Economic Research Unit
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao

FLASH NOTE

Nº 10.2024 | May 31, 2024

New tariff schedule comes into force with increases

Changes aim to increase national production, but may impact prices

A. DESCRIPTION

1| The new tariff schedule, published on January 3, has been in force since April 3, which revokes Presidential Legislative Decree No. 10/19 of November 29, 2019. The updating of customs categories and tariff duties, arises from the need to adapt la the seventh revision of the Harmonized System Nomenclature (HS), which constitutes the 2022 version of the HS, depending on technical evolution and the needs of international trade.

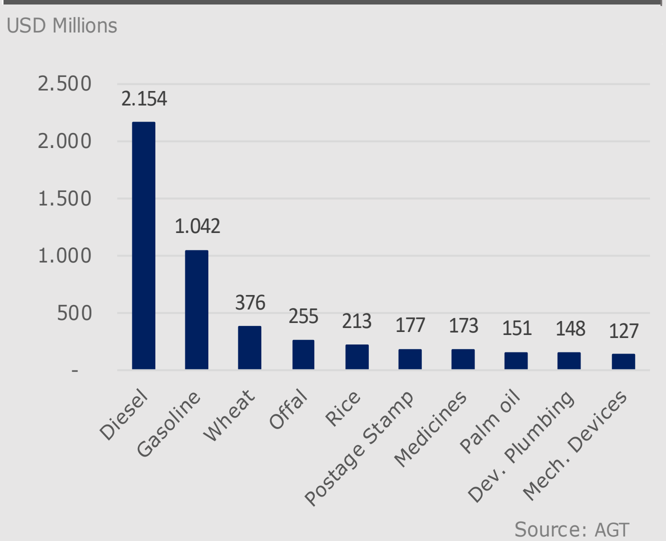
2| The Executive appears to want to encourage national production by making imports of various types of goods more expensive, in particular consumer goods such as rice, palm oil and cane sugar.

B. ANALYSIS

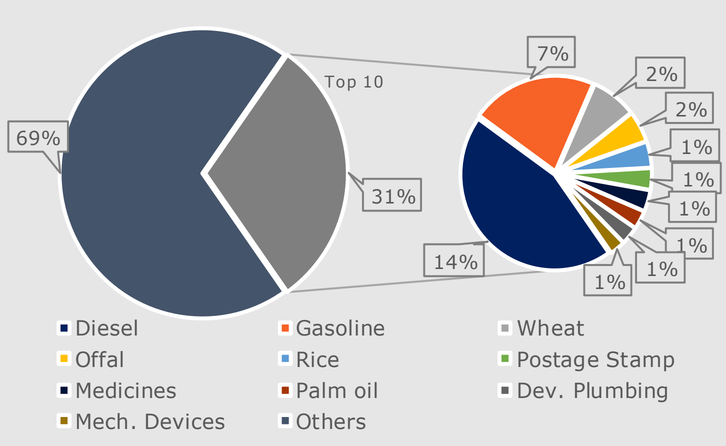
1| The new document includes a set of changes that reflect the Angolan state's intentions to maintain the course of commercial policy through import duty rates and other aspects of international trade. The new agenda includes the exemption of many import goods, but on the other hand it brings higher rates for several goods; in the medium term, it could lead to greater national production of several of these goods; however, in the short term, the increase in rates should influence increasing prices for these goods, which could also bring additional inflationary pressures.

