

FLASH NOTE

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Angolan economy grew 0.9% in 2023

GDP grew 1.4% yoy, with a positive performance in 11 sectors.

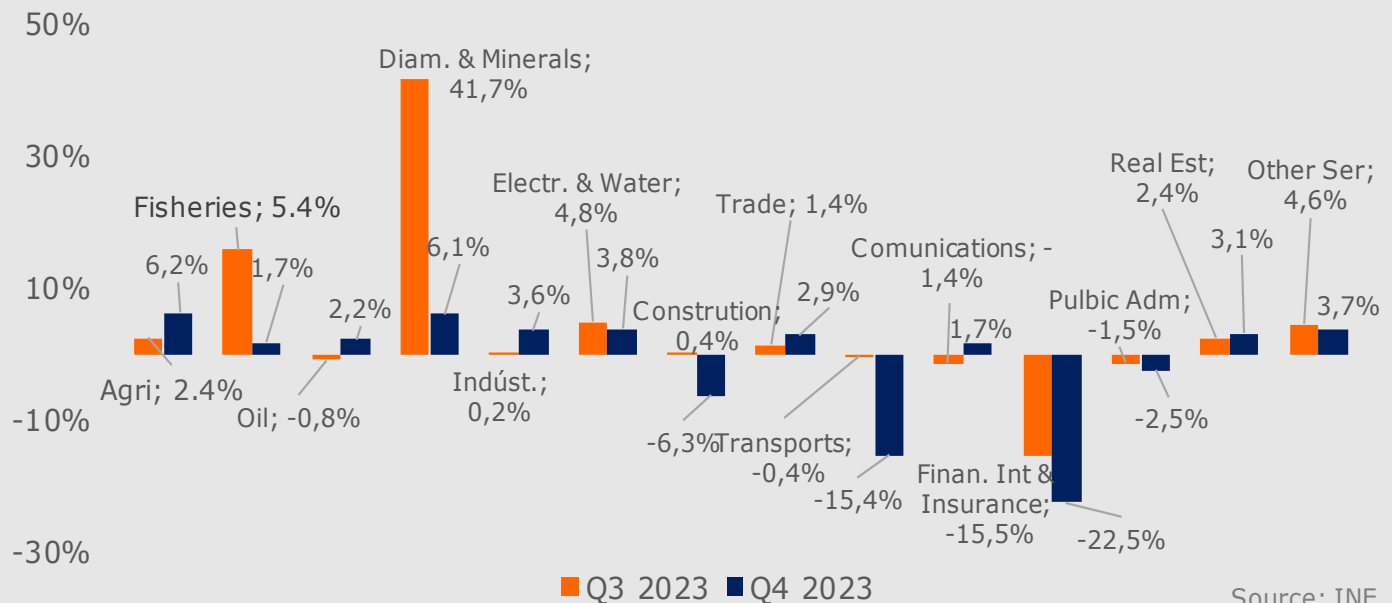
A. DESCRIPTION

1| Gross Domestic Product (GDP) grew by 0.9% in 2023, which is in line with our outlook, between 0.5%-1%. This slight growth is justified by the declines in the oil economy, which decreased by 2.4% last year, as well as by exchange rate shocks and sharp depreciation that negatively impacted the functioning of the non-oil economy, with greater intensity over the 1st half of the year, making its growth stand at 1.9% (about -3.20 percentage points (pp) when compared to 2022).

2| In the 4th quarter, economic activity expanded by 1.4% year-on-year. The non-oil sector recorded the largest increases in the activities of Agriculture (+6.2% yoy) and the mining sector (+6.1% yoy). On the other hand, the sector that recorded the greatest contraction was "Financial Intermediation and Insurance" (-22.5% yoy). On the other hand, after four quarters of consecutive declines, the oil sector returned to growth, with activity increasing by 2.2% yoy, adding 2.5pp to the GDP growth rate.

