BANK OF BOTSWANA
BANKA YA BOTSWANA

EXTERNAL SECTOR STATISTICS BULLETIN

JUNE 2026

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DEFINITIONS

Balance of Payments (BoP) Term	Definition
Balance of Payments	*A record of all international financial transactions made between residents of a country and non-residents in a given period, usually a year.* *There are three main categories of BoP: the current account, the capital account, and the financial account.*
Residency	*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.* *Enterprises established in an economic territory are regarded as residents of that economy.*
Current Account	*Shows the flows of goods, services, primary income, and secondary income between residents of a country and non-residents.*
Financial Account	*Records transactions that involve financial assets and liabilities and that take place between residents of a country and non-residents.*
International Investment Position (IIP)	*A record of holdings of foreign assets by residents and holding of domestic assets by non-residents (liabilities).* *The difference between these assets and liabilities is the net IIP (NIIP) and is a measure of the financial conditions or creditworthiness of a country.*
Trade Balance	*The difference between a country's exports and imports of goods and services.*
Foreign Exchange Reserves	*Foreign currency denominated assets held by monetary authorities.*

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. Through its quarterly External Sector Statistics (ESS) Bulletin, the Bank seeks to enhance readers' understanding of developments in the external sector by providing objective statistical information and sufficient context to support the interpretation of reported statistics.

This Bulletin presents annual developments in Botswana's external sector covering the period 2020 to 2025, with analysis spanning the key components of the external accounts, namely the Balance of Payments (BoP), International Investment Position (IIP) and external debt statistics. In presenting these statistics, the Bank aims to facilitate a clearer understanding of trends and patterns in the country's transactions and financial position with the rest of the world.

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

1.2 Executive summary

The current account shifted from a deficit of P17 billion in 2020 to a surplus of P7.9 billion in 2025, largely reflecting an improvement in diamond exports despite a temporary setback in 2024. Meanwhile, the non-mining current account remained persistently in deficit throughout 2020 to 2025 reflecting the country's dependence on the external sector to finance domestic economic activity. The financial account, on the other hand, shifted from net outflows of P7.4 billion in 2020 to inflows during the period 2022 to 2023 before returning to elevated net outflows of P11.2 billion and P10.9 billion in 2024 and 2025, respectively, driven by increased offshore investments and loan repayments by both the Government and the private sector.

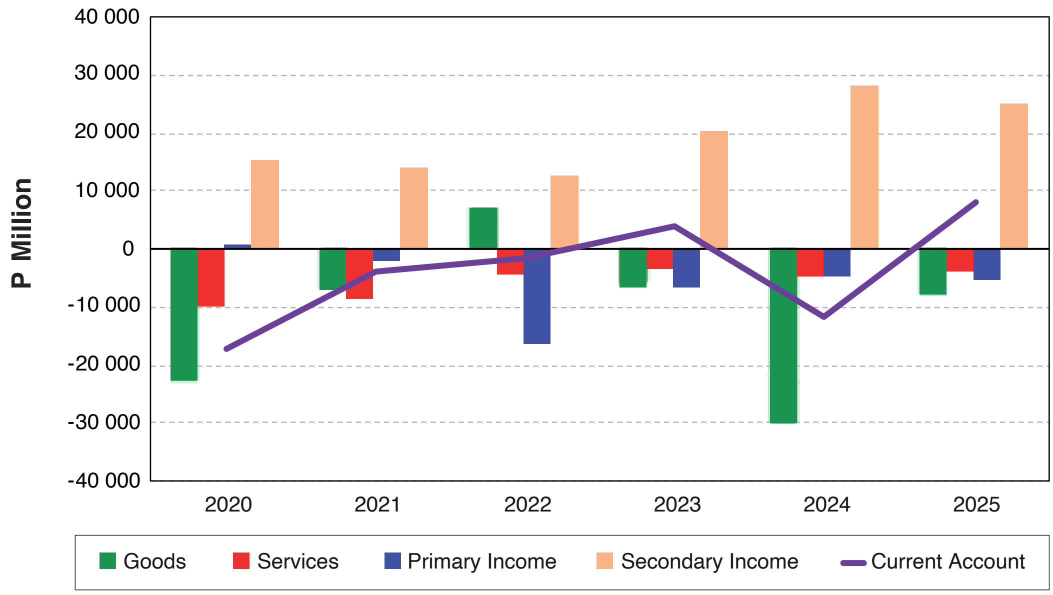
Although Botswana remains a net creditor to the rest of the world, the narrowing of the net international investment position from P64.7 billion in 2020 to P52.7 billion in 2025 implies faster growth of foreign liabilities than foreign assets, and this is largely reflected in the build-up of external debt over the period. Gross external debt increased from P33.3 billion in 2021 to P60.2 billion in 2025, driven by high private sector intercompany loans and increased Government external borrowing amid reduced diamond related revenues.

2. CURRENT ACCOUNT

2.1 Current Account Trends

As depicted in Figure 1 below, the **current account (inclusive of the mining sector)** significantly improved, from a deficit of P17 billion (9.9 percent of GDP) in 2020 to a lesser deficit of P3.8 billion (1.8 percent of GDP) in 2021 mainly due to an improved trade balance, supported by higher diamond exports to the United Arab Emirates and Belgium. The current account continued to improve following the recovery in demand for rough diamonds by major markets, such as the US and China, due to easing of both global travel restrictions and movement of goods across borders, which had been implemented in 2020 to contain the spread of the COVID-19 pandemic. This resulted in a current account surplus of P3.8 billion (1.5 percent of GDP) in 2023. The current account deteriorated in 2024, a period that was characterised by weaker global demand for diamonds, high inventories and falling prices, which adversely affected the country's rough diamond exports, leading to a current account deficit of P11.7 billion (4.5 percent of GDP).

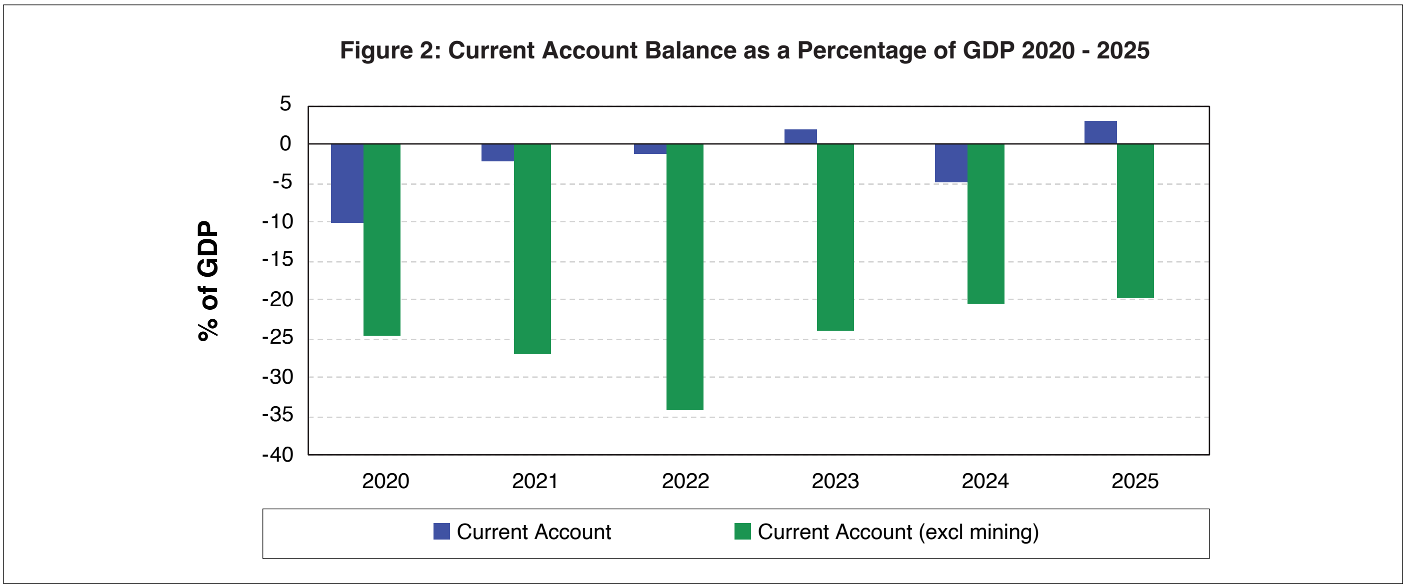
Figure 1: Current Account and Component Balances 2020 - 2025



