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Research Update:

Botswana Rating Lowered To 'BBB' On Falls In Diamond Revenue And Deteriorating Fiscal Position; Outlook Negative

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Overview

- Global demand and prices for natural diamonds will likely remain weak and weigh on Botswana's minerals-dependent economy, fiscal revenue, and exports; with the economy likely contracting in 2025 for a second year in a row, before recovering mildly.
- In the absence of a significant policy adjustment, we project Botswana to operate current account and fiscal deficits in 2025-2028, further eroding its previously strong foreign exchange and fiscal buffers.
- We therefore lowered our long-term sovereign credit ratings on Botswana to 'BBB' from 'BBB+' and affirmed the 'A-2' short-term sovereign credit ratings.
- The outlook is negative.

Rating Action

On Sept. 12, 2025, 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 affirmed our 'A-2' short-term foreign and local currency sovereign credit ratings.

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 affirmed the 'A-2' short-term issuer credit rating. The outlook on the BOB is negative.

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

Outlook

The negative outlook reflects our view that weak global demand for diamonds and depressed prices will likely keep Botswana's exports and fiscal revenue subdued, complicating the government's fiscal consolidation agenda. The negative outlook also reflects that Botswana's external and public balance sheets could erode further.

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 and GDP growth do not recover from their current lows 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 weak global diamond demand and prices will keep Botswana's external and fiscal flow positions weak. Absent a significant policy adjustment, the country's net government debt (net of liquid assets) will continue trending up, albeit from a low level, and its foreign currency reserves will remain under pressure. 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; but since late 2023, the diamond sector has been under pressure with global prices and volume demand having fallen sharply.

Botswana's real GDP contracted by 0.3% year on year in the first quarter of 2025, marking the fifth consecutive quarterly contraction, compared with economic activity during the same quarter one year previously. The downturn has been driven by a 7.5% year-on-year decline in the diamond sector, amid weak demand for diamonds from China and the U.S. and increasing competition globally from lab-grown diamonds, while the non-mining sector expanded only by 1.4% year on year. Following GDP contractions in both 2024 and 2025, we project only a modest economic recovery next year of 1.9% and growth averaging 2.5% in 2026-2028.

Given the GDP contraction and consequent sharp fall in revenue from diamond taxes and royalties--alongside sizable spending in the run-up to Botswana's October 2024 general elections--we estimate that fiscal 2024 (year ended March 31, 2025) closed in a deficit equal to 8.9% of GDP. Even with consolidation efforts to reduce spending, our projections indicate a still-sizable overall deficit of about 7.6% of GDP for fiscal 2025. We project that revenue and expenditure pressures will then begin to ease slightly, with the fiscal balance projected to fall to 5.3% in 2026 and then average 4.8% of GDP over fiscal 2027 and fiscal 2028. However, should the weakness in global diamond demand persist, or government cost-containment measures prove insufficient, Botswana's deficit outcomes may prove higher than our base-case forecasts.

Botswana's balance sheet has also deteriorated on a stock basis, moving from a small net asset position of 6.3% of GDP in 2023, to a net debt position of 13.2% of GDP in 2024. We forecast net general government debt (net of liquid assets) to rise to 33.4% of GDP by 2028, while gross general government (excluding liquid assets) will stand at 46.8% of GDP. This would also imply that the government would have to lift its statutory ceiling of government debt remaining below 40% of GDP.

The country's foreign currency reserves have also come under increasing pressure, with the country's official foreign currency reserves having amounted to Botswana Pula (BWP) 45 billion (approximately US$3.2 billion) as of June 30, 2025, a decrease of 27.4% from BWP62 billion (US$4.5 billion) a year earlier. With rising debt and eroding external buffers, the new government's fiscal consolidation and efforts at preserving foreign exchange reserves will likely be challenging in the face of weak global diamond demand.

Nevertheless, our ratings on Botswana are supported by the country's strong institutional framework, which has underpinned the prudent management of the country's natural resource wealth over the years; its still-comparatively strong (but eroding) external balance sheet; and comparatively low, albeit rising, government debt burden. 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 is facing headwinds from weaker global diamond demand

- Overreliance on the diamond sector has continued to expose the economy to global diamond-price and volume demand shocks.
- We estimate Botswana's economy contracted in 2024, and that it will contract further in 2025, before recovering mildly in 2026-2028.
- 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.

