

CareEdge Global assigns 'Negative' Outlook to the Rating of Republic of Botswana

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge BBB+ (Unsolicited)'

Issuer rating	CareEdge BBB+/Negative (Unsolicited)
---------------	--------------------------------------

Rating Action

CareEdge Global has assigned a '**Negative**' outlook to the rating of Republic of Botswana, while reaffirming the Long-Term Foreign Currency rating of '**CareEdge BBB+ (Unsolicited)**'.

Rationale

The Negative outlook reflects Botswana's continued dependence on the natural diamond sector, which historically contributed around 15% of GDP and 70% of export revenues. Since 2023, the sector has faced prolonged downturn due to weak global demand from key markets as the United States and China, subdued prices, and intensifying competition from lab-grown diamonds. This deterioration is expected to weigh on Botswana's GDP growth, fiscal balance, and external metrics over the medium term.

GDP growth contracted 3% in 2024¹, following 3% growth in 2023 with a further contraction of -1.0% in 2025. Declining mineral revenues have widened the fiscal deficit to an estimated 7.1% of GDP in FY25², compared to a balanced budget in FY23. To finance this deficit, the government is expected to increase domestic debt issuances, pushing gross general government (GGG) debt up by 10 percentage points to ~33% of GDP in FY25, and further to close to 50% by 2027.

On the external front, the loss in export revenues is expected to double the current account deficit (CAD) to 8% of GDP in FY25. This deterioration is more pronounced by the depletion of fiscal buffers, with the Government Investment Account (GIA) falling to 2% in June 2025 from 6.5% of GDP in June 2023.

Nonetheless, Botswana's credit profile derives support from its abundance of mineral resources and effective governance and institutions as compared to regional peers. However, the country remains reliant on the diamond industry, leading to concentrated growth. The credit profile is also weighed down by a relatively weak monetary structure.

The government's spending plans to support diversification beyond the minerals sector, the

¹ 2024 refers to January 1 to December 2024.

² Botswana's Fiscal Year (FY) runs from 1 March to 28 February. FY25 refers to 1 March 2024 to 28 February 2025.

proposed rationalization of key state-owned enterprises (SOEs), and its plans to develop the domestic debt market remain key elements to monitor.

Downside Scenario

The rating could be downgraded if the downturn in the diamond sector continues and is sustained. Further if growth, as well as the fiscal and external metrics are worse than what we expect, the rating could worsen.

Upside Scenario

The outlook could be revised to Stable if there is a material improvement in growth as well as the external and fiscal metrics. Further, the materialisation of diversification and fiscal consolidation efforts over the medium to longer-term would bode well for the outlook and rating.

Key Rating Drivers

Economic Structure & Resilience

Botswana's economy benefits from its high income (USD 16,749 GDP per capita, constant PPP in 2024) levels. However, its size is small (GDP of USD 19.4 billion in 2024), and the economy is heavily reliant on the diamond industry. Since 2023, the economy has been impacted by the deterioration in the diamond sector demand. There has been a combination of factors which have caused the deterioration. These include an overall softening of demand globally for luxury goods, including from large economies such as the US and China. There has also been increasing appeal of lab-grown diamonds, which have been gaining market share for the past couple years; and more recently, there has also been a shift in preferences towards gold jewellery segments. Overall, diamond prices have been persistently weak. As a result, the economy contracted 3% in 2024, following 3% growth in 2023.

The economy remains in recession in Q1 2025, after contracting 0.3% YoY over the quarter. We expect growth to remain in recessionary territory, with -1.0% growth projected for 2025. Apart from the sustained weakness in the diamond sector, supply side constraints such as electricity shortages may weigh on other sectors.

Over the medium term, growth could average around 3.5%, as the diamond sector starts to recover and supply-side constraints ease. Further, the government has launched its Botswana Economic Transformation Programme (BETP), which aims to diversify the economy, targeting growth in key sectors such as services, tourism, agriculture, and manufacturing. Further, Qatar's Al Mansour Holdings has pledged USD 12 billion for investment in large-scale infrastructure, such as energy, tourism and agribusiness projects. Together, these initiatives could bolster non-mining activity and decrease Botswana's vulnerability to the diamond industry.

