond sales in third-quarter 2025 and the aforementioned policy adjustments. We expect reserve levels to continue to improve slightly: we estimate they will rise to \$4.2 billion by 2029 from \$3.8 billion at the end of 2025.

The central bank raised its policy rate in late 2025, but instructed commercial banks not to increase their prime lending rates in order to avoid an excessive tightening of financial conditions. In December 2024, the BoB also reduced the primary reserve requirement by 250 basis points, to zero, to address the liquidity crunch stemming from prolonged global diamond demand downturns and to stimulate the domestic credit market and economy. The BoB initially continued its accommodative monetary policy in 2025, given the economic contraction and other factors, while inflationary pressures remain contained. However, a shortage of liquidity in the system led banks to increase their prime lending rates. This created a disconnect between policy intentions and market outcomes. To address this, the BoB increased the policy rate to 3.5% in October 2025, with an instruction to commercial banks not to raise their prime lending rates further in order to preserve credit affordability and avoid an excessive tightening of financial conditions. In addition, the central bank progressively extended the maturity of the repo facility. Repo tenors evolved from overnight to seven days, subsequently to one month and, ultimately, to maturities of up to three months. The BoB also reduced the credit facility rate to 6.5% (300 basis points above the MoPR). Looking ahead, we expect inflation to increase to an average of 6% in 2026 on the back of increases in electricity and water tariffs, as well as higher global fuel prices tied to tensions in the Middle East, before moderating to an average of 4.2% over 2027-2029.

Botswana--Selected Indicators

	2020	2021	2022	2023	2024	2025	2026bc	2027bc	2028bc	2029bc
Economic indicators (%)										
Nominal GDP (bil. BWP)	171.4	207.9	251.4	264.0	261.6	267.5	290.6	312.8	336.7	362.4
Nominal GDP (bil. \$)	15.0	18.8	20.3	19.4	19.3	19.8	20.8	21.6	22.5	23.4

Botswana Ratings Lowered To 'BBB-/A-3' On Fiscal Pressures Tied To Weak Global Diamond Demand; Outlook Negative

Botswana--Selected Indicators

GDP per capita (000s \$)	6.4	7.8	8.3	7.8	7.6	7.7	7.9	8.1	8.3	8.5
Real GDP growth	(8.7)	11.9	5.5	3.2	(2.8)	(0.4)	2.5	3.0	3.5	3.5
Real GDP per capita growth	(10.6)	9.9	3.6	1.4	(4.5)	(2.2)	0.7	1.2	1.7	1.7
Real investment growth	(9.2)	0.3	(0.2)	3.6	4.9	(0.3)	4.0	3.3	3.6	3.0
Investment/GDP	33.1	32.6	30.6	32.5	38.3	32.9	33.0	32.5	31.9	31.3
Savings/GDP	23.2	30.8	29.9	33.9	33.9	33.4	32.2	30.9	30.0	29.3
Exports/GDP	31.3	41.8	43.5	32.9	27.1	28.0	25.9	24.7	23.6	22.4
Real exports growth	(17.0)	39.3	(7.3)	(12.1)	(9.9)	1.0	0.5	1.0	1.5	1.5
Unemployment rate	24.5	26.0	25.4	25.9	21.0	23.0	24.0	24.0	24.0	24.0

External indicators (%)