The global diamond market is undergoing significant structural shifts that 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, 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, as well as a broader weakness in global luxury goods spending, are all further depressing diamond sales.

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. Some of these factors weighing on diamond prices may prove temporary and cyclical--for example, 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. But this is not certain, and low diamond prices have persisted.

Given the structural changes in the diamond market demand, Botswana's economy continues to struggle, as shown by the 0.3% year-on-year contraction in the quarter ended March 31, 2025, following the 3% contraction in 2024. Diamond demand remained weak through 2024, leading Debswana, Botswana's main diamond mining company, to cut production at some mines and temporarily close 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, compared to that in 2023. While sales experienced a rebound in the second quarter of 2025 after a substantial decline in the first (partly due to the desire to stock before U.S. tariffs took effect), overall sales for the first half of 2025 were down 13.2% compared with the previous year. Debswana further plans to scale back production this year to 15 million carats--an approximately 40% decrease from its output in 2023--and is expected to maintain this general level of reduced production for the next few years, if global demand remains sluggish.

In February 2025, Botswana's government finally signed an agreement with the global mining firm De Beers, on extending its mining and marketing rights in Botswana. The deal will permit DeBeers, via Debswana (its 50/50 joint venture subsidiary with the government of Botswana), to continue mining in Botswana until 2054, well beyond its existing license that was due to end in 2029. The deal should improve terms for Botswana's government, which, over time, will increase its share of the diamonds produced by Debswana. As per the agreement, the share of diamonds to be sold via the government-owned entity, Okavango Diamond Company, will increase to 50% from 25%. Prioritized by the new president, Duma Gideon Boko, after previous delays, the agreement ensures continued production for decades. Additionally, Debswana is investing in expanding its largest mines, Jwaneng and Orapa, to solidify Botswana's position as a leading global diamond producer for the next few decades, notwithstanding the current downturn.

Alongside its 50% stake in Debswana, the Botswana government also owns a 15% stake in De Beers. Global mining giant Anglo American owns the remaining 85% stake, but is planning to sell De Beers as it has chosen to focus on new economy industrial metals like copper and iron-ore and dispose of its diamonds activities. Earlier in the year, Anglo American fended off a hostile takeover from another global mining giant, BHP, and is therefore continuing its restructuring plan, which involves selling DeBeers. The Botswana government has expressed interest in increasing its stake in De Beers, and recently hired financial advisor Lazard Ltd. and Swiss firm Compagnie Bancaire Helvétique (CBH) to advise on a possible acquisition as well as other options with regard to DeBeers. Qatari investment group, Al Mansour Holdings, has shown interest in investing in Botswana as well as in Botswana's diamond sector, and recently announced a medium-term investment pledge.

Botswana's October 2024 general election marked a pivotal shift in its political landscape and a maturing of its democracy. The opposition center-left Umbrella for Democratic Change (UDC) coalition defeated the center-right Botswana Democratic Party (BDP), which has ruled the country since independence in 1966. The UDC coalition won 36 of the 61 contested seats in the National Assembly, while the BDP's representation fell sharply; it retained only four of its former 38 seats. As a result, BDP did not retain enough seats to even be the official opposition party, a position taken by the Botswana Congress Party. The UDC tapped into widespread discontent regarding high youth unemployment, the lack of economic diversification outside the diamond sector, as well as the BDP's internal conflicts. The smooth political transition underscores Botswana's strong, long-standing institutions, characterized by effective checks and balances, a robust legal system, and a history of free and fair elections.

Botswana's 12th National Development Plan (NDP), which aims to enhance economic growth and diversify the economy, is set to be launched in November 2025. Following the elapsing of NDP 11, a transitional plan was adopted for the period April 2023 to March 2025, and extended to July 2025, mainly to allow the new government time for more stakeholder consultation and preparation for NDP 12. The government is focusing on fiscal consolidation, aiming to restore fiscal sustainability and implement structural economic reforms. Although the fiscal 2025 budget allocates funds to key areas, such as infrastructure development, education, health care, and social welfare programs, it limits the nominal rise in expenditure to only 4%, with overall fiscal consolidation over 2024 (as a percentage of GDP) planned.

Further to the NDP, the government has also launched the Botswana Economic Transformation Program (BETP). This strategic initiative is aimed at accelerating economic transformation and includes public-sector reform, economic diversification, and improvement of service delivery across priority sectors.

