



## **FINANCIAL STABILITY COUNCIL**

**08 May 2026**

### **PRESS RELEASE**

#### **FINANCIAL STABILITY COUNCIL MEETS**

**At its meeting of 7 May 2026, the Financial Stability Council (FSC) concluded that Botswana’s financial system remains broadly resilient, supported by strong capital buffers, sound financial market infrastructure, and robust regulatory and supervisory frameworks. However, the FSC noted that systemic risks have risen and remain tilted to the upside, requiring heightened vigilance and proactive, coordinated policy action. Key risks include rising sovereign risk and deepening macro-financial linkages amid subdued domestic growth and an uncertain global outlook, alongside persistent liquidity pressures, structural funding weaknesses, climate-related risks, and sectoral vulnerabilities.**

Since the last FSC meeting on 6 November 2025, global financial stability risks have increased amid tighter financial conditions, rising sovereign debt burdens and intensifying geopolitical fragmentation. The conflict in the Middle East has amplified uncertainty through higher energy prices, trade disruptions and volatile capital flows, while the growing systemic footprint of non-bank financial institutions (NBFIs) continues to heighten liquidity, leverage and valuation risks. These vulnerabilities weigh on the macro-financial environment and underscore the need for stronger cross-sector oversight and global coordination of financial policy reforms.

Domestically, the FSC observed that banks and NBFIs remain safe and sound, underpinned by strong capital buffers, adequate but tight liquidity levels and sustained profitability. These favourable financial soundness indicators, including low and stable non-performing loans ratio and a negative Credit-to-Gross Domestic Product gap, pointing to limited risks from credit expansion. Nonetheless, the FSC assessed sovereign vulnerabilities as the most significant risk to financial stability, reflecting weaker external inflows, subdued diamond market conditions, declining foreign exchange reserves and rising public debt. These challenges have contributed to tight and unevenly distributed banking system liquidity, higher funding costs and upward pressure on lending rates. Without credible fiscal consolidation and stronger debt management, sovereign borrowing to fund the budget deficit could crowd out private sector credit and undermine liquidity, with prolonged tightness weakening credit intermediation and increasing reliance on central bank facilities.

Moreover, the FSC flagged slowing credit growth and elevated sectoral concentrations, alongside high unsecured household borrowing and delayed government payments to firms, as key areas for close monitoring. While non-performing loans remain contained, prolonged tight credit conditions could weaken asset quality and profitability, dampen the recovery and, over time, erode financial sector resilience.

Against this background, the FSC noted ongoing measures by its member institutions to ease liquidity pressures, support orderly market functioning and preserve external stability. The FSC emphasised the need to maintain strong capital and liquidity buffers; enhance liquidity risk management, including liquidity forecasting; strengthen stress-testing frameworks; deepen macroprudential surveillance through intensified cross-sector monitoring of sovereign exposures across banks, pension funds and insurers; and reinforce policy coordination among regulatory authorities.

The FSC also noted continued progress in regulatory and institutional reforms aimed at strengthening financial system resilience, financial integrity and market confidence, including enhancements to prudential supervision, payments oversight and the anti-money laundering and counter financing of terrorism (AML/CFT) framework.

Overall, the FSC concluded that the domestic financial system remains resilient, supported by sound financial institutions, robust market infrastructures and ongoing supervisory enhancements. However, the balance of risks is tilted to the upside, requiring sustained vigilance, timely policy responses, structural reforms, and close inter-agency collaboration to safeguard financial stability. The FSC further recognises the pivotal role of the Botswana Economic Transformation Programme (BETP) under the National Development Plan (NDP)<sup>12</sup>, given its significance for fiscal sustainability and its potential to generate sustainable economic diversification and export revenue earnings. In this regard, the FSC underscores the importance of a well-coordinated implementation and financial integrity across governmental authorities and key stakeholders. Timely and effective execution of the BETP, alongside fiscal consolidation, will be critical to ensure sustainable economic resurgence, which will anchor financial stability. The FSC reaffirmed its commitment to maintaining financial stability and supporting broader macroeconomic resilience.

A detailed assessment of financial stability developments is provided in the May 2026 Financial Stability Report publication. The next regular meeting of the FSC is scheduled for 5 November 2026.

### **Note to Editors**

*The FSC is a statutory apex body responsible for financial stability issues in Botswana, established by the Bank of Botswana (Amendment) Act, 2022. The FSC consists of five members, being the Governor of the Bank of Botswana (Chairperson), Permanent Secretary of the Ministry of Finance; Chief Executive Officer, Non-Bank Financial Institutions Regulatory Authority (NBFIRA); Director General, Financial Intelligence Agency (FIA); and Director, DISB; while the Chief*

*Executive Officer, Botswana Stock Exchange Limited is an observer, thus non-voting member. The FSC convenes twice a year – in April/May and October/November. But when the need arises, including sudden and significant threats of a financial crisis, meetings can be held more frequently to discuss measures that need to be taken to restore financial stability. The FSC has a Technical Working Group that convenes more often between FSC meetings to conduct preparatory work.*

**Financial system:** *refers to commercial banks, NBFIs such as retirement funds, micro lenders, insurance companies, fund managers and related entities, stockbrokers, as well as systems or entities that facilitate payments and settlement.*

**Deposit insurance** *is a safety net measure which guarantees repayment of protected deposits in the event of failure of a member institution that is licenced to operate banking or deposit taking business.*

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