Fiscal Strength

Fiscal strength has also deteriorated on the back of diamond sector weakness. Mineral revenues are estimated at 12% of total revenue in FY25, after generating 47% in FY23. As such, we estimate the fiscal deficit deteriorating to -7.1% of GDP in FY25, following a balanced budget in FY23. The significant drawdown in the government's investment account (GIA), (6.5% of GDP in June 2023 to 2.5% in June 2025), means that there are limited buffers to reduce its fiscal deficit. As such, we expect the GGG debt-to-GDP to increase from around 21% and 22.5% in 2023 and 2024 respectively to 33% in FY25. The government has mandated that 50% of Botswana pension fund assets should be invested domestically, and this should provide some support for domestic issuances. Nonetheless, we note that the spike in GGG debt is from a relatively low base and that the governments cost of debt is relatively well contained, with the interest to revenue ratio projected at around 4% in FY25.

External Position & Linkages

The country's external position also reflects the weakness stemming from the diamond sector. Diamond exports declined to USD 3.1 billion in 2024, less than half of the peak in 2022 of USD 7.3 billion. This has seen the current account move deeper into deficit territory at -4.7% of GDP in 2024, from -0.6% in 2023. Diamond exports now also face steep export tariffs to the US (reciprocal tariffs of 15%), and this may compound the weakness in export revenues, due to the US being a key diamond-consuming nation. The current account deficit (CAD) is projected to be around 8% of GDP in 2025. The slump in export revenue has also seen a rapid decline in foreign exchange reserves of USD 6.2 billion in 2019 to about USD 3.4 billion by June 2025, covering 5.7 months of imports.

Monetary & Financial Stability

Botswana operates a crawling band exchange-rate regime, pegged to a trade-weighted basket of the South African Rand and IMF SDRs, with adjustments based on domestic inflation and trading-partner price changes. While the crawling peg remains unchanged, the rate of crawl increased in July 2025 to 2.76% per annum from 1.51%, and the trading bands were widened from $\pm 0.5\%$ to $\pm 7.5\%$, leading to a depreciation of the exchange rate. The Pula has come under pressure over the past year, because of the lack of foreign currency in the system due to the deterioration in the diamond sector.

Headline inflation averaged 2.1% in Q2 2025, down from 3% in Q2 2024, reflecting base effects from 2024 fuel-price increases, lower water tariffs, and subdued domestic demand. The Bank of Botswana (BoB) cut rates in late 2024, by a cumulative 50 bps due to the low inflation trajectory and in a bid to stimulate the economy. They also reduced the reserve requirement by 250 basis points, to zero, to stimulate the domestic credit market. However, the monetary policy transmission mechanism in the economy is weak. Banks face liquidity pressures and as a result, they keep interest rates elevated.

Institutions & Quality of Governance

Botswana continues to benefit from strong institutional foundations, supported by sound rule of law, prudent macroeconomic management, and a longstanding record of responsible natural-resource governance. Recent policy steps, such as establishing an additional sovereign wealth fund and advancing reforms to improve oversight of state-owned enterprises underscore the government's commitment to economic diversification and fiscal discipline.

In the 2024 election, the Botswana Democratic Party (BDP) lost its outright majority after nearly six decades in power to the opposition Umbrella for Democratic Change (UDC). The upset reflected frustrations over economic stagnation tied to the diamond sector slowdown and persistently high youth unemployment. The new administration inherits both challenges and an opportunity: fresh political capital could be leveraged to advance fiscal consolidation and structural reforms, while policy continuity is expected on key diversification initiatives.