Flexibility and performance profile: Botswana's twin deficits will remain wide, notwithstanding attempts at fiscal consolidation

- Botswana operated a significant fiscal deficit in fiscal 2024, mainly due to lower diamond revenue and high pre-election spending.
- Absent a positive terms of trade shock or a stronger policy effort, wide twin current account and fiscal deficits will continue to erode the country's net external asset position and increase general government debt, from a low base.
- We project Botswana's net general government debt (net of liquid assets) will reach 34% of GDP by 2028 versus a modest net asset position of 6.3% of GDP in 2023.

Given the GDP contraction and sharp fall in revenue from diamond taxes and royalties--alongside sizable spending in the run-up to Botswana's October 2024 general elections--we estimate that fiscal 2024 ended with a deficit equal to 8.9% of GDP. Even with consolidation efforts, we project a still-sizable fiscal deficit of about 7.6% of GDP for fiscal 2025. Revenue pressures are forecast to improve somewhat from fiscal 2026 and thereafter, with the fiscal balance projected to record an average deficit of 4.8% of GDP over fiscals 2026 to 2028.

Botswana is a long-standing member of the Southern Africa Custom Union (SACU), a customs union encompassing South Africa, Botswana, Namibia, Eswatini, and Lesotho. While the current downturn in diamond-related revenue hit diamond revenue, SACU's contribution to fiscal revenue has remained quite strong, but this has not been enough to alleviate pressures on fiscal accounts. Mineral taxes and royalties combined, have historically accounted for about one-third of total government revenue. Revenue fell from a budgeted BWP27 billion to a realized BWP8 billion in fiscal 2024. SACU revenue surpassed mineral revenue in fiscal 2024, with SACU revenue projected to represent about 30% of total revenue in the fiscal 2025 budget.

Botswana's general government debt remains low relative to peers' but is rapidly increasing following sizable fiscal deficits. The government partially financed the fiscal deficit through drawings from the Government Investment Account (GIA), its savings account, which has fallen sharply, alongside sizeable domestic issuances and external debt. GIA drawings brought the GIA assets down sharply to BWP500 million (0.2% of GDP) from BWP5.4 billion (2% of GDP) at the end of fiscal 2024. The loans from the BOB and the public pension fund were used to replenish the GIA, with the BOB loan having been repaid in the interim. In fiscal 2025, the government will largely continue to finance its deficit via domestic issuance and limited GIA drawings, as well as external sources. It has arranged loans from the OPEC fund, Japan Bank for International Cooperation, and the African Development Bank.

The high volume of government debt issuances in the domestic market will continue to increase the government's interest burden, but the overall effective interest rate, while rising, will remain broadly contained. As a share of fiscal revenue, the government's interest bill will average 7% in 2025-2028, up from a historical average of only 2%. This contained increase is partly due to the share of external concessional debt in the debt mix, but also because of demand for domestic issuances from Botswana pension funds that have increased the domestic component of their funds, as they repatriate funds. In reforms enacted in 2023, the government mandated that 50% of Botswana pension fund assets should be invested domestically. Pension funds have been increasingly repatriating funds back to Botswana, and will have to repatriate a minimum of 50% of assets by 2027. This helps provide liquidity for the government’s domestic issuances.

Botswana is estimated to have posted a current account deficit equal to 4.7% of GDP in 2024. We forecast the current account deficit will widen to average 6.65% of GDP over 2025-2028, with diamond exports remaining under pressure, while import demand remains robust. Current account deficits and other external pressures have eroded Botswana's historically strong net creditor position; from 76% of current account receipts of gross external assets in 2021, Botswana will shift into a net external liabilities of 8% of GDP by 2028. Given balance-of-payment pressures, Botswana's foreign currency reserves, including the Pula Fund, declined to $3.2 billion as of June 2025 from $4.5 billion at the end of June 2024. We expect reserve levels to continue to weaken slightly falling to $3 billion by the end of 2025 and remain broadly at that level over the next few years as the BOB prioritizes trying to preserve reserve levels.

In December 2024, the BOB 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 has also continued its accommodative monetary policy in 2025, given the economic contraction and other factors, while inflationary pressures remain somewhat contained. However, the transmission of monetary policy actions into the wider economy remains limited, barring further development of credit channels and the banking sector. A shortage of liquidity in the system has led banks to increase their prime lending rates. In addition, the sector has seen an increase in arrears on outstanding loans, with arrears increasing from 4.3% of loans outstanding in December 2024 to 5.1% in March 2025.