Source: *Bank of Botswana*

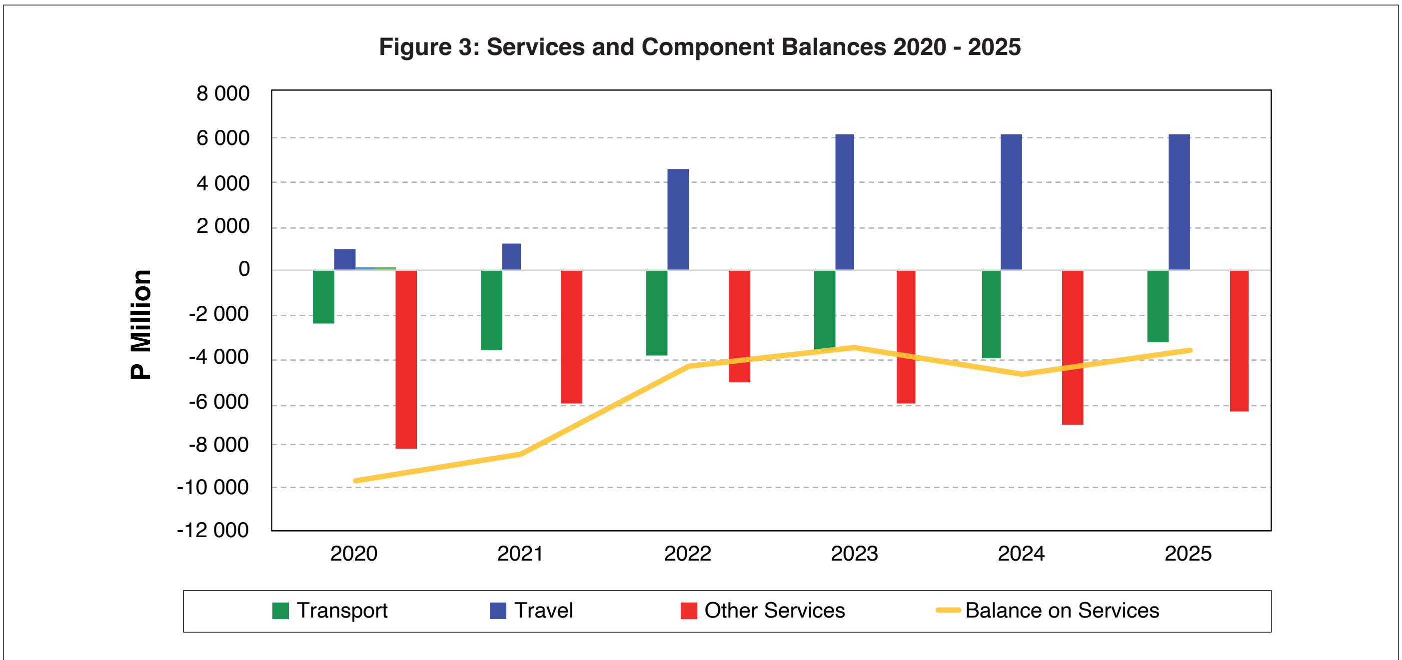
However, in 2025, the current account improved significantly, resulting in a substantial surplus of P7.9 billion (3 percent of GDP). The surplus largely reflected higher export volumes associated with improved consumer demand for larger, higher-quality, and premium natural diamonds, as well as "stock rebalancing initiatives," by the De Beers Group, where lower margins were accepted to sell specific assortments of rough diamonds. During the same period, the goods account recorded a lesser deficit of P8 billion compared to a deficit of P30 billion in 2024.

The non-mining current account remained in deficit throughout the period from 2020 to 2025, with the largest deficit of P68.3 billion (34.1 percent of GDP) recorded in 2022. Although the deficit narrowed in the following years, it remained persistent and elevated. In 2024 and 2025, the non-mining current account deficit stood at P48.2 billion (20.5 percent of GDP) and P48.3 billion (19.7 percent of GDP), respectively. These sustained deficits reflect underlying structural pressures within the non-mining sector, with dependence on imports and continued net outflows in services and primary income. Their persistence suggests that, outside the mining industry, the economy remains reliant on capital inflows such as foreign investment and external borrowing.



Source: *Bank of Botswana*

From 2020 to 2025, the services account remained in deficit (Figure 3), confirming Botswana's position as a net importer of services. These deficits were partly mitigated by stronger performance in travel services, which generated sustained net inflows throughout the period, largely attributable to tourist receipts. In 2025, the services account recorded a deficit of P3.6 billion, an improvement from the P4.8 billion deficit observed in 2024. During the same period, receipts from travel services amounted to P7.8 billion, down from P8 billion, indicating a moderation in external travel receipts. In contrast, imports of travel services slightly declined from P1.8 billion in 2024 to P1.7 billion in 2025, resulting in travel services surpluses of P6.3 billion and P6.2 billion, respectively.



Source: *Bank of Botswana*

The transportation services continued to register deficits for the period under review, with exports of transportation recording P685 million and P1.2 billion, in 2024 and 2025, respectively, compared to larger imports of the same recording P4.7 billion and P4.5 billion, during the same period. This resulted in transportation deficits of P7.1 billion in 2024 and P6.5 billion in 2025. Freight and insurance, mostly associated with imports of goods, are the main components in the imports of transportation services.

Exports of ‘other services[1]’ increased by 30 percent from P4 billion in 2024 to P5.2 billion in 2025, while imports of the same moderately increased by 5.4 percent from P11.1 billion to P11.7 billion during the same period. As a result, the deficit in ‘other services’ category narrowed to P6.5 billion in 2025 from P7.1 billion in 2024. The deficit in this category was mainly driven by imports of telecommunication, professional and technical services.

The primary income account also remained in deficit throughout the period between 2020 and 2025 (Figure 1), consistent with the country’s position as a net income payer. The deficit, which averaged about P5.8 billion during the period, was primarily driven by investment income, particularly dividends and retained earnings paid to foreign investors. The mining sector, which attracts the highest foreign direct investment in value, accounted for a significant share of these payments.

In contrast, **the secondary income** (Figure 1) account consistently registered substantial surpluses averaging about P19 billion over the same period. The secondary income account was in a surplus of P24.8 billion in 2025 compared to P28 billion recorded in 2024. The Southern African Customs Union (SACU) receipts, which is the largest contributor to secondary income, amounted to P25.6 billion in 2025, slightly lower than the P26.1 billion received in 2024. The surpluses in the secondary income account played a critical role in cushioning the current account, offsetting deficits in the trade and primary income accounts and mitigating the overall impact on the country’s balance of payments.

2.2 Exports of Goods by Commodity

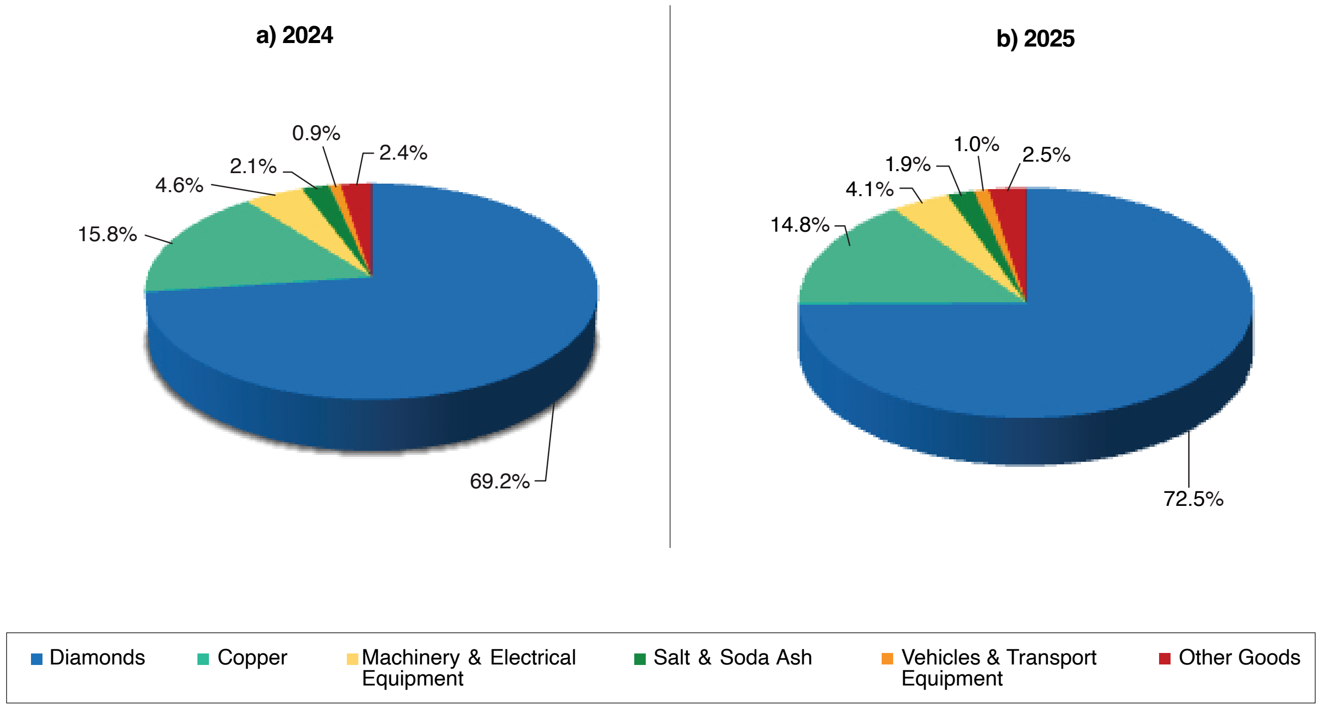
Diamonds dominated goods exports, accounting for 72.5 percent (P53.9 billion) of total merchandise exports in 2025, a slight increase from 69.2 percent (P44 billion) in 2024, while Copper had the second largest share of 14.8 percent (P11 billion), a decline from 15.8 percent (P10.1 billion) as depicted in Figure 4 below. As the third largest, Salt and Soda Ash accounted for 1.9 percent (P1.4 billion) in 2025, a marginal decline from a share of 2.1 percent (P1.3 billion) in 2024.