Botswana – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	16.7	14.9	18.8	20.3	19.4	19.4	19.4	21.0
GDP Per Capita (Constant-PPP)	USD	16,492	15,135	16,663	17,298	17,552	16,749	14,425	16,542
Real GDP Growth	%	3.0	-8.7	11.9	5.5	3.2	-3.0	-1.0	2.3
GFCF/GDP	%	28.9	27.6	26.4	24.4	25.7	24.5	-	-
Gross Domestic Savings/GDP	%	24.1	15.3	25.2	31.5	27.8	22.6	-	-
Exports (G&S)/GDP	%	37.1	31.3	41.9	43.5	32.2	26.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	62.7	63.0	63.3	63.5	63.6	63.7	63.9	64.0
Old-Age (65+) Population (% Share in Total)	%	3.8	3.9	3.9	3.9	4.0	4.0	4.1	4.1
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-8.4	-11.5	-2.5	0.0	-4.2	-10.3	-7.1	-
Revenue/GDP	%	28.0	27.1	30.6	29.5	28.1	24.4	-	-
Expenditure/GDP	%	36.4	38.5	33.1	29.5	32.3	34.7	-	-
GG Gross Debt/GDP	%	21.5	21.5	23.5	22.3	21.0	22.5	32.6	43.0
GG External Debt (by Creditor)/GG Gross Debt	%	51.2	53.0	39.4	42.4	41.0	42.4	30.0	-
Interest/Revenue	%	2.2	2.6	1.9	2.2	3.1	3.4	3.7	3.9
External Indicators									
Current Account Balance/GDP	%	-6.9	-10.2	-1.7	-1.1	-0.6	-4.7	-7.9	-4.6
FDI, Net Inflows/GDP	%	0.6	0.2	-1.7	3.5	3.8	2.4	-	-
Outstanding FII Liabilities/GDP	%	0.9	0.9	0.7	0.5	0.3	0.4	-	-
NIIP/GDP	%	31.2	40.3	37.9	26.6	26.5	19.9	-	-
Foreign Exchange Reserves	USD Billion	6.2	4.9	4.8	4.3	4.8	4.6	4.9	5.2
Import Cover	Months	9.8	6.4	6.6	7.1	7.3	6.3	6.0	5.8
External Debt/GDP	%	8.6	8.6	7.6	8.0	7.3	8.4	7.7	-
Monetary and Financial Indicators									
CPI Inflation	%	2.8	1.9	6.7	12.2	5.1	2.8	4.5	4.5
Exchange Rate (Average)	LC per USD	10.8	11.5	11.1	12.4	13.4	13.6	-	-
Non-Performing Loans/Total Gross Loans	%	4.5	4.1	3.9	3.6	3.4	3.4	-	-
Private debt, loans and debt securities/GDP	%	38.6	41.9	35.7	31.7	32.2	35.3	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB+/Negative	September 29, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB+	October 03, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

Analytical Contacts

Kiran Kavala

Kiran.Kavala@careedgeglobal.com

Zaakirah Ismail

zaakirah.ismail@careratingsafrica.com

Girisha Algoo

girisha.algoo@careratingsafrica.com

Media Contact

Mradul Mishra

mradul.mishra@careedge.in

About Us

CareEdge Global IFSC Limited (CareEdge Global) is a full-service Credit Rating Agency (CRA) with a mission of **Empowering Global Capital Market Participants Through Unrivalled Insights and Expertise**. As the first CRA registered and authorized by the International Financial Services Centres Authority (India), CareEdge Global is uniquely positioned to provide comprehensive ratings on a global scale. A part of the CareEdge Group, which is a knowledge-based analytical organisation offering a wide range of services in Credit Ratings, Analytics, Consulting, and Sustainability. Established in 1993, our parent company, **CARE Ratings Limited (CareEdge Ratings)**, stands as India's second-largest rating agency.

Disclaimer

This disclaimer applies to each credit rating report and/ or credit rating rationale ('report') that is provided by CareEdge Global IFSC Limited ('CareEdge Global').

Ratings from CareEdge Global are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/ instruments or to make any investment decisions. The report is not a solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CareEdge Global assumes no obligation to update its opinions following publication in any form or format although CareEdge Global may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the investor, user, its management, employees, advisors and/ or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. Therefore, the report is not intended to and does not constitute an investment advice. The report should not be the sole or primary basis for any investment decision. CareEdge Global is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CareEdge Global. CareEdge Global does not act as a fiduciary by providing the rating.

Any unsolicited ratings assigned by CareEdge Global are based on publicly available information as CareEdge Global may or may not have access to documents / information or participation from management of such issuers. While CareEdge Global has obtained information from sources it believes to be reliable, CareEdge Global does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/ or relies on in its reports. CareEdge Global ratings are subject to a periodic review, which may lead to revision in ratings. CareEdge Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CareEdge Global has in place a ratings code of conduct and policies for managing conflict of interest.

Neither CareEdge Global nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents guarantee the accuracy, completeness or adequacy of the report, and shall not have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. CareEdge Global DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CareEdge Global or its associated entities or persons be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

This report does not constitute an offer of services. This report is solely for use in the jurisdiction of IFSCA, GIFT City in Gandhinagar. Without limiting the generality of the foregoing, nothing in the report is to be construed as CareEdge Global providing or intending to provide any services in jurisdictions where CareEdge Global does not have the necessary licenses and/ or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CareEdge Global and the user.

For latest rating information on any instrument of any company rated by CareEdge Global, you may visit our website www.careedgeglobal.com.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CareEdge Global.

© 2025, CareEdge Global IFSC Limited, a wholly owned subsidiary of CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents on an "as-is" basis is permitted with due acknowledgement to CareEdge Global IFSC Limited. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CareEdge Global IFSC Limited.

CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
Unit No. 06, 11 T-2, Block-11, GIFT SEZ, Gift City, Gandhi Nagar, Gujarat – 382355
CIN-U66190GJ2024PLC151103