The current crawling peg exchange policy framework, with a 50% weighting to the South African rand and 50% to the IMF's special drawing rights, remains unchanged but the rate of crawl has been increased given pressures on the exchange rate. It was increased in July 2025 to 2.76% per year from 1.51% per year, and trading bands were widened from ± 0.5% to ± 7.5% for the remainder of 2025, leading to a depreciation of the exchange rate. A lack of supply of foreign currency into the market is putting downward pressure on the pula and we expect the central bank to increase the downward rate of crawl further and to widen trading bands even further to contain foreign exchange erosion. The value of foreign currency accounts held at banks has increased.

Botswana--Selected Indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
Nominal GDP (bil. BWP)	179.9	171.4	207.9	251.4	263.9	263.2	269.7	289.7	307.6	328.2
Nominal GDP (bil. $)	16.7	15.0	18.8	19.5	19.4	19.4	19.8	19.2	19.5	19.9
GDP per capita (000s $)	7.3	6.4	7.8	8.0	7.8	7.7	7.7	7.3	7.3	7.3
Real GDP growth	3.0	(8.7)	11.9	5.5	3.2	(3.0)	(0.4)	1.9	2.5	3.0
Real GDP per capita growth	0.8	(10.6)	9.9	3.6	1.4	(4.7)	(2.2)	0.1	0.7	1.2
Real investment growth	10.2	(9.2)	0.3	(0.2)	4.2	5.0	1.0	1.5	2.5	3.0

Botswana--Selected Indicators

Investment/GDP	33.0	30.4	30.1	30.1	32.1	38.1	39.3	38.8	38.4	37.9
Savings/GDP	26.1	20.5	28.3	29.4	33.6	33.3	33.0	31.9	31.6	31.8
Exports/GDP	37.1	31.3	41.9	43.5	32.3	27.5	26.5	24.8	23.8	23.0
Real exports growth	(8.8)	(18.6)	31.7	(5.4)	(12.4)	(4.4)	(0.3)	0.5	1.0	2.0
Unemployment rate	22.2	24.5	26.0	25.4	23.4	24.8	24.5	24.0	24.0	24.0
External indicators (%)										
Current account balance/GDP	(6.9)	(9.9)	(1.8)	(0.7)	1.4	(4.7)	(6.3)	(7.0)	(6.8)	(6.1)
Current account balance/CARs	(14.4)	(23.2)	(3.6)	(1.3)	3.3	(11.6)	(15.9)	(18.4)	(18.7)	(17.3)
CARs/GDP	47.7	42.9	51.0	51.5	44.0	41.0	39.7	37.9	36.7	35.6
Trade balance/GDP	(6.4)	(13.2)	(3.5)	2.7	(2.4)	(12.5)	(13.0)	(13.0)	(12.5)	(11.8)
Net FDI/GDP	0.7	0.7	(1.5)	3.4	3.8	2.4	2.0	1.8	2.0	2.0
Net portfolio equity inflow/GDP	(3.3)	(5.3)	(4.2)	3.1	(3.7)	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)
Gross external financing needs/CARs plus usable reserves	68.0	70.9	72.3	73.1	69.6	76.9	88.4	92.8	93.9	93.0
Narrow net external debt/CARs	(51.5)	(65.6)	(40.5)	(37.2)	(39.2)	(19.2)	(7.0)	(2.3)	1.8	6.0
Narrow net external debt/CAPs	(45.0)	(53.2)	(39.0)	(36.7)	(40.6)	(17.2)	(6.0)	(1.9)	1.5	5.1
Net external liabilities/CARs	(65.1)	(96.6)	(76.2)	(57.5)	(61.6)	(39.2)	(25.9)	(14.8)	(3.8)	8.1
Net external liabilities/CAPs	(56.9)	(78.4)	(73.5)	(56.8)	(63.7)	(35.2)	(22.3)	(12.5)	(3.2)	6.9
Short-term external debt by remaining maturity/CARs	10.2	15.7	6.1	6.5	7.7	11.3	11.2	13.3	14.0	14.6
Usable reserves/CAPs (months)	8.7	9.3	6.0	5.6	6.2	6.4	4.6	4.2	4.2	4.3
Usable reserves (Mil. $)	6,141.3	4,945.9	4,770.4	4,267.7	4,745.6	3,450.2	3,053.8	2,957.7	2,957.7	2,957.7
Fiscal indicators (general government %)										
Balance/GDP	(6.2)	(9.6)	(0.1)	0.0	(4.2)	(8.9)	(7.6)	(5.3)	(4.6)	(4.5)
Change in net debt/GDP	9.0	19.4	1.9	(0.6)	2.3	19.6	7.6	6.9	5.4	5.4
Primary balance/GDP	(5.5)	(8.9)	0.5	0.7	(3.3)	(8.0)	(6.1)	(3.6)	(2.7)	(2.7)
Revenue/GDP	30.2	28.8	33.0	29.5	28.1	26.6	25.0	24.5	24.5	25.0
Expenditures/GDP	36.4	38.4	33.0	29.5	32.4	35.5	32.6	29.8	29.1	29.5
Interest/revenues	2.2	2.4	1.7	2.5	3.2	3.6	6.2	6.9	7.6	7.3
Debt/GDP	16.3	19.7	19.7	17.3	19.8	31.5	36.9	41.2	44.2	46.8
Debt/revenues	53.8	68.3	59.7	58.8	70.2	118.7	147.5	168.3	180.4	187.2
Net debt/GDP	(32.5)	(14.6)	(10.1)	(9.0)	(6.3)	13.2	20.6	26.0	29.9	33.4
Liquid assets/GDP	48.7	34.3	29.8	26.4	26.1	18.3	16.3	15.2	14.3	13.4
Monetary indicators (%)										
CPI growth	2.8	1.9	6.7	12.2	5.2	2.8	2.9	5.4	3.6	3.6