Oil breaks downward trend, while Diamonds and Minerals sector registers strong deceleration

Year-on-year change in percentage



B. ANALYSIS

1| The non-oil economy settled at 1.2% yoy in Q4. This is a year-on-year growth rate 1.1pp below that seen in Q3 2023 because of slower growth in the diamonds and minerals sector, fisheries and contraction in the transport sector. The slowdown in the non-oil economy is in line with our expectations, justified by the continued rise in prices and the "remaining" exchange rate impact. Although there has been relative stability during the last two quarters, there are still two ways of impacting the economy: on the one hand, the impact on inflation is lagged and prolonged over time; On the other hand, in part of this period there was some shortage of foreign exchange, which has negative effects on economic activity.

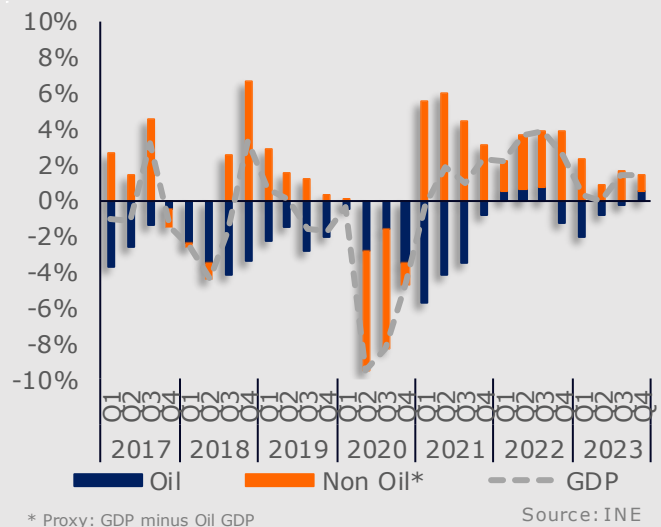
Trade, the largest sector of the economy after oil, grew 2.9% in Q4, an acceleration of 1.5pp compared to the 1.4% recorded in the previous quarter. According to INE, there is greater availability of products in the market, because of the increase in the production of agricultural, fishery, manufactured goods and a higher volume of imports. This movement is confirmed by the evolution of imports, which increased by 4% yoy in Q4, after contracting in the previous quarter. Imports of current consumer goods, which account for more than 50% of total imports, grew by 14%.

Construction saw a sharp drop of 6.3%yoy, around -6.7pp when compared to the previous quarter. INE explains that this variation was due to the drop in the production of construction materials. This movement is in line with the significant increase in the prices of Construction material goods, which grew by an average of 2% in Q4, compared to 1.6% in Q3. Among the products that varied the most, "Cement and Binders", "Steel" and "Wood and Plywood" stand out.

The Diamonds & Minerals sector grew by 6.1% yoy, adding 0.7pp to the total GDP change. According to national accounts data, there has been an increase in the extraction of diamonds, salt, and rocks. The good performance of the sector is in line with the evolution of exports: there was an increase of 22% yoy, explained by the increase in production volume. Part of this movement can be justified by the positive performance of the Lulo mine, which proved to be a prolific producer of large diamonds, but there was also a greater demand that allowed it to collect more revenue.

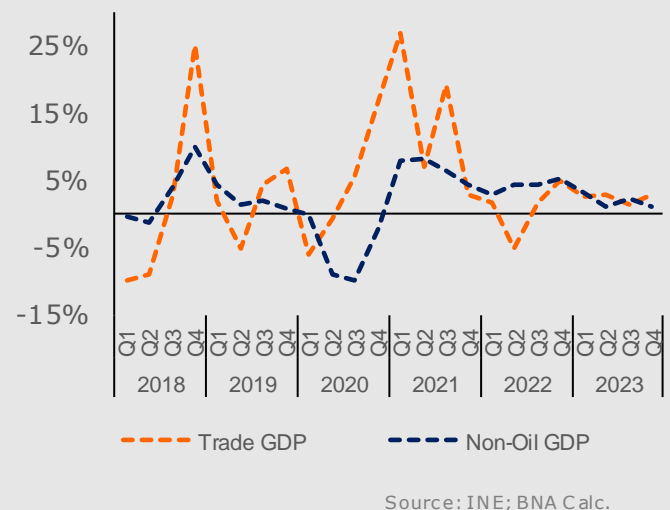
Non-oil economy recorded year-on-year growth of 1.2% in Q4 2023