Machinery and Electrical Equipment, which constitutes the largest share of non-mining exports, decreased from a share of 4.6 percent (P2.9 billion) in 2024 to 4.1 percent (P3.1 billion) in 2025. Overall, the share of non-diamond exports (including copper, salt and soda ash, as well as machinery and equipment) declined, primarily reflecting increased contribution of diamond exports to total exports over the two periods.

Despite the prevailing conditions of weak global demand for diamonds, the economy continues to depend heavily on diamond exports while the contribution of non-diamond exports remains relatively small. Therefore, a sustained increase in the share of non-diamond goods to total exports overtime would be a good indication of progress in the country’s exports diversification efforts.

[1] Services in this category include freight, telecommunication, computer and information services, government services not included elsewhere (GNIE), and a range of business services such as mining related services, architectural and engineering services, advertising, marketing and legal services.

Figure 4: Merchandise Exports by Commodity

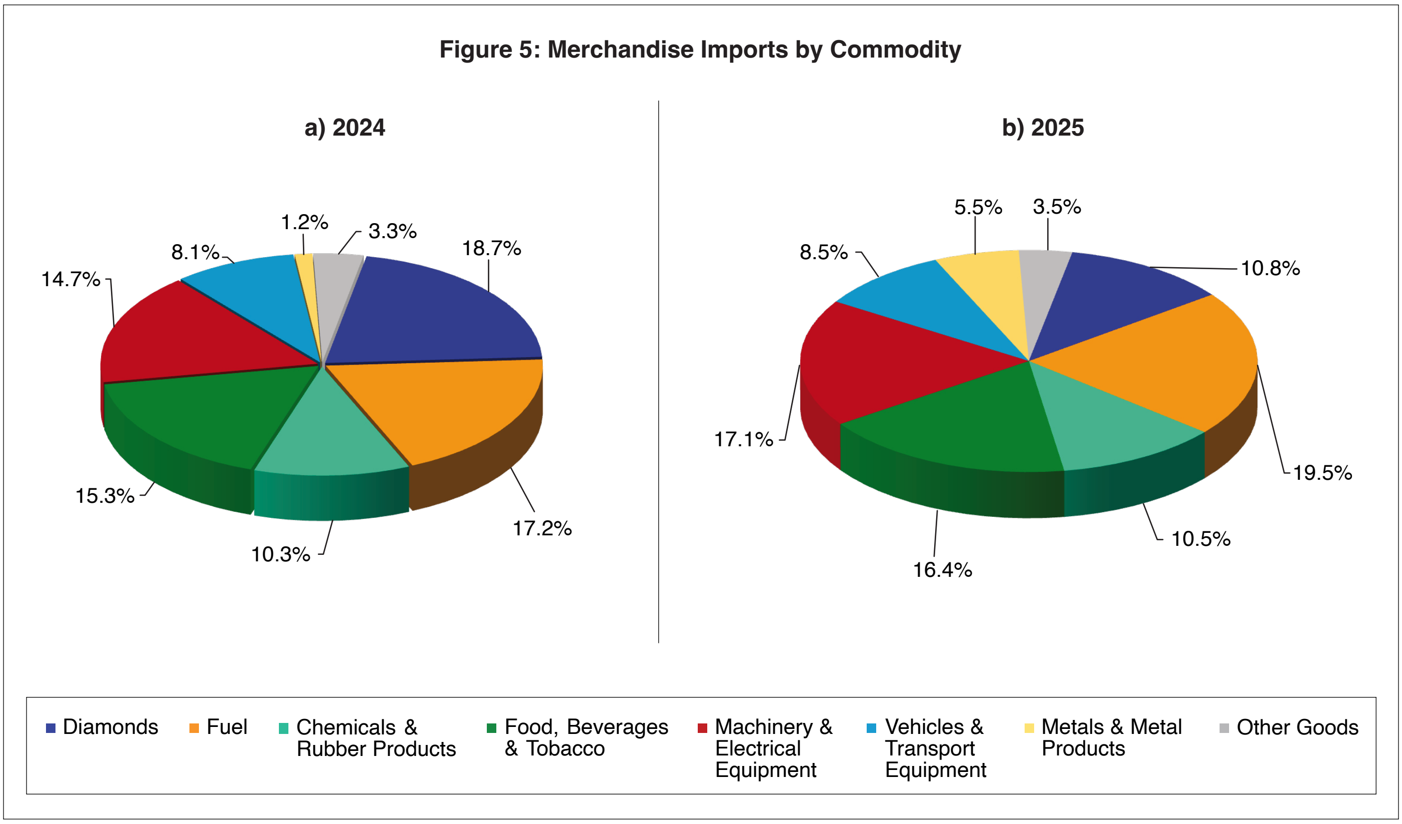


Source: *Bank of Botswana*

2.3 Imports of Goods by Commodity

The composition of imports is diversified and reflects the country's broad range of consumption and investment needs. Fuel accounted for the largest share of total imports, at 19.5 percent (P16.9 billion) in 2025, a slight increase from a share of 17.2 percent (P16.8 billion) in 2024 (Figure 5). Machinery and electrical equipment, the second largest imported commodity, increased from 14.7 percent (P14.4 billion) to 17.1 percent (P14.8 billion) over the same period. Food, beverages, and tobacco accounted for 16.4 percent of imports (P14.2 billion) in 2025 and 15.3 percent (P15 billion) in 2024, the decrease reflects reduced consumer demand despite a relative percentage increase in its share of total imports between the two periods.

Diamonds, which are primarily imported for aggregation activities, declined from a share of 18.7 percent (P18.3 billion) in 2024 to 10.8 percent (P9.3 billion) in 2025. The share of chemical and rubber products increased from 10.3 percent (P10.1 billion) to 10.5 percent (P9.1 billion). Fuel, machinery and electrical equipment, as well as chemicals and rubber products, which makes up the largest share of imports, are essential inputs in various ongoing infrastructure, mining, and construction projects across the country, including the Mmamabula Power Plant, Tshele Hills Oil Storage Facility, and the Northwest Transmission Grid Phase 2.



Source: *Bank of Botswana*

2.4 Direction of Trade

In 2025, Botswana's main export destinations were the United Arab Emirates (28.2 percent), Belgium (17.3 percent), India (16 percent), South Africa (10.3 percent), China (8.4 percent), and Australia (7.9 percent) as shown in Figure 6a. These top export destinations collectively accounted for 88.6 percent of Botswana's total exports.

In terms of commodities, exports to the United Arab Emirates, Belgium and India consisted predominantly of rough diamonds. These countries primarily operate in the midstream segment of the diamond value chain, which generates higher value addition. The midstream segment encompasses processes such as sorting, cutting, polishing, and preparing rough diamond for sale.

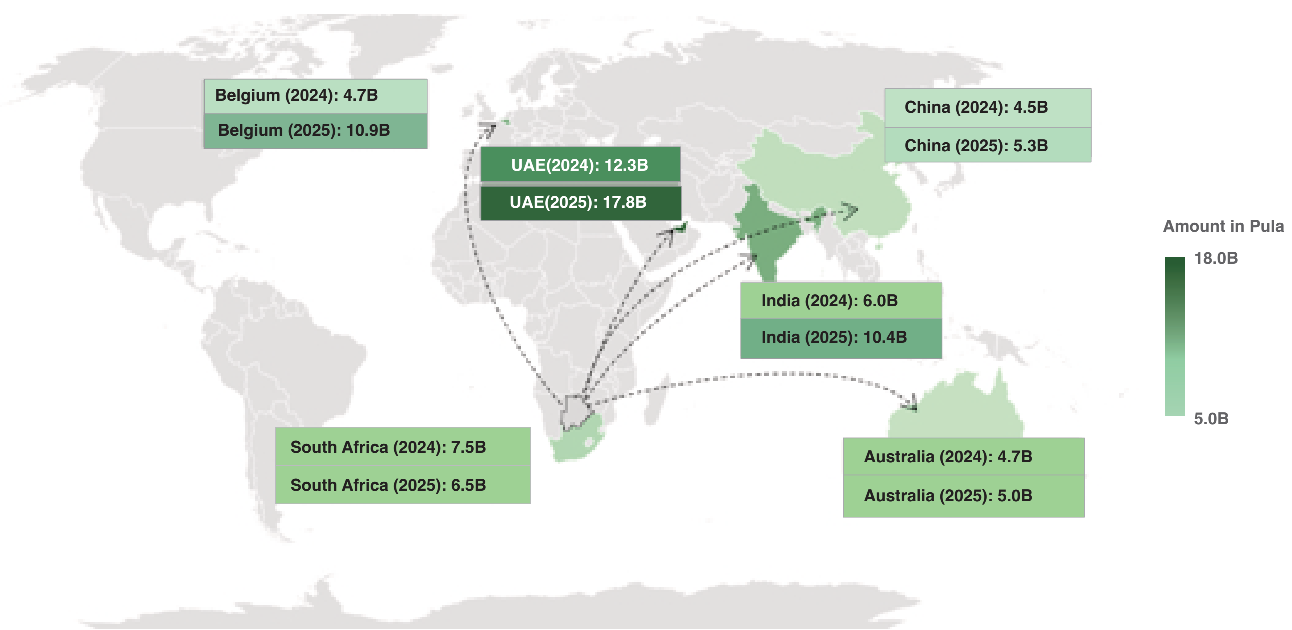
Notable changes in export flows from 2024 to 2025 included an increase in exports to Belgium from P4.7 billion to P 10.9 billion (131.9 percent); the United Arab Emirates from P12.3 billion to P17.8 billion (44.7 percent), and India from P6 billion to P10.4 billion (73.3 percent). The increase in exports to Belgium, the United Arab Emirates, and India was supported by the improvement in diamond exports. In contrast, exports to South Africa decreased from P7.5 billion to P6.5 billion (13.3 percent) due to the decrease in the country's demand for diamonds and live cattle.

