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Economic Overview

On 17 October 2025, Moody's Ratings downgraded the Government of Botswana's rating by one notch from A3 to Baa1 for both domestic and foreign long-term debt. The main driver for the downgrade was the diamond market downturn which left Botswana facing weakened external reserves, increased government borrowing and economic contraction. The agency further maintained a negative outlook on Botswana's economy to reflect expectations of increased credit risk due to the vulnerable economic structure and lagging diversification efforts.

Annual headline inflation increased from 1.40% in August 2025 to 3.70% in September 2025, falling within the 3-6% objective range set by the BOB. The transport group contributed 1.50% to headline inflation, a sharp increase from its -0.4% contribution in August. This was on the backdrop of an increase in fuel prices effected on the 15th of September 2025. The Food and Non-alcoholic Beverages and Miscellaneous Goods and Services both contributed 0.8%. Within the groups, Insurance and Fruits were the two major contributing sections, increasing by 13.60% and 13.10%, respectively. On the other hand, Housing, Water, Electricity, Gas, and other fuels group exerted downward pressure to the overall inflation, with a contribution of -0.5% in September.

Stock Market Overview

Local equities closed the month in the red by -0.31%, a 0.1% decline from the previous month's 0.48% gain. Accounting for dividends, the total return index (DCTRI) rose by 0.82% compared to September's return of 0.73%. Botata (+2.35% to BWP 0.87) was the month's biggest price gainer, however the price drop from Letshego (-9.25% to BWP 0.95) put the DCI in the red. Market activity decline during the month with total market turnover decreasing by 67.93% to BWP 18.6 million (September 2025: BWP 58 million). Some of the top traders include NAP, contributing 9.57% to turnover value for the month and Choppies contributing 8.43%. During the month, G4S and Turnstar reported their half year financial results for the period ending 30 June 2025 and 31 July 2025, both reporting positive earnings. G4S reported an increase in earnings to BWP 2 million year-on-year compared to loss of BWP 8.5 million on the back of increased revenue and declined cost of services. Turnstar reported earnings growth of 44.02% to BWP 95.2 million year-on-year driven by decreased operating expenses and financing costs. In other developments during the month, the Botswana Stock Exchange informed the market of suspension from trading of Minergy with effect from 15 October 2025 till further notice. The stock exchange stated that trading has been suspended pending the finalization of certain matters which warrant temporary suspension of trading to avoid creation of a false market.

Fixed Income Market Overview

The government issued securities to raise BWP 3.6 billion from the local market with a BWP 3 billion allocation for Treasury Bills and BWP 600 million for government bonds. The funds raised from the October auction were 92.30% of the offered amount, an improvement from 77.40% observed in September 2025. In terms of pricing, the stop out yield average stood at 9.07% and 11.44% for treasury bills and government bonds, respectively. High yields as evidenced by an increase of the stop out yield from 7.18% to 7.95% for the 3-month T-bill further signals a liquidity strain in the market as the government tries to attract funding. Illustrating this market dynamic, we observed a decline of 1.10% in the government bond index over the previous quarter, signaling further credit deterioration.

Monetary Policy Committee (MPC) of the Bank of Botswana (BOB) at its 30 October 2025 meeting increased the Monetary Policy Rate (MoPR) by 160 basis points, from 1.90% to 3.50%. BOB further directed commercial banks not to hike their Prime Lending Rates (PLR). The central bank noted that the MoPR increase was not a shift to a tightening policy, but a market recalibration effort aimed at enhancing monetary policy transmission in the market.

Product Performance

iPRO Botswana Money Market Fund (IBMMF)

For the month of October, our fund delivered a gross return of 1.18%, bringing the rolling 3-month and 12-month return to 3.28% and 9.58% respectively. We continued to outperform the set benchmark, the Average Overnight Call Rate, which delivered a return of 0.14% and 0.55% for the 3-month and 12-month period, respectively.