

FLASH NOTE

Nº 07.2024 | April 2nd, 2024

Positive current account, despite economic difficulties

Positive balances mark the year 2023, however below those of 2022.

A. DESCRIPTION

1| The Current account ended 2023 at USD 4.2 billion (B), a contraction of 64% yoy, which represents the lows of the last two years, still above the average between 2012-15 and 2016-19. The amount represents approximately 4.5% of the Gross Domestic Product, according to BNA data.

Balance of Payments							
USD Billions	2012-2015*	2016-2019*	2020	2021	2022	2023	Var yoy
Checking account	1,991	2,205	872	8,399	11,763	4,210	-64%
Goods	33,096	20,064	11,394	21,787	32,771	21,800	-33%
Exports	57,923	34,421	20,937	33,581	50,038	36,885	-26%
Petroleum Sector	56,539	33,113	19,584	31,838	47,490	34,671	-27%
Diamond sector	1,182	1,119	1,070	1,550	1,946	1,572	-19%
Other Sectors	202	189	283	194	602	642	7%
Imports	24,827	14,357	9,543	11,795	17,267	15,085	-13%
Current Consumer Goods	14,686	8,648	5,866	7,343	11,814	9,543	-19%
Intermediate consumer Goods	3,683	1,625	1,294	1,523	1,956	1,854	-5%
Capital Goods	6,458	4,084	2,383	2,929	3,498	3,689	5%
Services	-20,602	-10,473	-5,536	-6,957	-11,215	-8,515	-24%
Exports	1,258	695	67	94	82	76	-8%
Imports	24	29	9	15	19	23	20%
Primary Incomes	1,173	608	16	22	20	8	-62%
Entrance	61	59	42	57	43	45	4%
Exit	21,860	11,168	5,603	7,050	11,297	8,591	-24%
Secondy Incomes	5	2	2	2	1	5	299%
Entrance	69	94	22	71	91	22	-76%
Exit	4,692	3,166	2,044	2,558	3,627	2,793	-23%
Capital and Financial Account	-2,705	-1,248	437	-3,300	-8,839	-4,915	-44%
Balance of Payments	-760.8	-1,007.4	-3,365.5	134.0	997.0	911.4	-9%

*Average between Periods

Sources: BNA, cálc. BFA

B. ANALYSIS

1| The goods account continues to support the positive results of the current account. For the year 2023, the balance of goods amounted to USD 21.8B. The oil sector (which includes crude, refined oil, and gas) continues to concentrate a large part of exports, around 94%, followed by the diamond sector with 4% and other sectors with 2%. In absolute terms, oil exports stood at USD 34.7B, which makes a drop of around 27% yoy – this was due to the decrease, both in terms of volume and price, that occurred in 2023. Crude oil exports decreased to USD 31.4B (about -22% yoy), with the

volume contracting by 2% and the price even more, i.e. 20% yoy; refined products stood at USD 430.3Million (M), recording a decline of 26% in volume and 22% in price; even with the 6% increase in its export volume (from 39 to 42 thousand barrels), gas recorded the biggest drop in revenue with about 56% yoy to USD 2.8M, strongly affected by the decrease in price by 59% yoy.

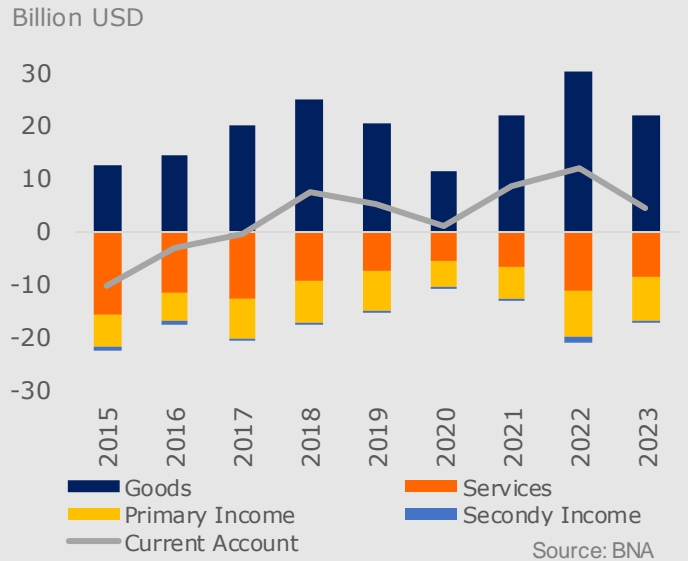
According to ANPG data, last year oil production was 1.09 mbd, which represents a drop of about 4% compared to 2022. Production stoppages in certain blocks, as well as the lack of major investment projects with the potential to reverse the proportion of natural decline in production last year, had a major impact on production volume, pushing it down. Similarly, geopolitical tensions, recession risks in major economies and uncertainties in terms of demand and supply weighed on the price of black gold.