South Africa continued to dominate Botswana's imports market, accounting for 62 percent of imports, followed by Namibia at 7.2 percent and China at 6.6 percent (Figure 6b). Imports from South Africa primarily consisted of food, fuel, machinery, and electrical equipment, as well as chemicals and rubber products, while fuel imports accounted for a larger share of goods from Namibia, and China mainly supplied machinery and electrical equipment.

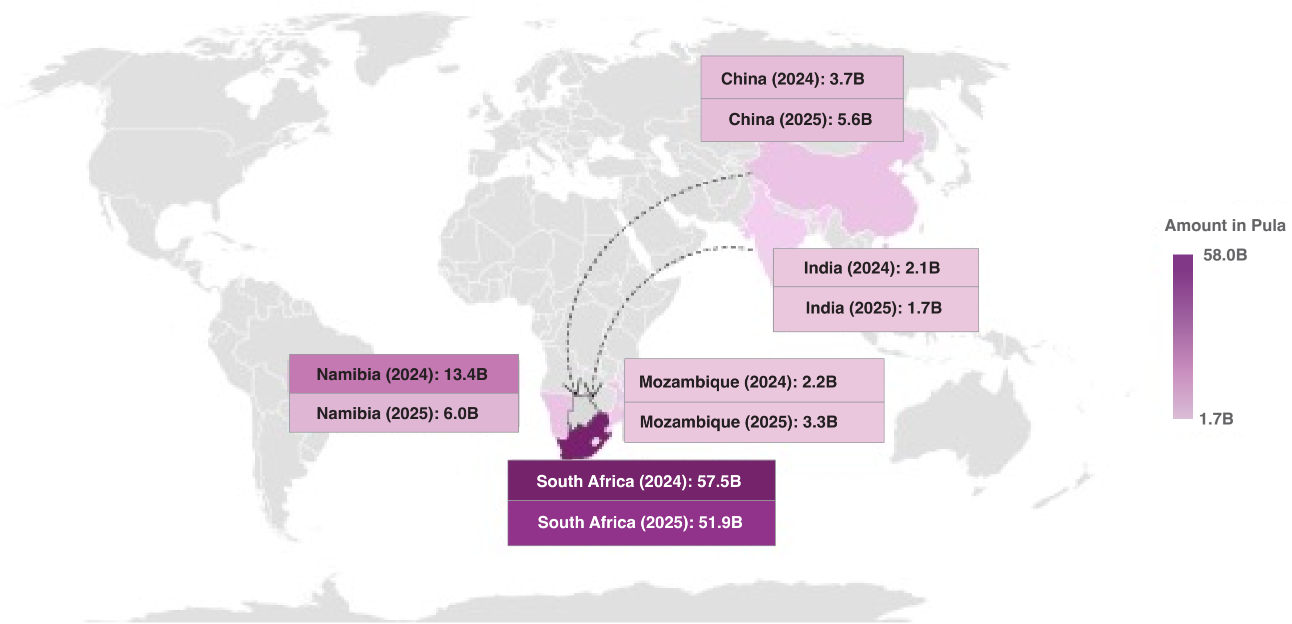
Between 2024 and 2025, imports from Namibia fell from P13.4 billion to P6 billion (55.1 percent). This significant reduction was due to the decline in diamond demand by P7.3 billion (79 percent). Meanwhile, imports from South Africa decreased from P57.5 billion to P51.9 billion (9.7 percent), and imports from China, increased from P3.7 billion to P5.6 billion (51.3 percent).

Figure 6: Merchandise Trade by Region 2024 vs 2025

a) Exports



b) Imports

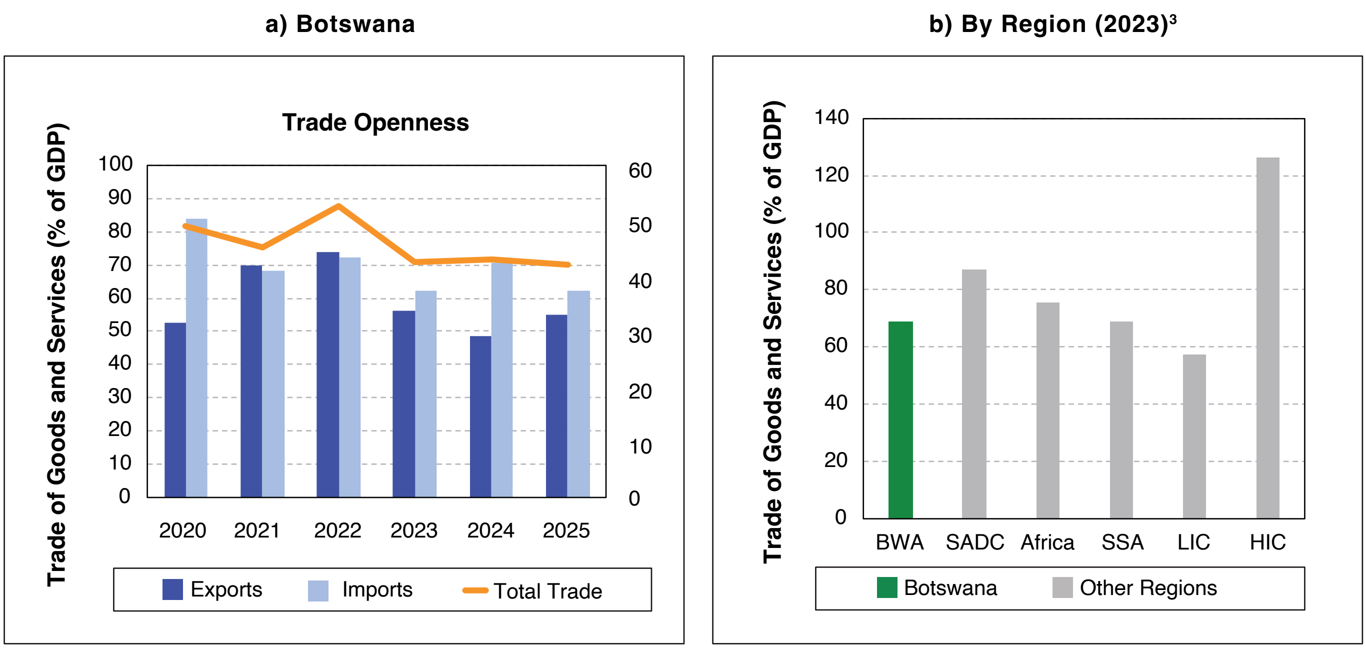


Source: *Bank of Botswana*

2.5 Trade Openness Index[2]

Botswana's trade openness index averaged 76.2 percent for the period 2020 to 2025, recording a peak of 87.6 percent in 2022 before contracting sharply to 70.9 percent in 2023 (Figure 7a). The index declined from 2023, indicating a sustained decline in the global market. In 2025, the index stood at 70.2 percent, reflecting a slight decrease of 1.9 percentage points from the 72.1 percent recorded in 2024. The contraction in trade openness was primarily driven by a reduction in total trade volumes during the review period, with exports volume accounting for the bulk of the decline.

Figure 7: Trade Openness



Source: *(a) Bank of Botswana, (b) World Bank*

[2] The trade openness index, measured as the sum of exports and imports of goods and services as a percentage of GDP, measures the degree to which an economy is integrated with the rest of the world through international trade. Countries with trade openness indices between 40 and 100 percent are considered as moderately open, while index above 100 percent indicates a highly open country with total exports and imports exceeding GDP (e.g., Singapore, Hong King and Luxembourg).