Current account balance/GDP	(9.9)	(1.8)	(0.7)	1.5	(4.4)	0.5	(0.8)	(1.5)	(1.8)	(2.0)
Current account balance/CARs	(23.2)	(3.6)	(1.3)	3.3	(10.3)	1.2	(2.1)	(3.9)	(4.9)	(5.5)
CARs/GDP	42.9	51.0	51.5	44.1	42.2	41.3	39.8	38.6	37.4	36.3
Trade balance/GDP	(13.2)	(3.5)	2.7	(2.3)	(11.5)	(7.3)	(8.2)	(8.2)	(8.2)	(8.2)
Net FDI/GDP	0.7	(1.5)	3.4	3.8	2.4	0.5	1.8	2.0	2.5	2.8
Net portfolio equity inflow/GDP	(5.3)	(4.2)	3.1	(3.7)	(1.7)	(2.4)	(2.5)	(2.5)	(2.5)	(2.5)
Gross external financing needs/CARs plus usable reserves	70.6	72.2	73.8	69.6	76.7	76.3	76.5	78.1	79.3	79.9
Narrow net external debt/CARs	(66.5)	(40.4)	(35.7)	(39.2)	(30.3)	(24.6)	(15.3)	(9.9)	(5.8)	(3.0)
Narrow net external debt/CAPs	(53.9)	(39.0)	(35.2)	(40.5)	(27.5)	(24.9)	(15.0)	(9.5)	(5.5)	(2.8)
Net external liabilities/CARs	(97.5)	(76.1)	(55.2)	(61.5)	(49.9)	(48.3)	(37.2)	(31.1)	(25.7)	(23.6)
Net external liabilities/CAPs	(79.1)	(73.5)	(54.5)	(63.6)	(45.2)	(49.0)	(36.4)	(30.0)	(24.5)	(22.3)
Short-term external debt by remaining maturity/CARs	15.1	5.9	6.2	7.6	11.1	9.6	9.7	10.8	12.3	13.3
Usable reserves/CAPs (months)	9.3	6.0	5.4	6.2	6.4	5.1	5.4	5.4	5.5	5.5
Usable reserves (Mil. \$)	4,945.9	4,770.4	4,267.7	4,745.6	3,449.9	3,806.4	3,910.4	4,018.6	4,131.0	4,248.0

Fiscal indicators (general government %)

Balance/GDP	(9.6)	(0.1)	0.0	(4.2)	(7.3)	(9.3)	(8.9)	(6.7)	(4.5)	(4.0)
Change in net debt/GDP	19.4	1.9	(0.6)	2.3	17.3	8.7	9.3	7.3	5.1	4.6
Primary balance/GDP	(8.9)	0.5	0.6	(3.2)	(6.0)	(7.6)	(6.8)	(4.1)	(1.5)	(0.9)
Revenue/GDP	28.8	33.0	29.5	28.1	26.6	26.6	26.0	27.0	28.0	28.5
Expenditures/GDP	38.4	33.1	29.5	32.3	33.9	35.9	34.9	33.7	32.5	32.5
Interest/revenues	2.4	1.7	2.2	3.4	4.7	6.3	8.2	9.8	10.6	11.0

Botswana Ratings Lowered To 'BBB-/A-3' On Fiscal Pressures Tied To Weak Global Diamond Demand; Outlook Negative

Botswana--Selected Indicators

Debt/GDP	19.7	19.7	17.3	19.8	27.4	35.5	42.0	46.3	48.1	49.3
Debt/revenues	68.3	59.7	58.8	70.2	102.9	133.5	161.7	171.5	171.7	172.8
Net debt/GDP	(14.6)	(10.1)	(9.0)	(6.3)	11.0	19.5	27.2	32.6	35.3	37.4
Liquid assets/GDP	34.3	29.8	26.4	26.1	16.4	16.1	14.8	13.7	12.8	11.9

Monetary indicators (%)

CPI growth	1.9	6.7	12.2	5.2	2.8	2.7	6.0	4.5	4.0	4.0
GDP deflator growth	4.4	8.4	14.6	1.8	1.9	2.7	6.0	4.5	4.0	4.0
Exchange rate, year-end (BWP/\$)	10.8	11.7	12.8	13.4	14.0	13.1	13.5	14.0	14.5	15.0
Banks' claims on resident non-gov't sector growth	4.5	5.1	6.0	12.0	6.5	3.3	8.2	8.2	8.2	8.2
Banks' claims on resident non-gov't sector/GDP	38.3	33.2	29.1	31.0	33.3	33.6	33.5	33.7	33.9	34.0
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	17.0	18.5	21.4	18.1	21.8	21.3	20.00	20.00	20.00	20
Real effective exchange rate growth	1.2	(2.4)	3.6	(2.7)	(1.2)	N/A	N/A	N/A	N/A	N/A

Sources: Bank of Botswana, IMF (Economic Indicators), Bank of Botswana (External Indicators), Bank of Botswana, Ministry of Finance and Economic Development (Fiscal Indicators), and Bank of Botswana, IMF, Bruegel (Monetary Indicators).

Adjustments: None

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A- Not applicable. BWP--Botswana pula. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Botswana--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	3	Generally effective and prudent policymaking, promoting broadly sustainable public finances and macroeconomic stability. Cohesive civil society, although unemployment is high and youth unemployment is particularly high. Enforcement of contracts is generally unbiased and there is widespread respect for the rule of law. Statistics are published fairly regularly. Botswana held free and fair elections in late 2024, which resulted in a change in government.
Economic assessment	5	Based on GDP per capita (US\$) and growth trends as per Selected Indicators table. We apply a negative notch for below-average economic growth compared with peers.

Botswana--Rating Component Scores

Key rating factors	Score	Explanation
External assessment	1	Based on narrow net external debt and gross external financing needs/(CAP+usable reserves) as per Selected Indicators table. The sovereign is in a net external asset position, but this is rapidly eroding.
Fiscal assessment: flexibility and performance	6	Based on the change in net general government debt (% of GDP) as per Selected Indicators table. The sovereign has a volatile revenue base, with mineral revenue accounting for around 30% of revenue in years when global diamond demand is robust.
Fiscal assessment: debt burden	3	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenues) as per Selected Indicators table. While general government debt stock has historically been low, it is increasing rapidly, and about 40% of gross government debt is denominated in foreign currency.
Monetary assessment	4	The pula runs a crawling peg against the South African rand and the IMF's special drawing rights. The central bank has operational independence to determine the policy rate and uses market-based instruments to transmit monetary policy to the banking sector and the economy. But in recent months the crawling peg has come under pressure and has seen an increased rate of crawl, a widening of the trading margins.
Indicative rating	bbb-	
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	BBB-	
Notches of uplift	0	Default risks apply equally to foreign- and local-currency debt, based on a crawling peg and absence of well-developed domestic capital markets.
Local currency	BBB-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Governments | Sovereigns: Sovereign Rating Methodology](#), Dec. 18, 2017
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments](#), May 18, 2009

Related Research

- [Sovereign Ratings List](#), March 12, 2026
- [Sovereign Ratings History](#), March 12, 2026
- [Sovereign Ratings Score Snapshot](#), March 9, 2026
- [Default, Transition, and Recovery: 2025 Annual Global Sovereign Default And Rating Transition Study](#), March 4, 2026
- [Global Sovereign Rating Trends 2026: Geopolitical Risks Could Destabilize Credit Quality Dynamics](#), Feb. 2, 2026
- [Sovereign Risk Indicators](#), Dec. 11, 2025. Interactive version available at <http://www.spratings.com/sri>

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List

Downgraded

	To	From
Botswana		
Sovereign Credit Rating	BBB-/Negative/A-3	BBB/Negative/A-2
Transfer & Convertibility Assessment	BBB	BBB+
Bank of Botswana		
Issuer Credit Rating	BBB-/Negative/A-3	BBB/Negative/A-2
Short-Term Debt	A-3	A-2

Regulatory Disclosures

Botswana

- Primary Credit Analyst: Hanns Spangenberg, Associate Director

- Rating Committee Chairperson: Karen Vartapetov
- Date initial rating assigned: April 2, 2001
- Date of previous review: Sept. 12, 2025

Bank of Botswana

- Primary Credit Analyst: Hanns Spangenberg, Associate Director
- Rating Committee Chairperson: Karen Vartapetov
- Date initial rating assigned: May 3, 2001
- Date of previous review: Sept. 12, 2025

Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

This credit rating is solicited. The rated entity did participate in the credit rating process. S&P Global Ratings did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. S&P Global Ratings has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

Materials Used In The Credit Rating Process: Sufficient information in general consists of both (i) financial statements that describe the Issuer's financial condition, results of operations and cash-flows, and (ii) a description of the activities and obligations of the entity including of its governance and legal structure.

This credit rating was disclosed to the rated entity or related third party before being issued.

S&P Global Ratings' regulatory disclosures (PCRs) are published as of a point-in-time, which is current as of the date a Credit Rating Action was last published. S&P Global Ratings updates the PCR for a given Credit Rating to include any changes to PCR disclosures only when a subsequent Credit Rating Action is published. Thus, disclosure information in this PCR may not reflect changes to data within PCR disclosures that can occur over time subsequent to the publication of a PCR but that are not otherwise associated with a Credit Rating Action. Note that there may be instances where the PCR reflects an updated Ratings Model version in business use as of the date of the last Credit Rating Action although use of the updated Ratings Model was deemed unnecessary to produce that Credit Rating Action. For example, this may occur in the case of event-driven reviews where the event being assessed is considered to be not relevant to running the updated Ratings Model version. Note also that, in accordance with applicable regulatory requirements, S&P Global Ratings evaluates the impact of material changes to Ratings Models and, where appropriate, issues revised Credit Ratings where necessitated by the updated Ratings Model.

Glossary

- Consumer price index (CPI): Index of prices of a representative set of consumer goods regularly bought by a typical household.

- Current account balance: Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.
- Current account receipts (CAR): Proceeds from exports of goods and services plus factor income earned by residents from nonresidents plus official and private transfers to residents from nonresidents.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Debt burden assessment: Reflects a sovereign's prospective debt level, as indicated by the general government debt relative to GDP (including assessment of contingent liabilities), the interest cost of the debt relative to general government revenue, and debt structure and funding access.
- Depository corporation claims: Claims from resident depository corporations (excluding those of the central bank) on the resident nongovernment sector.
- Economic assessment: Based on the analysis of economic structure and growth prospects. Reflects income levels (GDP per capita), economic growth prospects, and economic diversity and volatility.
- External assessment: Based on the analysis of external liquidity and international investment position as well as the status of a sovereign's currency in international transactions. Reflects a country's ability to obtain funds from abroad necessary to meet its public- and private-sector obligations to nonresidents.
- Fiscal performance and flexibility assessment: Reflects the sustainability of sovereign's fiscal deficits. Based on the prospective change in general government debt, calculated as a percentage of GDP, taking into account long-term trends and a government's fiscal flexibility and vulnerabilities.
- Foreign direct investment (FDI): Direct investment by nonresidents.
- GDP per capita: GDP divided by population.
- General government: Aggregate of the national, regional, and local government sectors, including social security and other defined benefit public-sector pension systems, and excluding intergovernmental transactions.
- General government debt: Debt incurred by national, regional, and local governments and central bank debt.
- General government interest: Interest payments on general government debt.
- General government liquid financial assets: General government deposits in financial institutions (unless the deposits are a source of support to the recipient institution), widely traded securities, plus minority arms-length holdings of incorporated enterprises that are widely traded plus balances of defined-benefit government-run pension plans or social security funds (or stabilization or other freely available funds) that are held in bank deposits, widely traded securities, or other liquid forms.
- Gross domestic product (GDP): Total market value of goods and services produced by resident factors of production.

- Gross external financing needs: Current account payments plus short-term external debt at the end of the prior year, including nonresident deposits at the end of the prior year plus long-term external debt maturing within the year.
- Institutional assessment: An analysis of how a government's institutions and policymaking affect a sovereign's credit fundamentals by delivering sustainable public finances, promoting balanced economic growth, and responding to economic or political shocks. Reflects the effectiveness, stability, and predictability of the sovereign's policymaking and political institutions; transparency and accountability of institutions, data, and processes; the sovereign's debt payment culture; and
- security risks.
- Monetary base: Local currency in circulation plus the monetary authority's local currency liabilities to other depository corporations.
- Monetary assessment: The extent to which a sovereign's monetary authority can fulfill its mandate while supporting sustainable economic growth and attenuating major economic or financial shocks. Based on the analysis of the sovereign's ability to coordinate monetary policy with fiscal and other economic policies to support sustainable economic growth; the credibility of monetary policy, and the effectiveness of market oriented monetary mechanisms.
- Narrow net external debt: Stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public sector liquid claims on nonresidents minus financial sector loans to, deposits with, or investments in nonresident entities.
- Net general government debt: General government debt minus general government liquid financial assets.
- Net external liabilities: Total public- and private sector liabilities to nonresidents minus total external assets.
- Official reserves: Monetary authority liquid claims in foreign currency (including gold) on nonresidents.
- Real GDP per capita: Constant-price per capita GDP.
- Terms of trade: Price of goods exports relative to price of goods imports.
- Usable reserves: Official reserves minus items not readily available for foreign exchange operations and repayment of external debt.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.