We looked at the most imported products, according to AGT data, to note the direction of change in customs fees with the greatest impact:

Petroleum products lead the top 10 products that were most imported in 2023



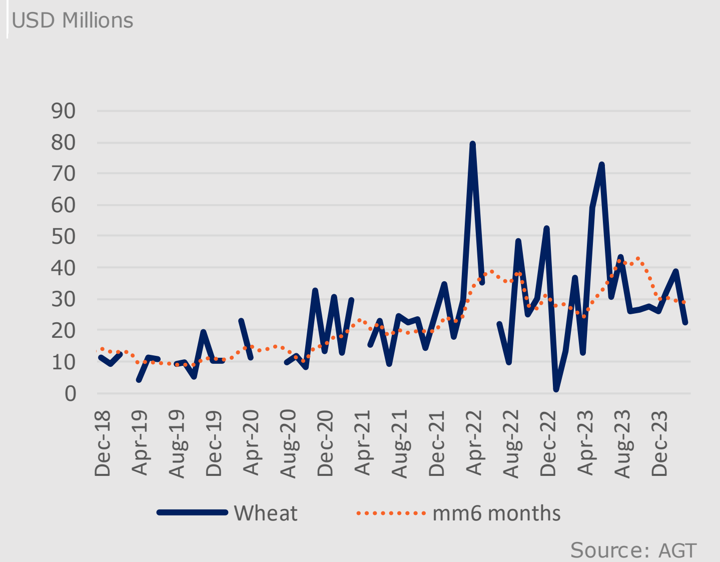
Medicines are part of the most imported products in 2023



Economic Research Unit
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao

Firstly, wheat, which continues to be a good with significant imports (USD 377 million in 2023, just below the USD 384 million in 2022), remains a free transit good, that is, exempt from any import duties. For context, note the evolution of wheat imports in recent years in the graph alongside.

Wheat in first position among imported non-oil products

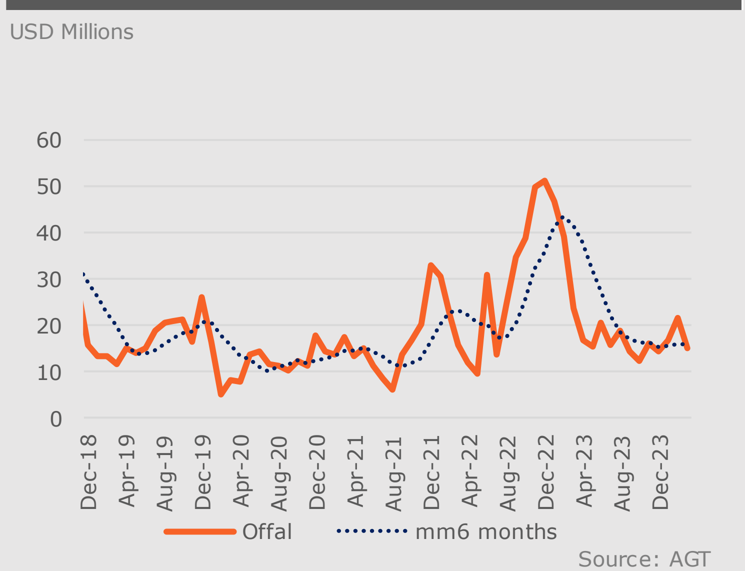


Next, we have poultry meat and offal which continue to be imported at a rate of 10%, except for the subcategories "back, neck…" and "others", which saw their import duties increase from 10% to 50%. Imports contracted significantly, going from USD 334.7 million in 2022 to USD 255.2 million in 2023.

Closing these 3 goods we have rice, which registered significant changes in its import duties, going from a free transit good to a good with import duties of around 20%. In 2023, rice imports totaled USD 213.1 million, below the USD 342.3 million in 2022 - a contraction of around 37.7%.

2| Despite the maintenance of many exemptions, we note that the current agenda includes relevant increases in import duties, clearly enunciating the tightening of commercial policy. Some goods that registered significant increases:

Imports of offal ended 2023 at USD 26 million, below the USD 57 million in Dec/2022