[3] Trade openness by region figures remains unchanged due to the unavailability of 2024 data from the World Bank website. SADC (Southern African Development Community), SSA (Sub-Saharan Africa), LIC (Low-Income Countries) & HIC (High-Income Countries).

3. FINANCIAL ACCOUNT, IIP AND INTERNATIONAL RESERVES

3.1 Financial Account Balance

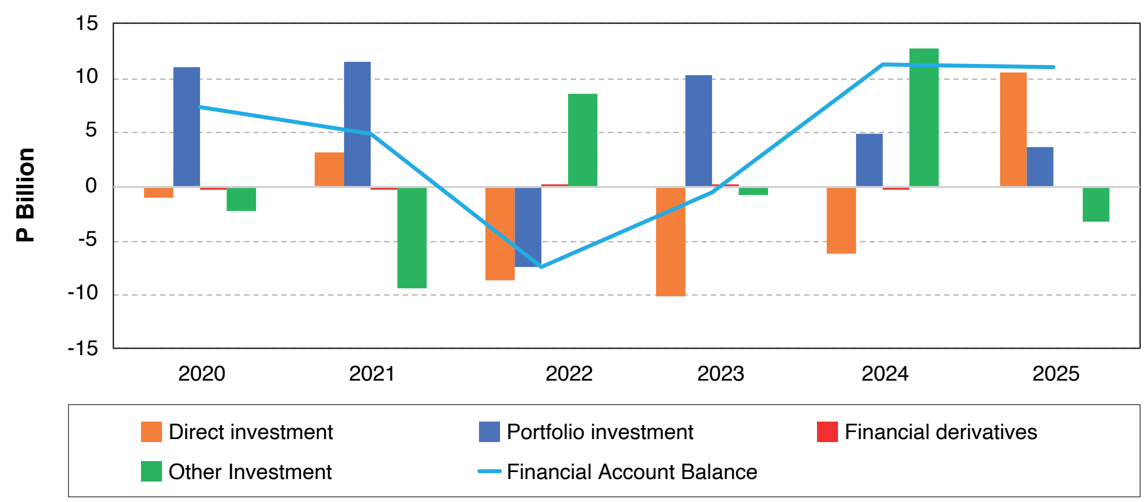
Botswana's financial account recorded net outflows of P7.4 billion in 2020, primarily driven by substantial portfolio investment outflows amounting to P11 billion (Figure 8). Despite a further increase of P11.6 billion in portfolio investment outflows, the overall financial account net outflows moderated to P5 billion in 2021 largely due to other investment inflows of P9.4 billion, which partly offset the increased outflows.

In 2022, the financial account shifted to net inflows of P7.3 billion, supported by strong performance in both direct and portfolio investment, which registered inflows of P8.6 billion and P7.4 billion, respectively. Direct investment inflows primarily reflected increased intercompany lending from parent companies to resident subsidiaries, while portfolio investment inflows were mainly due to a reduction in residents' investments abroad.

The financial account net inflows moderated to P590 million in 2023, as higher investment inflows of P11 billion, comprising direct investment inflows of P10.1 billion and other investment inflows of P850 million, were offset by portfolio investment outflows of P10.3 billion. The high direct investment inflows were on account of increased financial support from foreign parent companies to resident subsidiaries. The high portfolio outflows, on the other hand, reflected growth in external assets accumulation driven by improved global equity markets performance.

In 2024, the financial account reverted to net outflows of P11.2 billion. The notably large net outflows were driven by a sharp increase in other investment abroad, which rose by P12.8 billion on account of increased deposits abroad by local banks. This was despite direct investment inflows of P6 billion, which were due to intercompany lending from foreign parent companies to resident subsidiaries. The net outflows are projected to remain elevated at P10.9 billion in 2025, supported by both direct and portfolio investment, which are estimated at P10.5 billion and P3.6 billion, respectively. This outlook reflects sustained investment abroad by residents, particularly pension funds in equity and debt securities, alongside ongoing loan repayments by resident enterprises to their foreign parent companies.

Figure 8: Financial Account and Component Balances 2020 - 2025

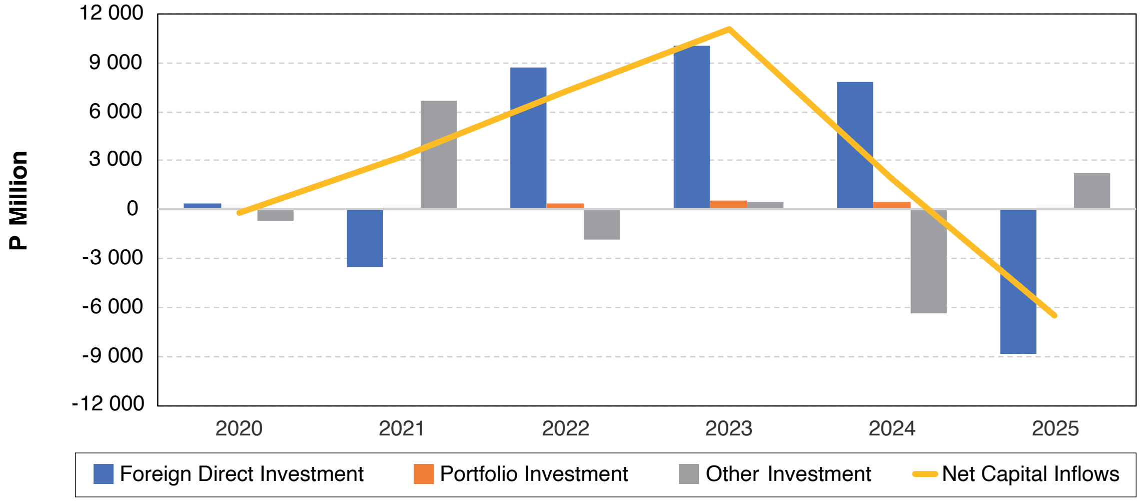


Source: *Bank of Botswana*

3.2 Foreign Investment Inflows

Botswana's foreign investment inflows, measured as the net incurrence of liabilities to non-residents, increased steadily from 2020 to 2023 before declining sharply through to 2025. In 2020, the country recorded negative foreign investment inflows of P178 million, mainly due to weak foreign direct and portfolio investment inflows of P364 million and P104 million, respectively against withdrawals of P646 million from other investment category. Investment inflows improved significantly in 2021, increasing by P3.2 billion, as financing from other investment increased substantially by P6.6 billion, supported largely by Special Drawing Rights (SDR) allocations[4].

Figure 9: Foreign Investment Inflows by Type 2020 - 2025



Source: *Bank of Botswana*

The recovery strengthened further in 2022, with total inflows rising by P7.3 billion, mainly supported by robust FDI inflows of P8.8 billion. The FDI inflows reflected increased intercompany loans, reinvested earnings and new equity investment by foreign owned businesses operating in Botswana. Portfolio investments also remained positive, rising by P346 million while other investment recorded disinvestments of P1.8 billion. In 2023, foreign investment inflows reached a peak of P11.1 billion, reflecting stronger investor confidence and improved external financing conditions. This increase was largely underpinned by substantial FDI inflows of P10.1 billion, complemented by moderate inflows of P541 million and P457 million in portfolio investment and other investment, respectively.

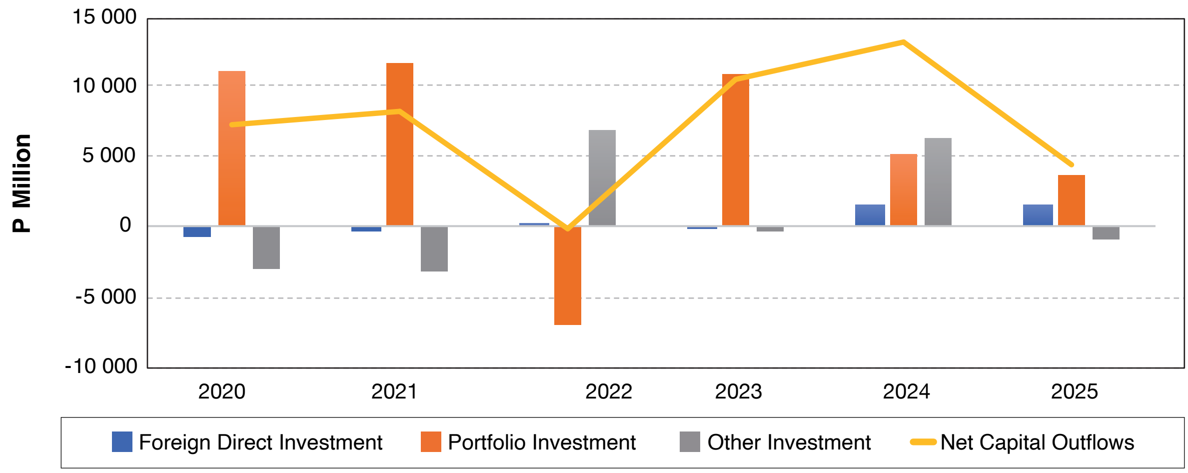
In 2024, overall inflows moderated, to an increase of P1.9 billion, as other investment recorded significant outflows of P6.4 billion, mainly reflecting repayment of external loans by Government. Nevertheless, FDI remained relatively strong recording inflows of P7.8 billion, while portfolio investment registered moderate inflows of P464 million. Preliminary estimates for 2025 indicate that Botswana recorded negative investment inflows of P6.5 billion, marking a reversal from the positive inflows observed in prior years. This development was mainly attributable to the P8.8 billion decline in foreign direct investment which reflected repayment of intercompany loans by local enterprises to their foreign parent companies. Portfolio investment remained modest, while other investment increased by P2.3 billion, reflecting foreign borrowing extended to Government.

[4] SDRs are international reserve assets created by the IMF to supplement official reserves of its member countries particularly during economic crises. In 2021, the IMF allocated SDRs to help member countries respond to the economic effects of the COVID-19 pandemic and Botswana was allocated SDRs valued at approximately P3 billion.

3.3 Foreign Investment Outflows

The country's foreign investment outflows, representing net acquisition of financial assets abroad by residents, remained largely positive over the period 2020 to 2025 (Figure 10). These outflows were primarily driven by offshore portfolio investment by resident institutional investors, particularly pension funds. Foreign investment outflows increased moderately from P7.3 billion in 2020 to P8.2 billion in 2021, supported by growth in portfolio investment, which increased from P11.1 billion to P11.7 billion during the period. The upward trend was reversed in 2022, with the country recording negative net outflows of P57 million. This development was attributable to a significant decline in portfolio investment, which contracted by P7 billion amid losses arising from weak global equity market performance. Financial markets were negatively affected by the escalating geopolitical tensions, including the Russia-Ukraine war, which affected investor sentiment and asset valuations.

Figure 10: Foreign Investment Outflows by Type 2020 - 2025



Source: *Bank of Botswana*

In 2023, foreign investment outflows significantly rebounded, with residents' foreign assets increasing by P10.5 billion. This recovery was attributable to portfolio investments, which rose by P10.9 billion as equity market performance exceeded expectations. The declining inflationary pressures in advanced economies contributed to the improved performance. The increase in foreign assets accumulation continued in 2024, with the outflows rising further to P13.2 billion, the highest recorded during the review period. The increase was broad-based across investment categories, notably other investment, and portfolio investment, which increased by P6.4 billion and P5.3 billion, respectively. Preliminary estimates for 2025 indicate a moderation in foreign investment outflows to P4.4 billion, driven by negative outflows in the other investment category, which reflected reduced foreign bank deposits. Despite the moderation, portfolio investment abroad remained positive.

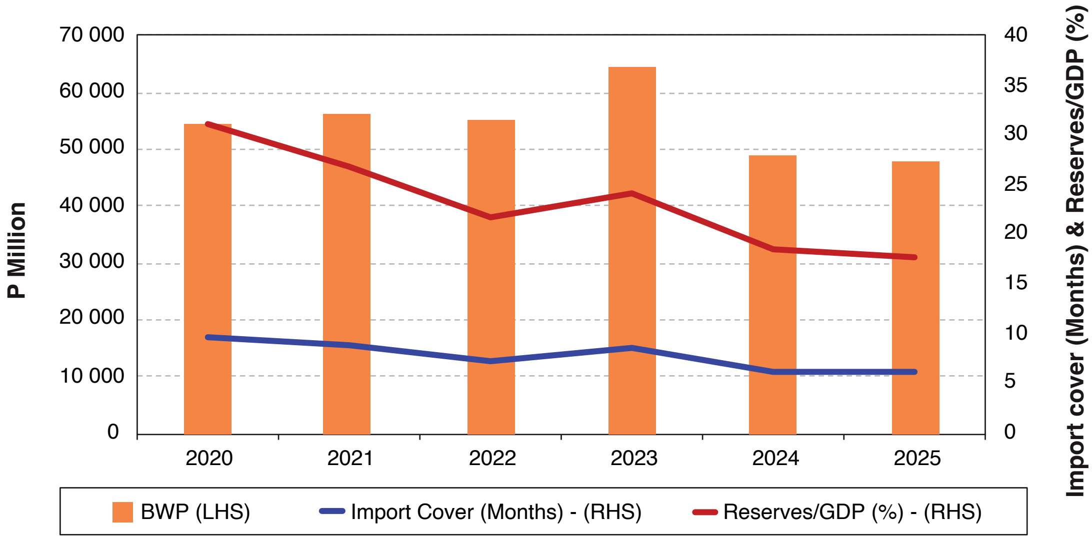
3.4 Foreign Exchange Reserves

Botswana's foreign exchange reserves averaged P54.6 billion between 2020 and 2022 (Figure 11). This period was characterised by global disruptions to the movement of goods and people due to the COVID-19 related restrictions. Following the easing of these restrictions and the gradual recovery in global economic activity and trade, reserves increased from P54.5 billion (21.7 percent of GDP) in 2022 to P63.7 billion (24.1 percent of GDP) in 2023.

However, economic developments in 2024 adversely affected the external sector. The country experienced elevated diamond inventories, declining global diamond prices, and subdued demand from major export markets, particularly the United States of America and China, both of which faced economic challenges. These factors weakened global diamond demand and significantly reduced diamond export earnings. Consequently, foreign exchange reserves declined from P63.7 billion in 2023 to P48.1 billion (18.4 percent of GDP) in 2024, before moderating further to P47.4 billion (17.6 percent of GDP) by end of 2025. The downward trajectory primarily reflects the sustained contraction in diamond export receipts amid persistent challenges in the global diamond market.

Nevertheless, receipts from the Southern African Customs Union (SACU) continued to provide support, partially offsetting foreign exchange outflows. As at end-2025, foreign exchange reserves were equivalent to 6.2 months of import cover for goods and services.

Figure 11: Level of Foreign Exchange Reserves 2020 - 2025



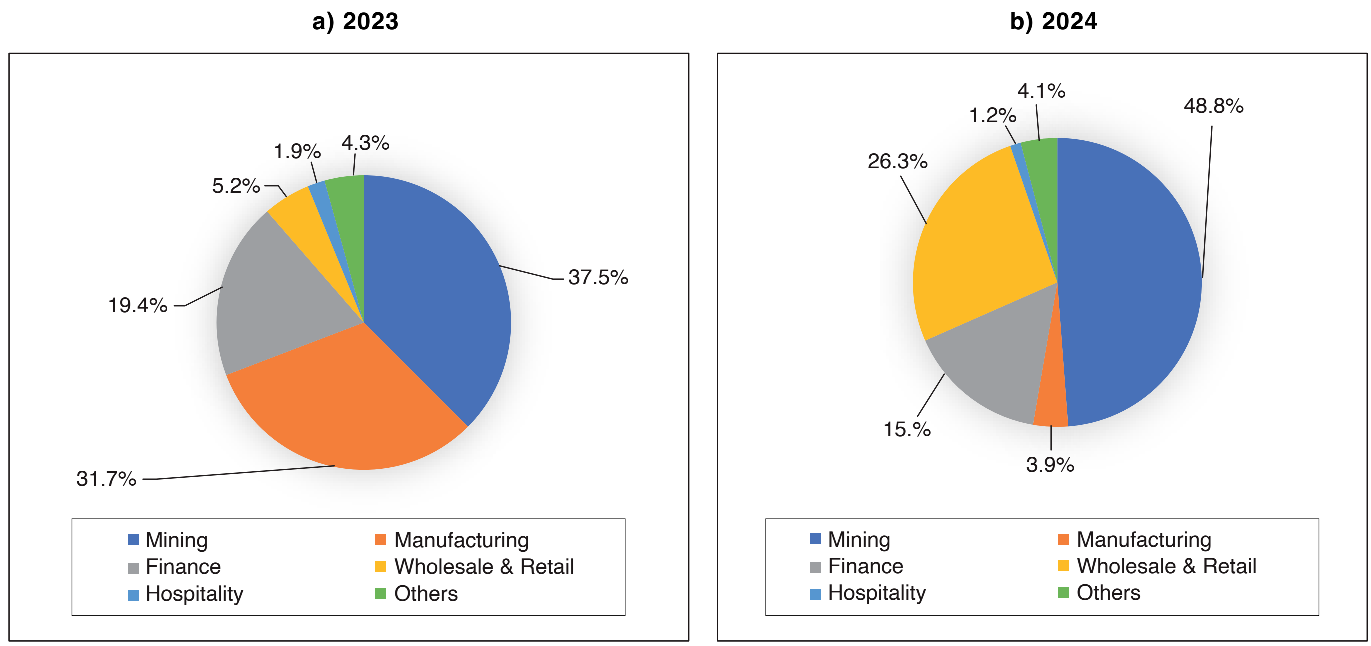
Source: *Bank of Botswana*

3.5 Foreign Direct Investment Stock by Sector

The mining sector remained Botswana's largest recipient of FDI, with its share rising from 37.5 percent in 2023 to 48.8 percent in 2024 as FDI stock increased from P32.8 billion to P47.8 billion underscoring the sector's continued importance and attractiveness to investors despite industry challenges. In contrast, the manufacturing sector recorded a lower share of 3.9 percent from 31.7 percent while wholesale and retail trade recorded a notable share of 26.3 percent from 5.2 percent during the same period. Movements in the manufacturing, and wholesale and retail sectors largely reflected statistical reclassification and improved sectoral allocation of investments rather than material changes in investment patterns.