Botswana--Selected Indicators

GDP deflator growth	0.5	4.4	8.4	14.6	1.7	2.8	2.9	5.4	3.6	3.6
Exchange rate, year-end (BWP/$)	10.6	10.8	11.7	12.8	13.4	14.0	14.0	15.5	16.2	17.0
Banks' claims on resident non-gov't sector growth	7.6	4.5	5.1	6.0	12.0	6.5	8.2	8.2	8.2	8.2
Banks' claims on resident non-gov't sector/GDP	34.9	38.3	33.2	29.1	31.0	33.1	35.0	35.2	35.9	36.4
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	14.7	17.0	18.5	21.4	18.1	21.8	20	20	20.00	20
Real effective exchange rate growth	1.3	1.2	(2.4)	3.6	N/A	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 recently held free and fair elections.
Economic assessment	5	Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1. Middle-income country, despite the narrow economic base, with significant exposure to the diamond industry, which comprises more than 20% of GDP
External assessment	1	Based on narrow net external debt and gross external financing needs/(CAP+ usable reserves) as per Selected Indicators in Table 1. 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 in Table 1. 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	2	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenues) as per Selected Indicators in Table 1. While general government debt stock is low, 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

Botswana--Rating Component Scores

Key rating factors	Score	Explanation
		increased rate of crawl, a widening of the trading bands, and significant foreign-exchange-reserve erosion.
Indicative rating	bbb-	
Notches of supplemental adjustments and flexibility	+1	Some of the factors exacerbating the dislocation in the diamond industry may be cyclical and could recover under more supportive demand dynamics.
Final rating		
Foreign currency	BBB	
Notches of uplift	0	Default risks apply indifferently 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 Score Snapshot, Sept. 5, 2025
- Sovereign Ratings List, Sept. 4, 2025
- Sovereign Ratings History, Sept. 4, 2025
- Sovereign Risk Indicators, July 7, 2025. Interactive version available at http://www.spratings.com/sri
- Default, Transition, and Recovery: 2023 Annual Global Sovereign Default And Rating Transition Study, March 24, 2025
- Global Sovereign Rating Trends 2025: Geopolitical Risk Is The Biggest Threat To Credit Quality, Dec. 18, 2024

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		
Transfer & Convertibility Assessment		
Local Currency	BBB+	A
Botswana		
Bank of Botswana		
Sovereign Credit Rating	BBB/Negative/A-2	BBB+/Negative/A-2
Foreign Currency	BBB/Negative/A-2	BBB+/Negative/A-2
Ratings Affirmed		
Bank of Botswana		
Short-Term Debt	A-2	