Yoy variation; Contribution to year-on-year change



Trade accelerates slightly, resulting from increased imports

Yoy variation



It should be noted that the mining sector, which is mainly composed of diamond activity, is one of the most volatile. Even so, there are some factors that can make the positive evolution that has been noted

in the sector lasting: the increase in the expected production of several mines, both due to the expansion of extraction areas and the greater investment in technology and equipment; the conclusion of new concession contracts and the entry of new companies in the sector; the increase in demand for precious stones, in the case of diamonds.

The Fisheries sector maintained the growth trend, 1.7% yoy in Q4, but below the 15.9% yoy in Q3. The slower growth was driven by the decline in the performance of industrial and semi-industrial fisheries and the decline in the catch of sardines, which accounted for 35% of total catches. At the same time, artisanal fisheries have seen an increase in vessels and improvements in sample coverage and the quality of data collection at key collection points.

Finally, the Agriculture and Forestry sector grew by 6.2%, contributing with 1.4pp to the total GDP change. This movement was due to the increase in the production of agricultural crops and livestock products. The last agricultural year was characterised by satisfactory levels of production and an overall growth of 6.6% (compared to 5.6% in the previous year); In the field of livestock, there was an increase of 6.9%. In all, 10 sectors grew positively this quarter.

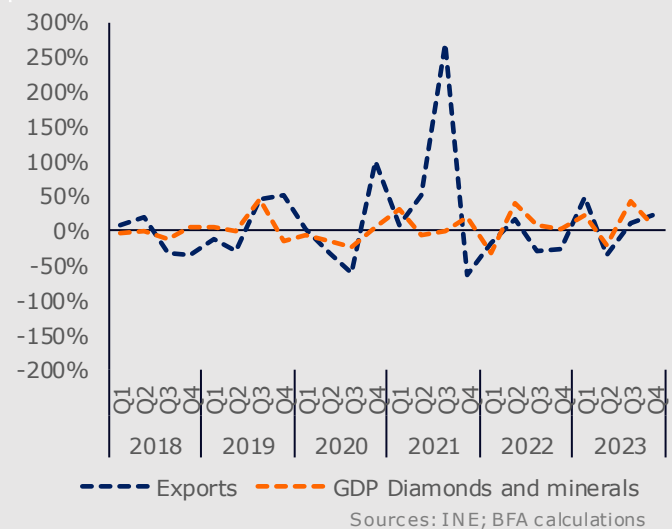
2| The oil GDP grew again, after 4 consecutive quarters of decline. This growth, although slight, was in line with our expectations, especially considering that oil exports grew by around 0.1% in Q4 2023 compared to the previous quarter. The data collected by the ANPG show that the average production of crude oil was 1.11mbd.

3| We believe that economic activity will maintain the trend of moderate growth in 2024, however some factors condition and deserve some attention. See:

- **Growing oil sector** - we expect a good performance of the oil sector, resulting from investments that have been made in recent years; we highlight the production increases foreseen in Block 15, as a result of the redevelopment plan, the first fruits of which were observed at the end of 2023 and in Block 17 with the implementation of phase 3 of the CLOV project scheduled for the second half of that year. It should be noted that oil production in January and February was 2.2mbd, 4% higher than in the same period of 2023.
- **Growth in sectors less affected by the exchange rate loss** - we expect a steady increase in the agricultural, fisheries, industry, and energy sectors, which over time have recorded successive

