BANK OF BOTSWANA

17 October 2025

PRESS RELEASE

MOODY'S INVESTORS SERVICE DOWNGRADES THE SOVEREIGN CREDIT RATING BUT MAINTAINS ECONOMIC OUTLOOK ON BOTSWANA

On 17 October 2025, Moody's Investors Service (Moody's) released an update on Botswana's sovereign credit rating. The Rating Agency downgraded the country's long-term local and foreign currency issuer ratings by one notch, from **'A3'** to **'Baa1',** while maintaining the outlook at negative. Despite the downgrade, Botswana's rating remains within the investment-grade category, reflecting continued confidence in the country's institutional strength and macroeconomic management framework.

According to Moody's, the rating action is influenced by structural challenges in the diamond industry which have moderated economic activity, placed pressure on external buffers and contributed to a gradual increase in Government debt. The Rating Agency noted that since the outlook revision from stable to negative in April 2025, conditions in the global diamond market have remained subdued. However, Moody's highlighted that that Botswana's robust institutional framework and disciplined policy environment remain important anchors for economic stability during the transition toward a more diversified economic structure.

Moody's also outlined key factors shaping Botswana's credit profile going forward. On the external front, prospects for export earnings and Southern African Customs Union receipts will continue to influence fiscal and external sector dynamics. Domestically, the pace of economic diversification remains a central determinant of long-term growth prospects and foreign exchange generation, particularly as the economy gradually reduces its reliance on diamonds.

Against this background, Moody's highlighted the need for progress in fiscal consolidation, maintenance of strong policy coordination, as well as over the medium term, tangible progress in economic transformation, involving export and revenue diversification, could reinforce the sovereign credit profile. It is notable that this is consistent with responses by government relating to enhancing the management of government finances, preserving the official foreign exchange reserves, as well as the Botswana Economic Transformation Programme and strategies in the National Development Plan 12.