Non-oil exports stood at USD 2.2B, a reduction of 13% compared to 2022; of these, the diamond sector recorded a decrease of 19% YoY (from USD 1.9B to 1.5B) affected by the sharp reduction in price, 29%. There was, however, a 14% increase in volume, explained by the favorable performance of industrial diamond production (especially the Luaxe and Tchegi mines, during the first quarter), according to INE data. Exports of products outside the oil sector saw their percentage increase from one year to the next, about 7% yoy. Although still of little significance, exports of these products have grown in the last two years.

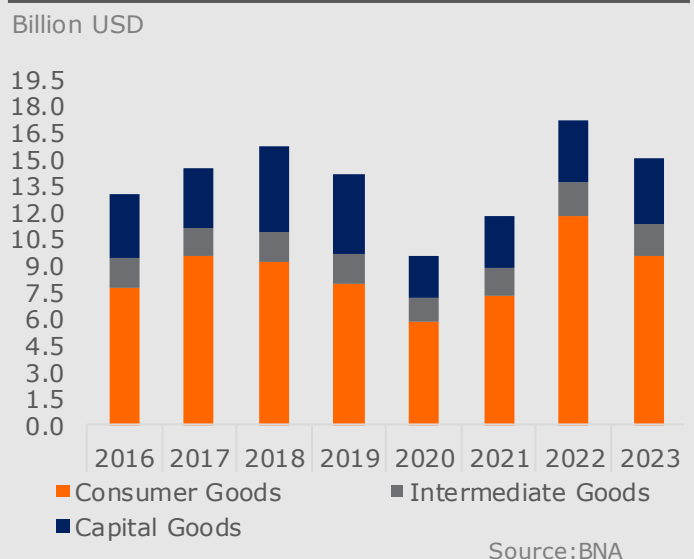
2| Imports of goods had a contrary movement compared to the previous year, having decreased to USD 15.1B in 2023 (about -13% yoy). Imports of current consumer goods, which constitute most purchases of goods abroad, decreased by USD 2.3B, a drop of 19% yoy. Similarly, imports of intermediate consumer goods decreased by USD 102.2M (-5% yoy). Meanwhile, imports of capital goods increased by 190.9M. According to data from the BNA, food products represented, on average, 14% of the total, while fuels accounted for 21%, and 65% relate to other imports that include mechanical instruments, motor vehicles, beverages, and other goods.

3| The Services Account decreased by 24% to USD 8.5B. Imports of services stood at USD 8.6B, a reduction of 24% yoy, to which almost all sectors contributed. Exports of services continue to be underrepresented, having even decreased from one year to the next. Only USD 75.8M were exported, compared to USD 82.2B in 2022 (about -8%), with the transport sector registering an increase of 20% yoy, and a 62% reduction in Travel.

Current Account Balance peaked in 2022, but decreased significantly in 2023



Import increase interrupted in 2023



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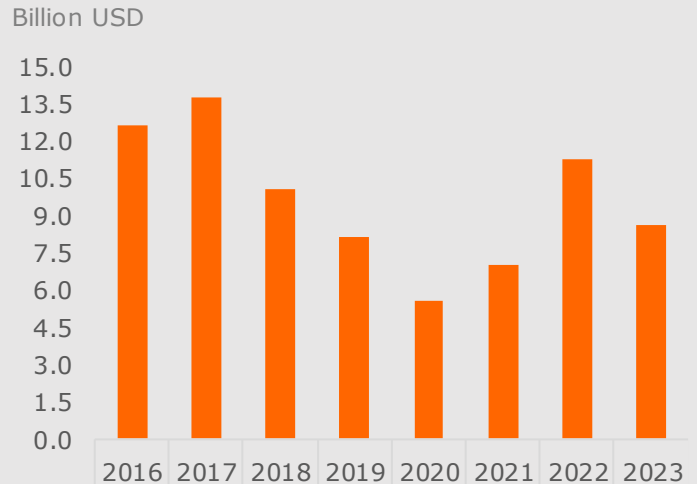
4| The Primary and Secondary Income Accounts remain on the deficit trend, however, lower than in 2022.