- Palm oil saw an expansion in its import duties from 10% to 40%. In 2023, USD 150.8 million worth of palm oil was imported, 53.9% less compared to 2022.
- Cane sugar continues to be a significant import (USD 101 million in 2023, below the USD 144 million reached in 2022), with an increase in its duties: from 10% of the previous tariff to 30% in this new tariff.
- Milk registered a very significant increase in its import duties – currently 40%, up from the previous 10%. Specifically, milk and its derivatives are subdivided into two categories: milk and cream in category 0402 (imports of around USD 67 million in 2023, well below the USD 87 million in 2022); and goods in category 0401 (USD 8 million in 2023, down from USD 10 million in 2022).
- Aluminum waste and residues (with imports in the order of USD 72 million in 2022 to USD 85 million in 2023) went from being exempt to being taxed at 50%.
- We also highlight some other goods with less relevant import levels that also registered important increases in their import duties: aluminum bars and profiles now have import duties

Economic Research Unit
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao

of around 40%, up from the previous 30%; and iron-based products in categories **7201[1], 7202[2], 7203[3], 7205[4] and 7206[5]** registered changes in their duties, going from free to 2%.

Other goods registered declines, but not as sharp:

- Passenger cars, category 87032219[6], saw their import duties reduced from 10% to 5%. Imports in this category were around USD 124 million in 2023, up from USD 117 million in 2022.
- Passenger cars, in the category 87032449[7] (USD 88 million in 2022 to USD 95 million in 2023), registered reductions in their import duties from 30% to 15%.
  We highlight some goods that registered significant drops in their import duties, however, they are not products with such relevant imports: shoes now have import duties in the order of 5%, mostly, below the 10% - 20% of the previous tariff; and goods in category 7905 and 7907, zinc plates, sheets and strips and other zinc works, registered reductions in their duties – currently 10%, well below the 30% in the previous tariff.

There are also a series of goods of relevant import size that have not registered changes in their import duties:

- Petroleum products remain subject to import duties of around 2%.
- Postage, tax and similar stamps remain free transit goods.
- Medicines remain free.
- Instruments and apparatus for medicine, free.

In addition, the following changes are also observed:

- Change to the UCF as a measure to determine the amount of taxes, fines and interest to be paid based on monetary values: with the new tariff, taxes, fines or fees are expressed in Kwanzas, without the use of any correction unit;

- Change in the quantities of some goods for personal use, such as:
  - from 400 (four hundred) cigarettes or 500 (five hundred) grams of tobacco of net weight, or 100 (one hundred) cigars, or an assortment of these products whose net weight does not exceed 500 grams,
  - to 200 (two hundred) cigarettes or 250 (two hundred and fifty) grams of tobacco of net weight, or 50 (fifty) cigars, or an assortment of these products whose net weight does not exceed 500 grams;

- Regarding types of guarantees, the regional customs transit guarantee is now considered.

C. CONCLUSION

1| In fact, the tightening of trade policy could stimulate national production in some goods with relevant increases in their rates. Import duties on several goods were changed, most notably rice, which went from a free transit good to a good with import duties of around 20%. In our opinion, with the continued management of trade policy and due monitoring of goods whose rates have

[1] Raw cast iron and spiegel iron
[2] Iron garters
[3] Ferrous products obtained by direct reduction of iron ores […]
[4] Waste and scrap, and scrap, of cast iron, iron or steel […]
[5] Iron and non-alloy steel
[6] Passenger cars/With engine capacity greater than 1000 cm^3 and less than 1500 cm3/ New/Others
[7] Passenger cars/With an engine capacity greater than 3000 cm^3/ New/Others

Economic Research Unit
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao

increased significantly, the possibility of more competitive national production in the medium term cannot be ruled out. However, exchange rate policy is not the only determinant of production; the evolution of production will naturally depend on other factors. Even in the case of positive developments, it is expected that this impact will generate an increase in production in the medium term; In the short term, some impact on prices is quite possible and expected, influencing inflation and then a contraction in the quantities of imported goods in response to this price increase. Finally, it is possible that due to this impact of reduction in imports it could have a positive impact on the exchange rate, but this seems less relevant to us than other factors that affect the foreign exchange market at this time.

Economic Research Unit
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao