



EXTERNAL SECTOR STATISTICS BULLETIN

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DEFINITIONS

Balance of Payments (BoP) Term	Definition
Balance of Payments	<i>A record of all international financial transactions made between residents of a country and non-residents in a given period, usually a year.</i> <i>The BoP comprises of the current account, the capital account, and the financial account.</i>
Residency	<i>For statistical purposes, an individual who lives or intends to live in an economy for more than a year is a resident of that country regardless of the individual's citizenship or nationality.</i> <i>Enterprises established in an economic territory are regarded as residents of that economy.</i>
Current Account	<i>Shows flows of goods, services, primary income, and secondary income between residents of a country and non-residents.</i>
Trade Balance	<i>The difference between a country's exports and imports of goods and services. A positive trade balance represents a surplus, while a negative trade balance represents a deficit.</i>
Foreign Exchange Reserves	<i>Foreign currency denominated assets held by monetary authorities.</i>

1. INTRODUCTION

1.1 Foreword

The Bank of Botswana, (the Bank) remains committed to the timely dissemination of high-quality external sector statistics to support evidence-based policymaking and informed decision making. Through its quarterly External Sector Statistics (ESS) Bulletin, the Bank seeks to enhance readers' understanding of developments in the external sector by providing statistical information and relevant context to support the interpretation of reported statistics. The publication also forms part of the Bank's commitment to transparency and informed public education.

The current bulletin presents an analysis of developments in Botswana's external sector between the first quarter of 2025 and the first quarter of 2026, with particular focus on developments in current account and foreign exchange reserves.

The Bank acknowledges the continued cooperation of reporting institutions and stakeholders whose contributions remain essential for the compilation of comprehensive, timely and reliable external sector statistics. The statistics presented and discussed in this bulletin are compiled in accordance with the International Monetary Fund's (IMF) Balance of Payments and International Investment Position Manual Six Edition (BPM 6), and are accessible through the Botswana Economic and Financial Statistics (BEFS) on the Bank's publications portal at www.bankofbotswana.bw/publications.

1.2 Executive Summary

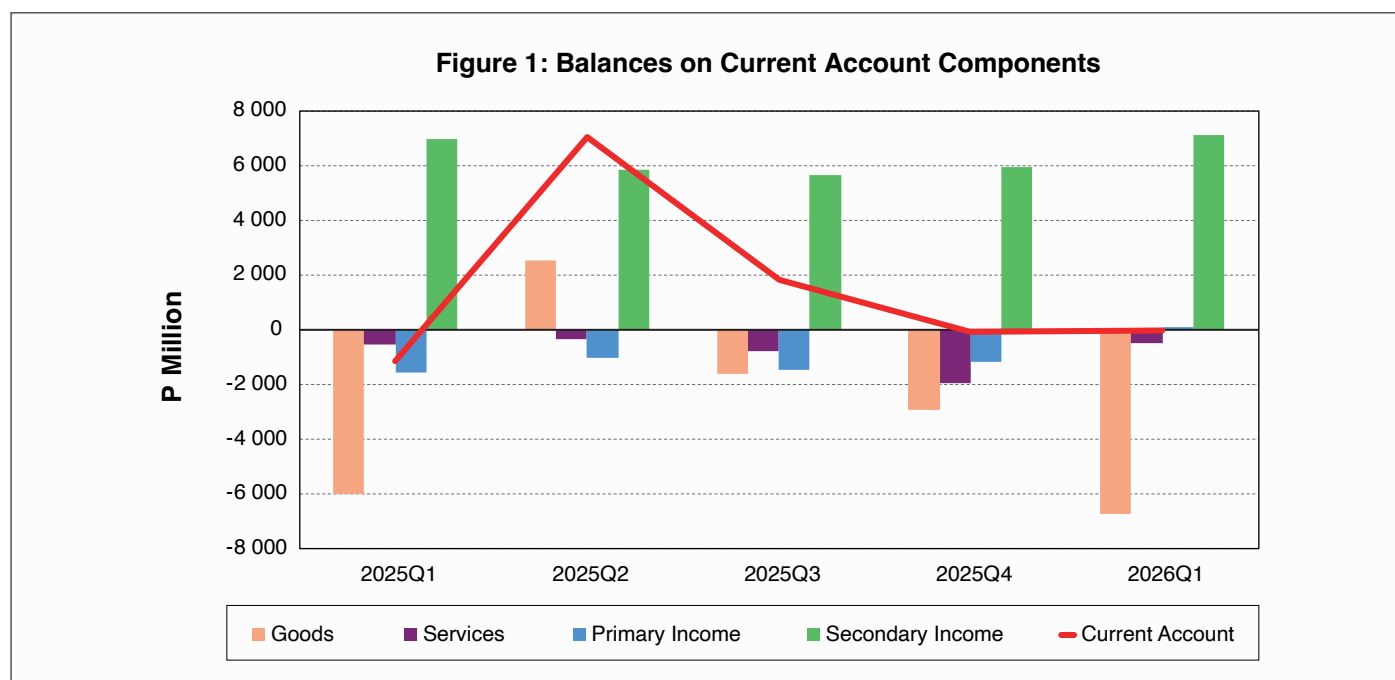
During the first quarter of 2026, Botswana's external sector position improved, with the current account deficit narrowing significantly, supported mainly by an improvement in the primary income balance and continued inflows in the secondary income account. This improvement was partly offset by a deterioration in the merchandise trade balance, as imports outweighed exports. The composition of trade reaffirmed the structural characteristics of Botswana's external sector, particularly the economy's dependence on the mining sector, with diamonds remaining the principal source of export earnings. At the same time, the significant increase in diamond imports reflected Botswana's role as a regional diamond trading and aggregation hub.