The primary income account (which includes transfers related to interest, profits, and wages) saw the deficit decrease from USD 8.7B in the same period of the previous year to USD 8.6B. We find that interest outflows have gradually increased over the years, with special emphasis on the last year, where this value amounted to USD 4.5B.

5| The Financial Account stood at USD 4.9B, while the Capital Account remained insignificant.

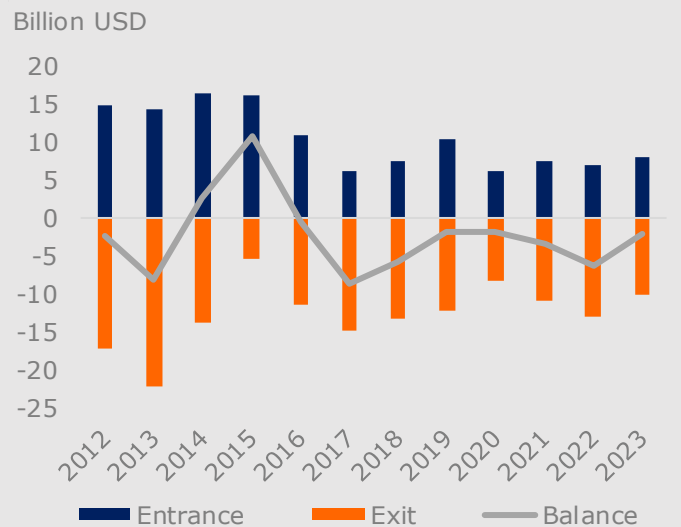
The negative balance of the financial account was due, among other factors, to the decrease in the stock of direct investment, and even more so to the decrease in portfolio investments. The FDI balance in Angola for 2023 was USD -2.1M, thus strengthening the negative trend that has been observed since 2015. It should be noted that almost 97% of the total foreign investment attracted since 2012 is in the oil sector. **The international investment position became less negative, reducing the deficit by around 6% yoy to USD -20.9M.** We have noticed large debt repayments in recent years, with the loan account having been almost always negative since 2017, illustrating more amortizations than new disbursements. In 2023, the balance of this account was the lowest ever, due to a greater impact on debt service, influenced by the removal of the moratorium that had been extended since 2020, at the time of the pandemic. About USD 9.6B was spent for debt amortization, with the largest installments being paid between Q1 and Q2, justifying the absence of the National Treasury in the foreign exchange market during the period. The external debt of the Angolan economy in 2023 was USD 49.6B, the lowest value in the last 3 years, and the largest creditor continues to be China with about 36%, followed by Great Britain, with about 27% (but which includes Eurobonds as they are securities registered in that jurisdiction) and International Organizations, with 11% of total debt.

Import of services has decreased by only 10% in the last 5 years



Source: BNA

FDI balance remains negative, reflecting external disinterest in the Angolan economy



Source: BNA

C. CONCLUSION

1|The performance of the external accounts will depend on the development of the national and international situation. As we have been saying, we expect a positive performance of the Oil Sector, due to the new production that is expected for this year; likewise, we expect an increase in the Diamond Sector, considering the investments that have been made, and the entry of several national and foreign companies in the sector. There will probably be a downward movement in imports, caused by the depreciation that we still expect to happen throughout 2024, by the lagged impact of the depreciation that occurred in 2023 and by the entry into force of the new customs tariff, mainly due to the changes made in terms of foodstuffs; Conversely, the debt service forecast for this year will continue to be quite significant. In the international dimension, the geopolitical tensions that have been predominant in the last two years, accompanied by uncertainties in terms of oil supply and demand, are events that may influence the performance of the external accounts, by influencing the price of Brent.

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