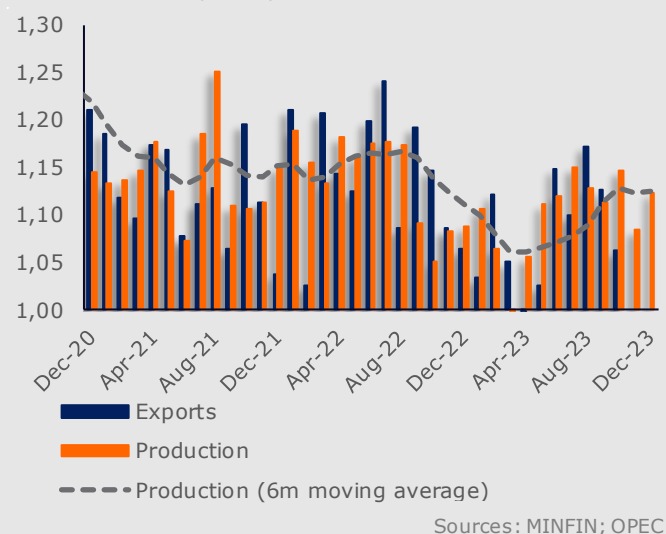
The Diamonds & Minerals sector slows to 6.1% in the year, but exports grow 22%

Real year-on-year variation



Q4 oil production grows about 4%

Millions of barrels per day



increases because of the fixed demand for these products. Meanwhile, other sectors may be affected by greater or lesser difficulty in accessing the availability of foreign exchange.

- **The price of Brent and foreign exchange logistics** – the reference value of Angola's exports, recorded sharp increases at the beginning of the year. The average price of a barrel for the reference period increased by 3% and is currently trading close to USD 91 (with the possibility that it will reach USD 100, valued by some market participants). This movement in the price level can generate a fiscal and exchange rate slack, with a higher revenue from oil companies capable of relieving, to a certain extent, the pressure on the national currency and creating a greater availability for public spending - remember that the State Budget has a reference price of USD 65. We also expect greater availability of foreign exchange as a result of the negotiation with the China Development Bank, from which it is intended to release about USD 150-200 million monthly in liquidity for Treasury management; The oil companies themselves will be able to sell more foreign exchange as a result of the price increase.
- **The impact of inflation** – we continue to forecast continued increases throughout the first half of the year, followed by a slowdown by the end of the year. For now, the price levels of products have grown as a whole; the CPI accelerated again in February (+2.6%), extending the year-on-year to 24.1%, the highs of May 2022. The GPI also accelerated in February (+3.0%), of which 2.2pp relate to imported products and 0.8pp to domestic products, with year-on-year wholesale price inflation registering 29.9%. Finally, the prices of construction materials also continue on their upward trajectory: they are growing by 21.9% compared to the previous year, strongly influenced by the increase in the prices of cement, synthetic products, wood and plywood, by 41.6%, 15.0%, 20.7%, respectively.

Monetary policy asserting itself – the recurrent tightening aimed at tightening monetary policy is still affecting only short-term rates, in the financial markets and not on the real economy. For example, customer lending rates have not risen very significantly in recent months, according to our assessment. Taking into account this aspect and the continued rise in inflation, we may feel a worsening of this monetary policy that ensures a real restrictive effect on the economy, with the aim of taming price variations.

In general, there is still a feeling of uncertainty among economic agents, especially considering that the performance of the Angolan economy seems to be dependent on factors with a strong exogenous bias to the economy itself, such as the price of Brent, and political decisions regarding issues such as the reform of fuel subsidies. Last year's exchange rate shock and the possibility that it will occur again in the short term, largely due to the asymmetry of information, remain in the minds of consumers and entrepreneurs.

C. CONCLUSION

1| As expected, there was a slight slowdown compared to Q3, -0.3pp, with strong decelerations in several sectors. The mining sector, which is largely responsible for the good result of the Q3 GDP, recorded the biggest deceleration, while the agriculture, industry and mining sectors increased the result. With the slowdown of the non-oil economy, oil production was responsible for dragging up the national economy.

2| We forecast GDP growth in 2024 to be between 1.9%-2.4%, with a higher contribution from non-oil GDP, although we expect good results from the oil sector as well. We expect higher growth from Q2 onwards as a result of the greater availability of foreign exchange, in addition to good winds blowing the black gold market and will certainly bring positive results to our economy; on the non-

oil side, we also expect good results, in the Trade sector with maintenance and possible increase in imports and in the mining sector due to the investments we have been following, although there is still uncertainty regarding the withdrawal of subsidies and their impacts on inflation.

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