Meanwhile, the hospitality sector FDI declined from P1.7 billion in 2023 to P1.2 billion in 2024, representing 1.9 percent of total FDI. The financial sector, mainly commercial banks, attracted FDI worth P15.3 billion in 2024, down from P17 billion in 2023, accounting for 15.7 percent of total FDI. Other sectors, including transportation, storage and communication, construction, real estate, electricity, gas, and water, collectively accounted for P4 billion in FDI, a slight increase from P3.7 billion, maintaining a 4.1 percent share of total FDI.

Figure 12: Share of FDI by Sector



Source: *Bank of Botswana*

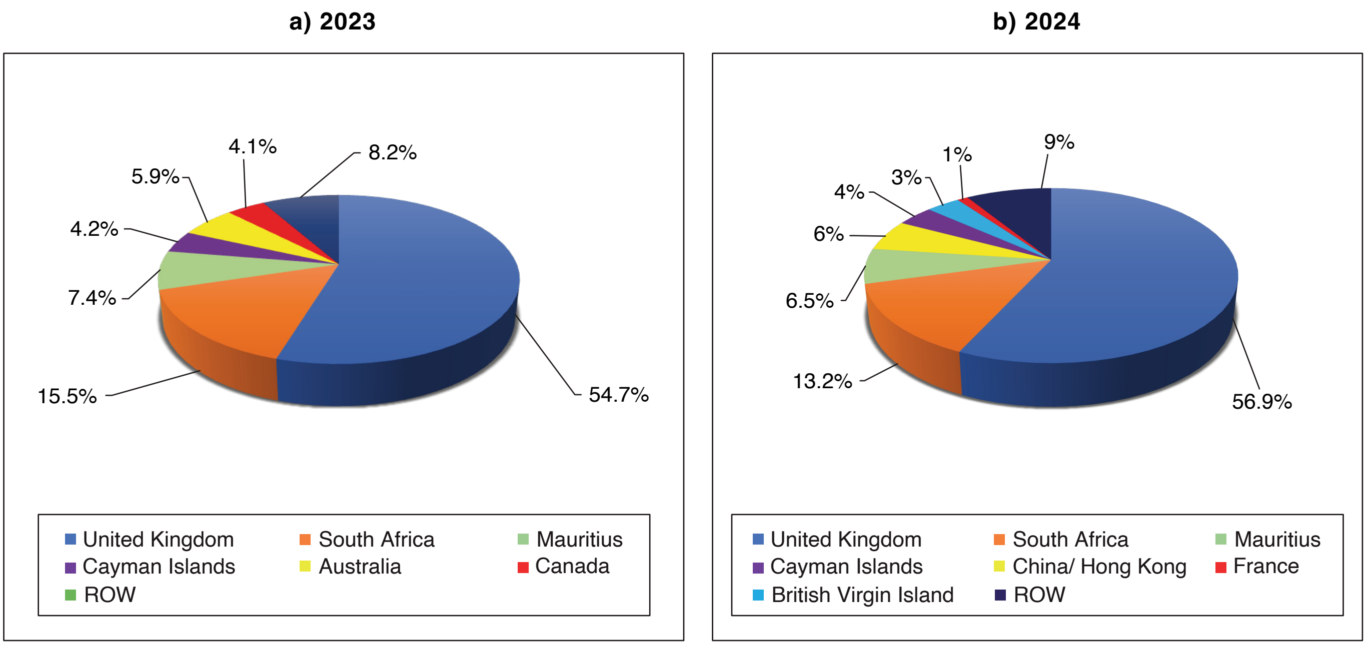
3.6 Foreign Direct Investment Stock by Country

In 2024, Botswana's FDI landscape reflected a blend of continuity and transformation. The United Kingdom (UK) solidified its position as the leading source of FDI, accounting for 56.9 percent of the country's total FDI stock, up from 54.7 percent in 2023. The value of UK investments increased from P47.7 billion in 2023 to P55.8 billion in 2024, primarily driven by the mining sector. This growth underscores the enduring appeal of Botswana's diamond industry and the country's stable and investor-friendly environment.

South Africa, traditionally the second-largest investor, saw a decline in its share of FDI, dropping from 15.5 percent in 2023 to 13.8 percent in 2024. Despite the lower share, the value of South African investments remained constant at P13.5 billion over the two years. The decline in its share was attributed to increased competition in key sectors such as mining and retail. Nevertheless, South African investments remained diversified, spanning finance, wholesale & retail, and manufacturing sectors. Mauritius continued to play an important role as an investment source, though its share of FDI dipped slightly from 7.4 percent in 2023 to 6.5 percent in 2024. The value of FDI stock from Mauritius decreased slightly from P6.5 billion to P6.4 billion, with investments spread across mining, finance, wholesale & retail, as well as information and communication sectors.

A significant development in 2024 was the emergence of China/Hong Kong as a notable investor, accounting for 5.7 percent of the total FDI stock. This translated to an investment value of P5.6 billion, and was strongly focused on the mining sector, primarily in copper mining as highlighted by the landmark acquisition of the Khoemacau Copper Mine by MMG Ltd. This marked a new chapter in Botswana's investment narrative, driven by China's strategic focus on mining as part of its global resource acquisition strategy. The rise of China/Hong Kong coincided with the exit of Australia and Canada from the top ranks, signalling a shift in global mining investment dynamics. Cayman Islands accounted for 3.8 percent of total FDI stock in 2024, slightly down from 4.2 percent in 2023, while the value of its investments remained unchanged at P3.7 billion. Meanwhile, the British Virgin Islands accounted for 3.5 percent of total FDI stock in 2024 with investments valued at P3.7 billion concentrated in mining and finance. The rest of the world contributed 8.8 percent of total FDI stock in 2024, up from 8.2 percent in 2023, with investment value increasing from P7.2 billion to P8.6 billion, indicating continued diversification of investment sources.

Figure 13: Share of FDI by Country

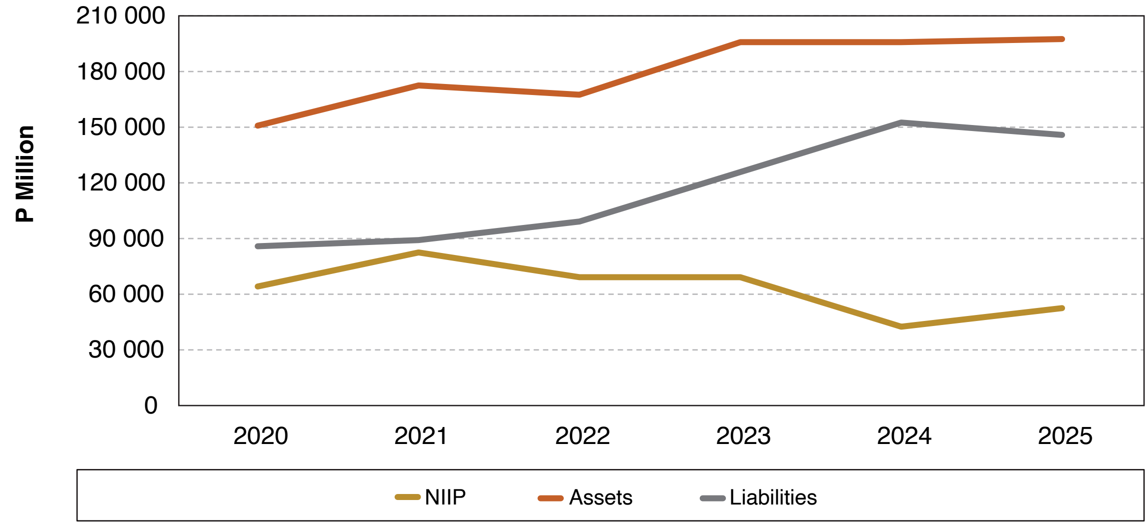


Source: *Bank of Botswana*

3.7 Net International Investment Position (NIIP)

Although Botswana maintained a positive net investment position (NIIP) throughout 2020 to 2025, the gap between external assets and liabilities narrowed significantly from 2022 onward, driven by the faster growth in liabilities compared to the growth in assets (Figure 14). Following an increase from P64.7 billion in 2020, NIIP fell from P82.9 billion in 2021 to P52.7 billion in 2025, indicating a gradual decline of the country's net external position. Foreign assets grew by 30.7 percent from P151.8 billion to an estimated P198.4 billion, while foreign liabilities increased sharply by 67.4 percent from P87.1 billion to an estimated P145.8 billion. Nevertheless, the country remained a net creditor to the rest of the world as foreign assets continued to exceed foreign liabilities.