Foreign exchange reserves also strengthened during the first quarter of 2026, supported by Southern African Customs Union (SACU) receipts and diamond related export earnings. Consequently, reserve adequacy improved, with import cover increasing and remaining well above the SADC macroeconomic convergence threshold of three (3) months.

2. CURRENT ACCOUNT

2.1 Current Account Developments

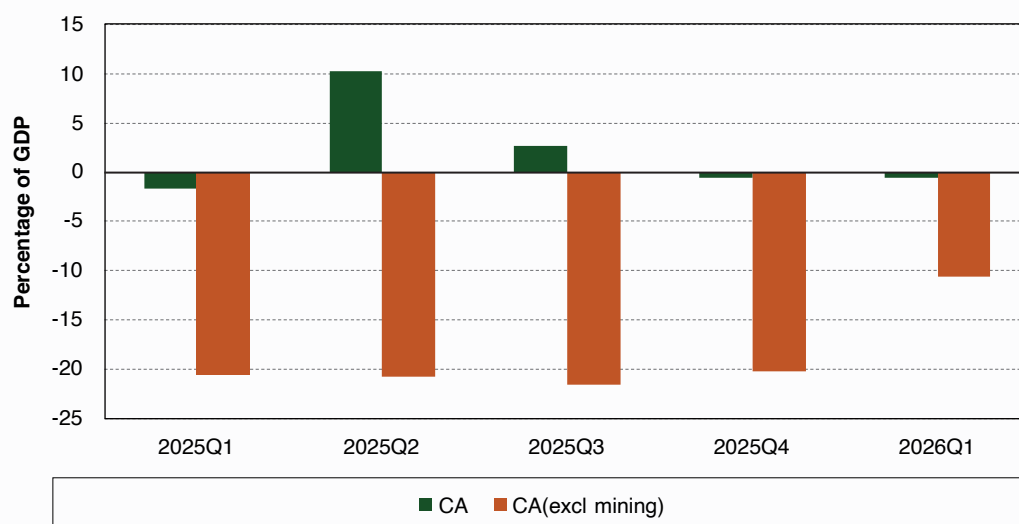
The current account deficit narrowed significantly from P1.1 billion in the first quarter of 2025 to P31 million in the corresponding period of 2026 (Figure 1). This improvement was largely supported by the primary income account, which shifted from a deficit of P1.6 billion to a surplus of P85 million over the same period. The primary income account surplus was driven by a substantial decline in investment income payable to foreign investors alongside a slight increase in investment income earned by Botswana residents. The secondary income account further supported the improvement in the current account, with the surplus increasing from P7 billion to P7.1 billion, driven by higher remittance receipts.



Source: Bank of Botswana

The non-mining current account recorded a significant improvement, with the deficit narrowing from P12.2 billion (20.7 percent of GDP) to P6.7 billion (10.6 percent of GDP) in the first quarter of 2026, as depicted in Figure 2 below. This was due to a significant drop¹ in the value of non-mining imports from P18.8 billion in the first quarter of 2025 to P15.3 billion in the corresponding period in 2026. Despite this improvement, the persistent deficit in the non-mining current account highlights Botswana's continued reliance on the mining sector to support its external position.

¹ The following components declined by; Vehicles and transport equipment (P826 million), Food, beverages and tobacco (P614 million), machinery and electrical equipment (P522 million).

Figure 2: Current Account As a Percentage of GDP

Source: Bank of Botswana

2.2 Current Account Components

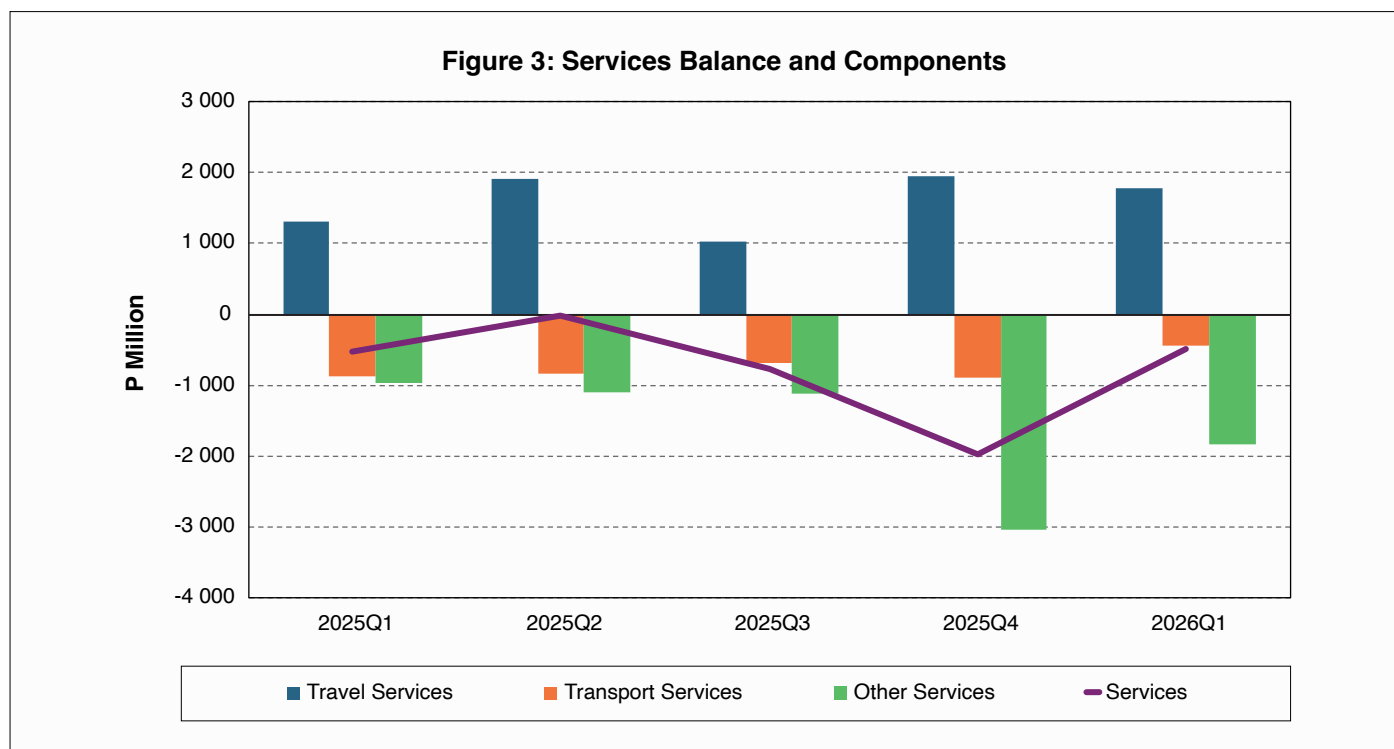
This section examines developments in the main components of the current account, namely the merchandise trade, services, primary income and secondary income accounts, highlighting their respective contribution to the current account during the period under review.

a. Merchandise Trade Balance

Despite the overall improvement in the current account, the merchandise trade deficit widened from P6 billion in the first quarter of 2025 to P6.7 billion in the corresponding quarter in 2026. The wider deficit was due to an increase in imports, from P20.6 billion to P21.3 billion, compared to a slight decline in exports from P14.6 billion to P14.5 billion over the same period.

b. Services Trade Balance

The services account deficit narrowed from P532 million in the first quarter of 2025 to P492 million in the corresponding period in 2026. The improvement was mainly supported by an increase in the travel services surplus, driven by tourism receipts, and a narrowing of transportation service deficit, reflecting lower freight payments. These improvements were, however, partly offset by a widening deficit in other services, from P963.3 million to P1.8 billion, largely attributable to lesser credits from technical, trade related and other business services receipts alongside an increase in payments for the same.



Source: Bank of Botswana

c. Primary Income

The primary income, comprising compensation of employees and investment income, recorded a surplus of P85 million in the first quarter of 2026, compared to a deficit of P1.6 billion in the corresponding quarter of 2025. The turnaround was mainly driven by a substantial decline in investment income payable to non-resident investors, which fell from P1.8 billion to P292 million. The decline in investment income payable to non-residents was partly reflective of continued challenges in the diamond mining sector, which affected overall profitability of the sector and consequently income payable. This was complemented by a slight increase in investment income earned by Botswana residents, from P435 million to P573 million. The improvement was further supported by a narrowing of the compensation of employee's deficit, from P214 million to P197 million over the same period.

d. Secondary Income

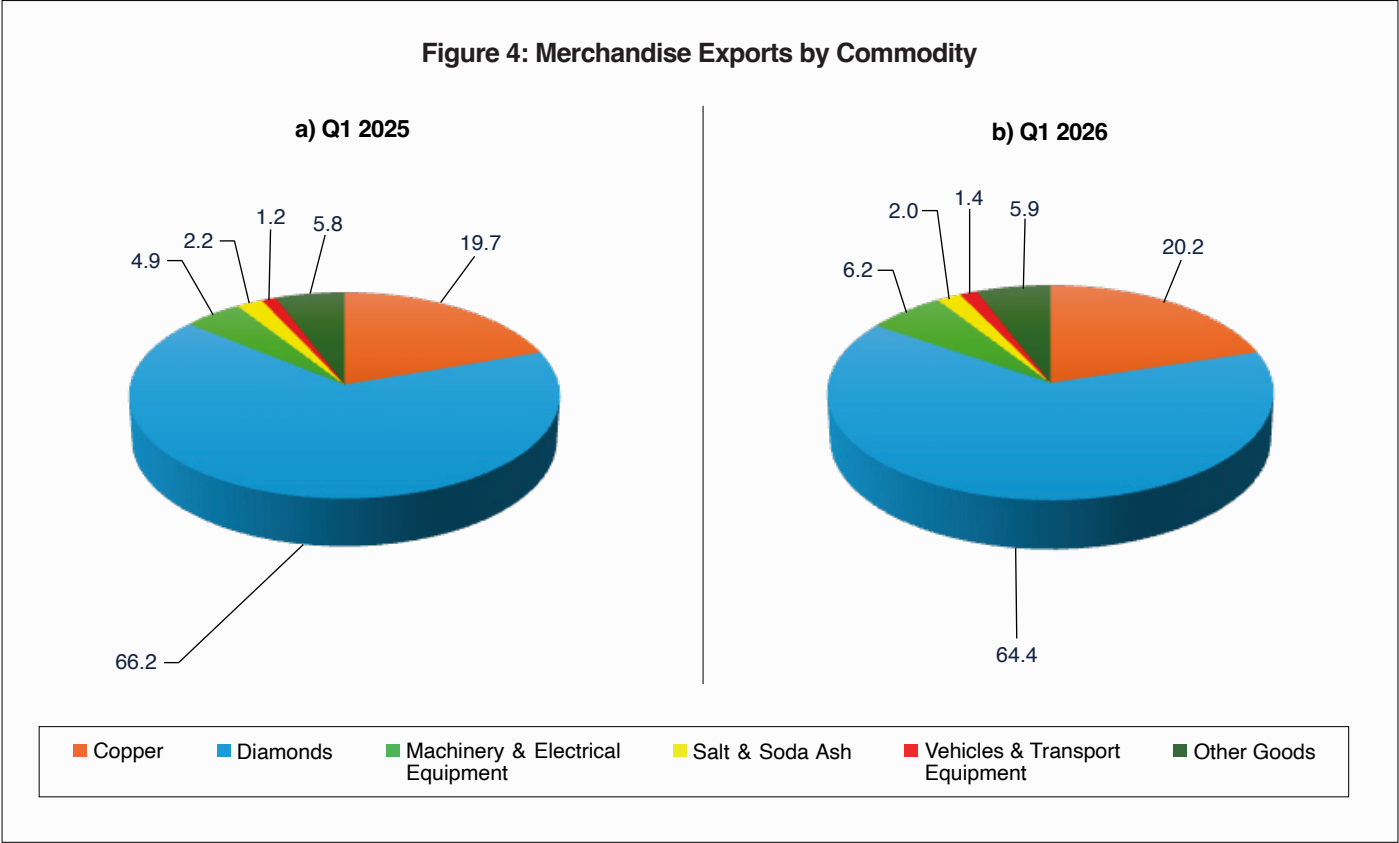
The secondary income account, which comprises Government and private transfers recorded a surplus of P7.1 billion in the first quarter of 2026, slightly up from a surplus of P7 billion in the corresponding quarter of 2025. The improvement was supported by an increase in credits from net private transfers, which rose from P1 billion to P1.8 billion, largely reflecting higher worker remittances receipts. The net government transfers, which are dominated by SACU receipts, declined from P6.9 billion to P6.5 billion over the same period, offsetting what could have been a larger surplus in secondary income account.

3. COMPOSITION OF MERCHANDISE TRADE BY COMMODITY

3.1 Principal Exports

The total value of merchandise exports declined slightly from P14.6 billion in the first quarter of 2025 to P14.5 billion in the corresponding period in 2026. The decline was mainly driven by lower diamond, and salt and soda ash exports, which offset increases in copper, machinery and electrical equipment, and vehicles and transport equipment.

The composition of merchandise exports remained highly concentrated in diamonds, although their share declined from 66.2 percent (P9.7 billion) to 64.4 percent (P9.4 billion). In contrast, copper increased its share from 19.7 percent to 20.2 percent (but value remained at P2.9 billion), while machinery and electrical equipment increased from 4.9 percent (P725 million) to 6.2 percent (P905 million). The shares of vehicles and transport equipment increased marginally from 1.2 percent (P174.5 million) to 1.4 percent (P198.6 million), together with other goods, which increased from 5.8 percent (P848.6 million) to 5.9 percent (P857.9 million). In contrast, the share of salt and soda ash declined from 2.2 percent (P326 million) to 2.0 percent (P284 million) during the review period.



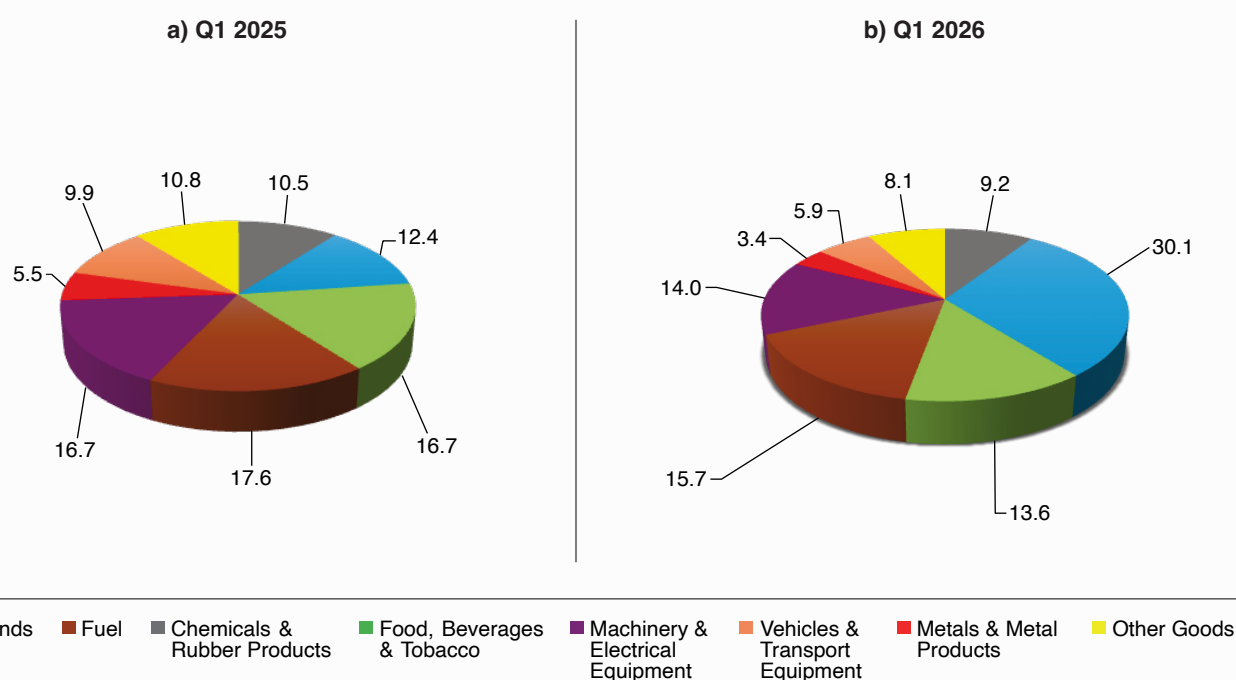
Source: Bank of Botswana

3.2 Principal Imports

The value of goods imported increased from P20.6 billion in the first quarter of 2025 to P21.3 billion in the first quarter of 2026. The increase was largely driven by higher diamond imports. Diamonds, which were valued at P6.7 billion in the first quarter of 2026, accounted for 30.1 percent of total imports, an increase from P2.7 billion and a share of 12.4 percent in the corresponding period in 2025 (Figure 4). The significant increase in diamond imports reflects Botswana's role as a regional diamond hub, where diamonds sourced from neighbouring and other countries are sorted, valued, aggregated and polished in preparation for international sale.

Fuel, which accounted for the second largest share of imports declined from 17.6 percent (P3.8 billion) to 15.7 percent (P3.5 billion) while machinery and electrical equipment accounted for 14 percent (P3.1 billion) from 16.7 percent (P3.6 billion). Imports of fuel and machinery were largely associated with inputs required for ongoing development and infrastructure projects in the country. In contrast, the share of vehicles and transport equipment decreased from 9.9 percent (P2.1 billion) to 5.9 percent (P1.3 billion); food, beverages and tobacco declined from 16.7 percent (P3.6 billion) to 13.6 percent (P3 billion), and other goods from 10.8 percent (P2.3 billion) to 8.1 percent (P1.8 billion). The decline in the commodities was partly attributable to subdued consumer demand amid continued inflationary pressures and the depreciation of the Pula.

Figure 5: Merchandise Imports by Commodity



Source: Bank of Botswana

4. DIRECTION OF MERCHANDISE TRADE

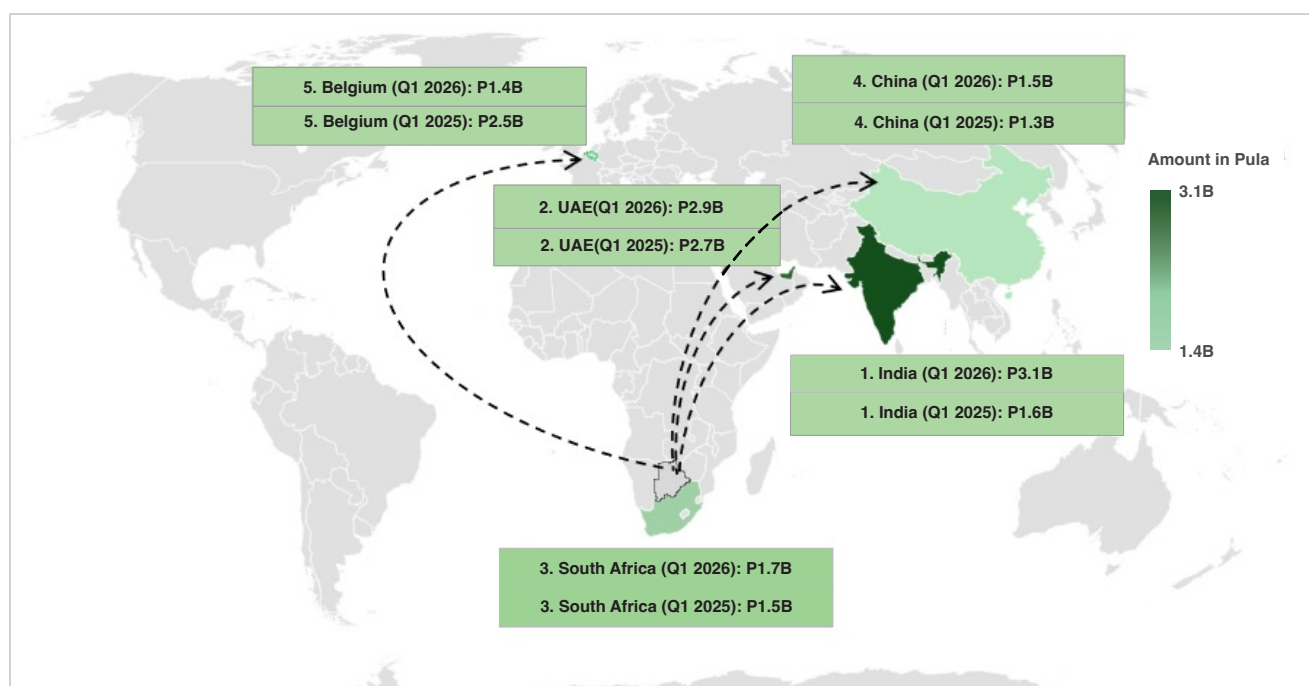
4.1 Export Destinations

During the first quarter of 2026, Botswana's top five export destinations were India, which accounted for 23.1 percent of total merchandise exports, followed by the United Arab Emirates (21.3 percent), South Africa (12.9 percent), China (11.2 percent), and Belgium (10.6 percent) as shown in Figure 6 (a) below. These top five export destinations collectively accounted for 79.2 percent of Botswana's total merchandise exports, remaining relatively unchanged from the 79.3 percent recorded in the first quarter of 2025.

Exports to India, the United Arab Emirates, and Belgium consisted predominantly of diamonds, consistent with these countries' global position as major centres for diamond processing and beneficiation. Exports to South Africa were predominantly machinery and electrical equipment, while copper was the main export commodity to China.

There were notable changes in Botswana's export flows between the first quarters of 2025 and 2026. Exports to India increased significantly from P1.6 billion to P3.1 billion (98.8 percent); China from P1.3 billion to P1.5 billion (18.3 percent); South Africa from P1.5 billion to P1.7 billion (18.1 percent); and the United Arab Emirates (UAE) from P2.7 billion to P2.9 billion (8.2 percent). The increases in exports to India and the UAE were largely driven by higher diamond exports, while increased copper exports supported growth in exports to China. The increase in exports to South Africa was mainly attributable to an increase in exports of machinery and electrical equipment. In contrast, exports to Belgium decreased from P2.5 billion to P1.4 billion (41.8 percent) largely due to a decline in diamond exports to this market. This decline, alongside increased diamond exports to India and the UAE, may suggest a geographical trade diversion of Botswana's diamond exports away from Belgium towards these markets, which may or may not be temporary.

Figure 6 (a): Trade by Region in Pula - Exports



Source: Bank of Botswana

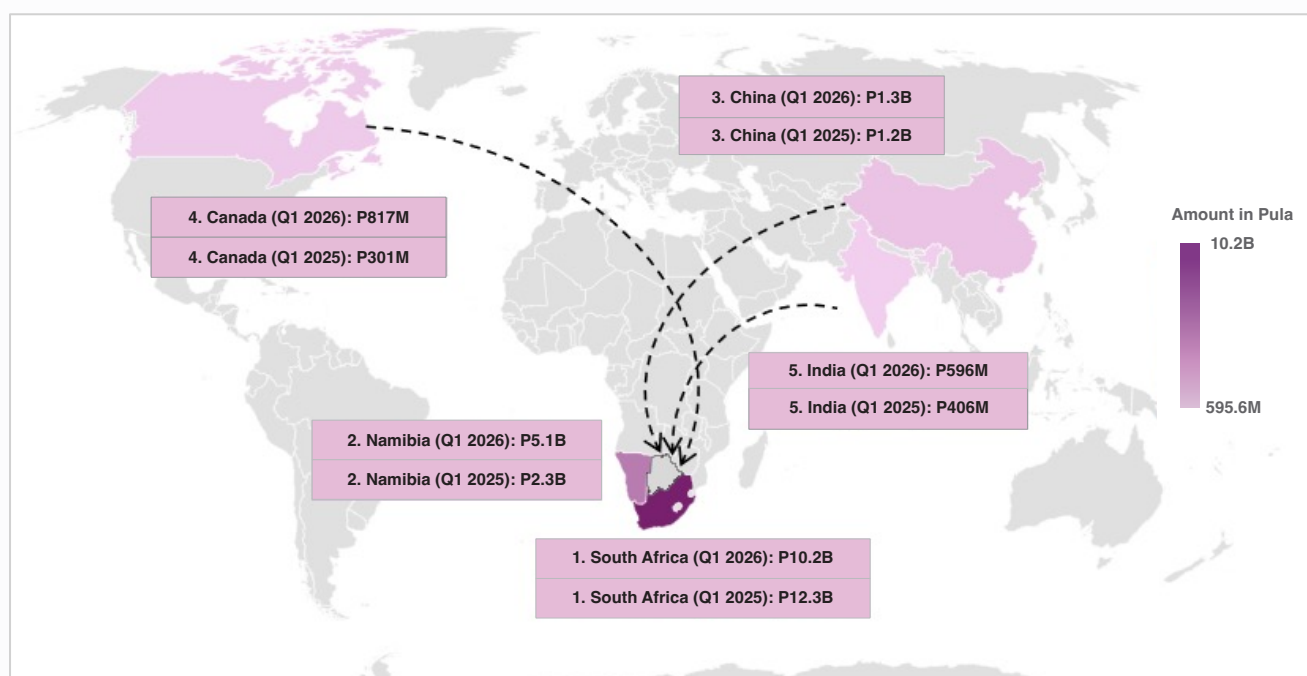
4.2 Import Sources

South Africa remained Botswana's main source of imports during the first quarter of 2026, accounting for 47.5 percent of total merchandise imports, followed by Namibia (24 percent), China (5.8 percent), Canada (3.8 percent), and India (2.8 percent) as shown in Figure 6b. Collectively, these top five import sources accounted for 83.9 percent of Botswana's total merchandise imports, compared to 82.6 percent in the corresponding period in 2025.

Imports from South Africa were mainly food, beverages and tobacco, reflecting the country's importance as a major supplier of consumer goods to Botswana. Diamonds constituted the main imports from Namibia, Canada and India, largely reflecting Botswana's role as a centre for diamond aggregation. Machinery and electrical equipment accounted for a larger share of imports from China, consistent with China's role as a major supplier of capital and manufactured goods. Other major commodities imported across these markets included fuel, chemicals and rubber products, as well as vehicles and transport equipment.

Notable changes from Q1 2025 to Q1 2026 include a significant increase in imports from Canada, from P301 million to P817 million (171.3 percent); Namibia, from P2.3 billion to P5.2 billion (121.3 percent); and India, from P406 million to P596 million (46.6 percent), all attributable to an increase in diamonds from each of these respective countries. Imports from China increased marginally from P1.2 billion to P1.3 billion (1.7 percent) mainly due to an increase in imports of vehicles and transport equipment. On the contrary, imports from South Africa declined by 17.5 percent, from P12.3 billion to P10.2 billion, consistent with the effects of the Pula's depreciation against the Rand, given South Africa's trade relationship with Botswana.

Figure 6 (b): Trade by Region in Pula - Imports

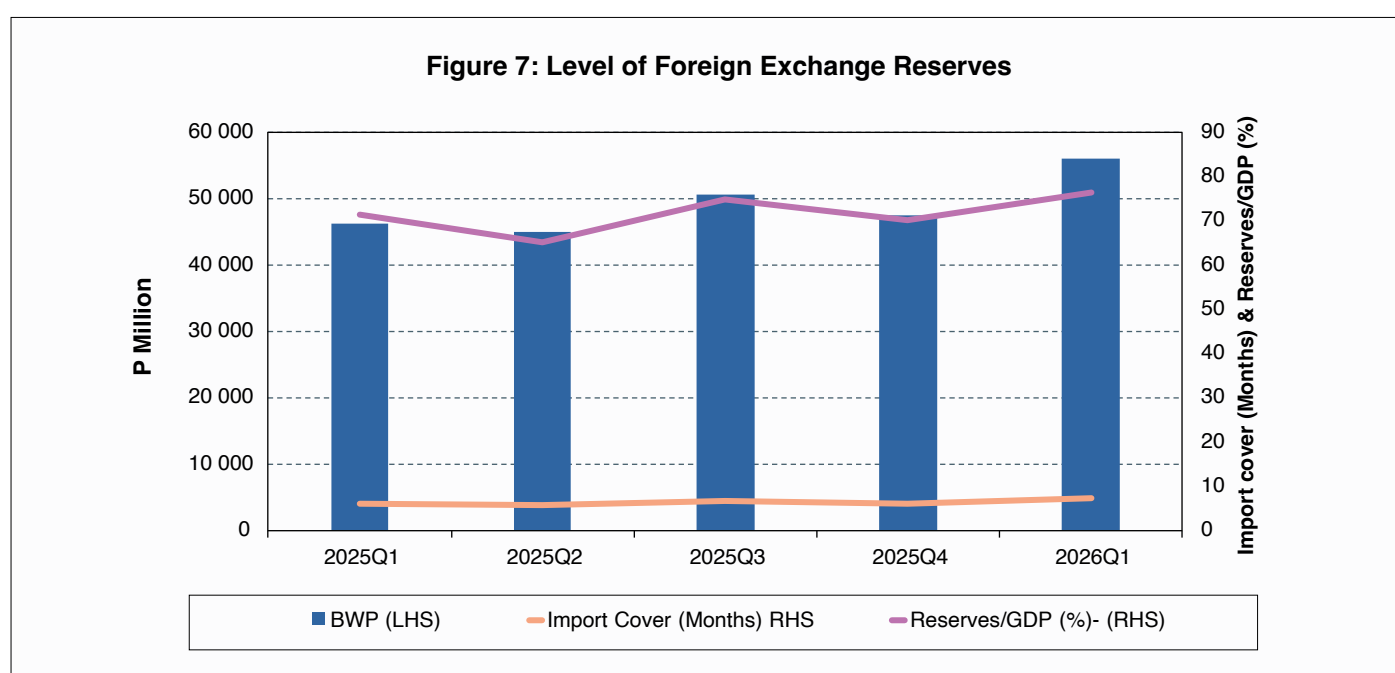


Source: Bank of Botswana

5. FOREIGN EXCHANGE RESERVES

Botswana's foreign exchange reserves strengthened significantly, increasing by 20.7 percent, from P46.3 billion in the first quarter of 2025 to P55.9 billion in the corresponding quarter of 2026 (Figure 7). The increase was supported by inflows from SACU revenues, dividends and royalties from diamond sales, as well as gains from price and exchange rate movements. The improvement was also reflected in the import cover of goods and services, which increased from 6.1 months in the first quarter of 2025 to 7.3 months in the first quarter of 2026.

The import cover remained well above the Southern African Development Community (SADC)'s macroeconomic convergence threshold of three months throughout the period, indicating adequate reserve coverage. Similarly, the ratio of foreign exchange reserves to GDP increased from 71.5 percent to 76.5 percent over the same period, reinforcing the improvement in Botswana's external buffer position at the end of the first quarter in 2026.



Source: Bank of Botswana

NOTE

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