



Rating Action: Moody's Ratings downgrades Botswana's ratings to Baa2 from Baa1, changes outlook to stable

25 Sep 2026

New York, September 25, 2026 -- Moody's Ratings (Moody's) has today downgraded the Government of Botswana's domestic- and foreign-currency long-term issuer ratings to Baa2 from Baa1. The outlook was changed to stable from negative.

The downgrade to Baa2 reflects the expected deterioration in Botswana's public finances. The government continues to run large, even though gradually narrowing, fiscal deficits, driving a steady increase in debt as financial assets have been depleted since 2024. Recently adopted revenue and expenditure measures, while significant, will slow but not reverse this trend. Assuming effective implementation, we still expect government debt to rise to 41% of GDP in the fiscal year ending 31 March 2028 (fiscal 2027) from 31% in fiscal 2025 and to continue increasing thereafter absent more effective fiscal consolidation. That being said, a still-moderate debt burden relative to peers, affordable domestic financing conditions, a strong external position and robust institutions support the Baa2 rating.

The stable outlook reflects balanced risks at the Baa2 rating level. The potential for a stronger fiscal policy response and a more sustained recovery in diamond or other mining production could slow the pace debt accumulation. A developed domestic investor base and external buffers provide capacity to absorb some fiscal underperformance without triggering a spiraling of debt. On the other hand, weaker-than-expected revenue from the new tax measures, underperformance of diamond or Southern African Customs Union (SACU) receipts, or a renewed tightening of domestic financing conditions could accelerate the rise in debt.

Botswana's local currency (LC) and foreign currency (FC) country ceilings have been lowered to A2 and A3, from A1 and A2, respectively. The three-notch gap between the LC ceiling and the sovereign rating balances predictable institutions and government action, low political risk and limited external imbalances against the government's significant footprint in the economy and its reliance on a single revenue source. The FC ceiling is positioned one notch the LC ceiling reflecting moderate policy effectiveness and low external indebtedness.

RATINGS RATIONALE

RATIONALE FOR THE DOWNGRADE OF THE RATINGS TO Baa2

The downgrade to Baa2 reflects a weakening of Botswana's fiscal resilience. With financial buffers largely exhausted and large fiscal deficits expected to persist, the decline in diamond-related revenue is likely to contribute to a continued increase in debt despite the ongoing policy response. Reliance on SACU transfers further exposes fiscal outcomes to external developments that are largely outside the government's control. As a result, Botswana has less capacity to absorb shocks than similarly rated sovereigns, increasing the risk of further erosion in fiscal strength absent more effective fiscal adjustment.

Recently adopted revenue and expenditure measures will slow the fiscal deterioration. The government has raised corporate and personal income tax rates and broadened the value-added tax (VAT) base by extending VAT to remote services and narrowing zero-rating. Stronger tax administration, including electronic invoicing and compliance management, could raise collections further over time. On the expenditure side, centralized procurement and reductions to discretionary spending have constrained outlays.

However, even assuming effective implementation, fiscal deficits will remain large, narrowing only gradually to 5.8% of GDP in fiscal 2027 from 6.3%-6.4% in fiscal 2025-26. As a result, we forecast government debt will rise to 41% of GDP in fiscal 2027 and to around 50% by the end of the decade. Debt relative to revenue will deteriorate faster than debt to GDP, because structurally lower mining receipts and limited expansion in the non-mining tax base constrain revenue growth. Interest payments will increase to 5.9% of revenue by fiscal 2027 from 5.1% in fiscal 2025 and continue to increase thereafter. Nevertheless, Botswana's debt and interest burdens will remain below the Baa-rated medians of 55% of GDP and 9% of revenue respectively. This provides some fiscal space, although that space is modest relative to the potential size of revenue shocks from the diamond sector and volatile SACU transfers.

A strong external position with a net international investment position of 21% of GDP and robust institutions support the Baa2 rating. The peaceful transfer of power following the 2024 election, the first change in governing party since independence, demonstrates the durability of Botswana's political institutions. The Bank of Botswana's response to liquidity and foreign-exchange pressures indicates continued policy capacity.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects our assessment that risks to Botswana's credit profile are balanced at the Baa2 rating level.

The principal downside risks are that diamond or SACU revenue underperforms, and enacted revenue and expenditure measures deliver smaller or less durable gains than we assume. Wider deficits would accelerate debt accumulation, and larger funding needs would strain the domestic debt market. Higher borrowing costs, weaker investor demand at government debt auctions or reduced access to development-bank financing would compound the effect on debt affordability and government liquidity. These risks are mitigated by the developed domestic investor base and access to external concessional financing, and by foreign-exchange reserves of around six months of imports, which reduce the risk that fiscal slippage would quickly develop into liquidity or external payment stress.

Conversely, fiscal outcomes could surprise positively if the government responds more forcefully to revenue pressure, building on the measures adopted this year, if the revenue measures and tighter expenditure controls deliver larger and more durable gains, or if diamond prices and sales recover more strongly than we assume. Progress in diversifying the economy away from the diamond sector would also support stronger growth and government revenue.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

Botswana's ESG Credit Impact Score of CIS-3 indicates that ESG considerations are having a limited impact on the current rating, with potential for greater negative impact over time. The country is moderately exposed to environmental risks and highly exposed to social risks. This exposure is mitigated by high resilience, reflecting a relatively strong governance profile, moderate wealth levels, and fiscal metrics that provide space to respond to environmental and social risks.

Botswana is highly exposed to social risks, as reflected in its S-4 issuer profile score. Progress in reducing high unemployment, in particular among the youth, and high-income inequality lags compared to Botswana's relatively strong economic performance and sound institutions, in part reflecting dependence on the mining sector, limited private sector job creation, and labor market distortions. Outcomes in terms of health, and to a lesser extent education, are not commensurate with the level of income and social spending.

GDP per capita (PPP basis, US\$): 20,732 (2025) (also known as Per Capita Income)

Real GDP growth (% change): -0.9% (2025) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 3.9% (2025)

Gen. Gov. Financial Balance/GDP: -6.3% (2025) (also known as Fiscal Balance)

Current Account Balance/GDP: 3.7% (2025) (also known as External Balance)

External debt/GDP: 15.7% (2025)

Economic resiliency: ba1

Default history: No default events (on bonds or loans) have been recorded since 1983.

On 23 September 2026, a rating committee was called to discuss the rating of the Botswana, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have materially decreased. The issuer's institutions and governance strength have materially decreased. The issuer's fiscal or financial strength, including its debt profile, has not materially changed.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on the rating could arise if fiscal outcomes are materially stronger than our forecasts, placing government debt on a stable or even declining path at a lower level than we currently expect. This could result from a stronger fiscal response, including sustained growth in non-mining revenue and durable expenditure restraint, or from a more sustained recovery in mining revenue. A sustained improvement in financing conditions, including lower borrowing costs and longer maturities in the domestic market, would also support the rating over time. Over the medium term, a structural broadening of exports, economic growth and government revenue would reduce Botswana's exposure to the mining sector and support upward rating pressure, as would the reaccumulating of financial assets.

Downward pressure on the rating could arise if fiscal outcomes are materially weaker than our forecasts, placing debt and interest costs on a steeper upward path than we currently expect. This could result from weaker mining or SACU revenue, underperformance of the new fiscal measures or continued rapid expenditure growth. A sustained deterioration in financing conditions, including materially higher borrowing costs or an inability to secure expected external financing, or a marked decline in foreign-exchange reserves would increase liquidity and external risks and place downward pressure on the rating. Downward pressure could also arise if the government were to materially increase its investment in De Beers through debt-financed transactions or other forms of support that result in a sustained increase in government debt or contingent liabilities.

The principal methodology used in these ratings was Sovereigns published in May 2026 and available at <https://ratings.moodys.com/rmc-documents/466021>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

Botswana's 'ba3' economic strength score is set one notch below the initial score of 'ba2' to reflect the concentration of economic activity in the mining sector. This leads to a final scorecard-indicated outcome of Baa1-Baa3, which is below the initial scorecard-indicated outcome of A3-Baa2. The assigned rating is within the final scorecard-indicated outcome.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures

applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional regulatory disclosures for each credit rating.

David Rogovic
SVP - Ratings

Lucie Villa
SVP - Ratings

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION

PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient

quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.ir.moodyys.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Clasificadora de Riesgo S.A., Moody's Local CR Clasificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Clasificadora de Riesgo S.R.L. and Moody's Local GT S.A.(collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.