Figure 14: Net International Investment Position 2020 - 2025

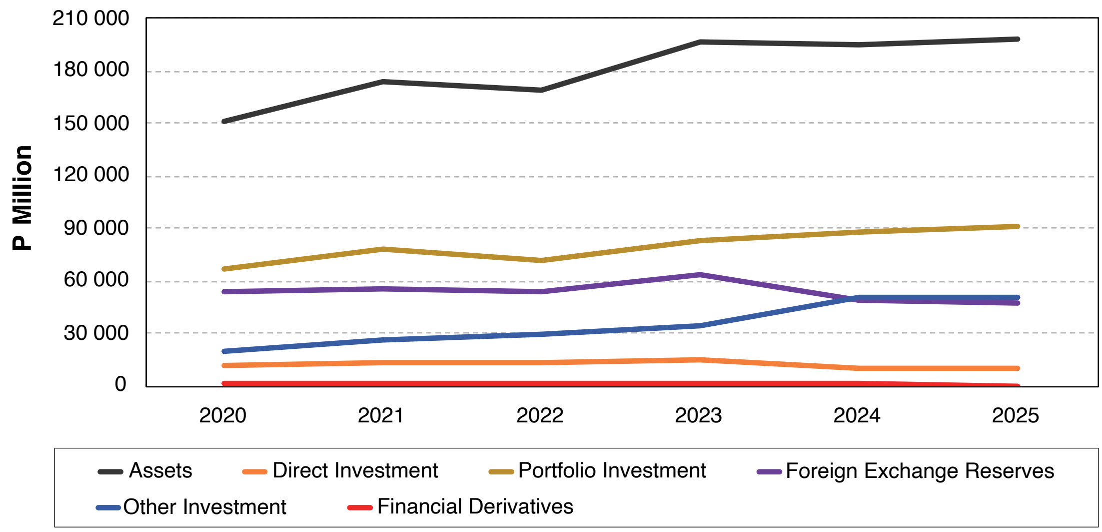


Source: *Bank of Botswana*

During the period 2020 to 2023, foreign assets increased, albeit at a slower pace supported by growth in both portfolio investments and foreign exchange reserves. The increase in portfolio investments reflected the post-pandemic recovery in global financial markets, particularly in international equity markets. Similarly, the growth in foreign exchange reserves was associated with the recovery in the diamond industry following the COVID-19 pandemic. The relative stabilisation in foreign assets accumulation during the period 2023 to 2025, indicated a slowdown in the pace of external assets growth.

Although portfolio investments increased by 10.9 percent, from P82.5 billion to P91.5 billion, this was partly offset by a 21.8 percent decline in foreign exchange reserves, from P63.7 billion to P49.8 billion, over the same period. Consequently, total foreign assets recorded modest growth of 1.2 percent, increasing from P196 billion in 2023 to an estimated P198.4 billion in 2025. The decline in foreign exchange reserves was attributable to, among other factors, reduced diamond export earnings associated with weaker global demand for natural diamonds.

Figure 15: Foreign Assets by Type 2020 - 2025

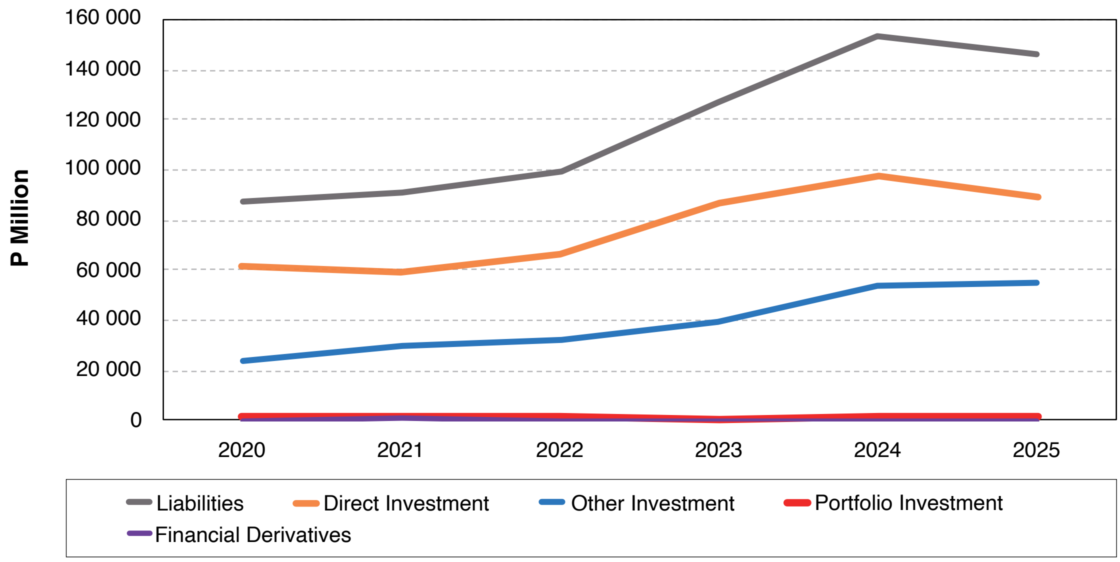


Source: *Bank of Botswana*

Foreign liabilities increased significantly between the period 2020-2023, reflecting growth in the direct investment and other investment stock in Botswana. The rise in direct investment was mainly associated with intercompany lending to support locally based foreign direct enterprises following the COVID -19 pandemic related challenges, while growth in other investment was driven by increasing external loan obligations by Government. The upward trend continued after 2023 as foreign liabilities increased from P126.9 billion to P152.8 billion in 2024 before moderating to an estimated P145.8 billion in 2025.

The increase reflected higher intercompany lending, particularly in the mining sector, which accounts for a significant share of foreign direct investment. At the same time, growth in other investment liabilities was driven by increased Government borrowing amid reduced diamond exports earnings, which continued to weigh on fiscal revenues. These developments occurred during the time where the global diamond market was experiencing weakening demand and declining prices for natural diamonds. Consequently, the rise in foreign liabilities contributed to the narrowing of the country's positive net international investment position.

Figure 16: Foreign Liabilities by Type 2020 - 2025



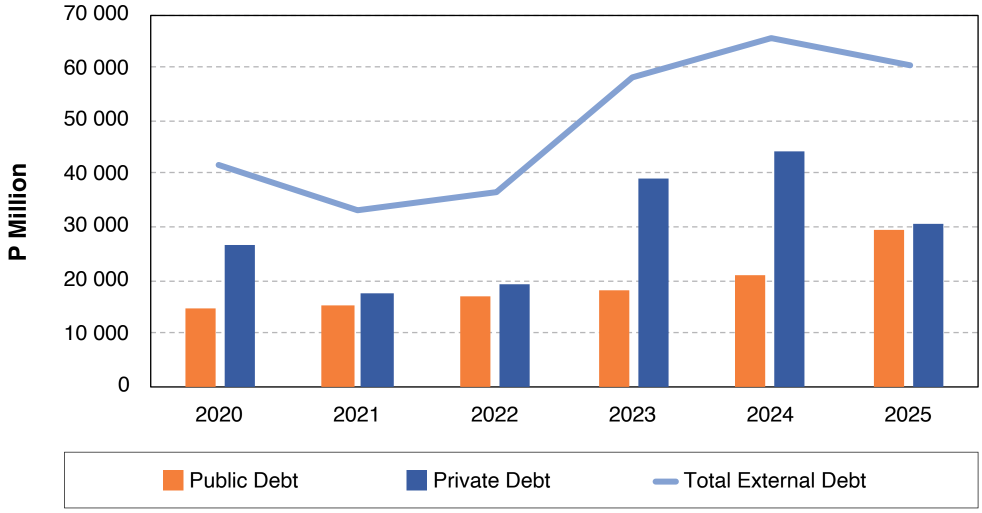
Source: *Bank of Botswana*

3.8 External Debt

Botswana's gross external debt declined between the period 2020 and 2021 before registering a sustained upward trend in subsequent years. Gross external debt increased from P33.3 billion (12.4 percent of GDP) in 2021 to P65.7 billion (24.4 percent of GDP) in 2024, before moderating to an estimated P60.2 billion (22.4 percent of GDP) in 2025 (Figure 14). The increase in external debt over the review period was largely driven by the private sector, which accounted for a greater share of total external borrowing, reflecting stronger private sector participation in international financing. Intercompany lending constituted a significant proportion of the private sector external debt, consistent with the practice within multinational businesses.

Meanwhile, government external borrowing increased between 2021 and 2024, partly reflecting fiscal pressures associated with declining revenues, particularly from diamond exports. The weakening performance of the diamond sector, amid subdued global demand for natural diamonds, adversely affected fiscal revenues and contributed to increased public sector borrowing. Overall, the rise in external debt reflected the prevailing economic conditions, which have led to financing needs across both the public and private sectors to support the fiscal requirements for development projects and struggling business operations.

Figure 17: Gross External Debt 2020 - 2025



Source: *Bank of Botswana*

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