

FLASH NOTE

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GDP records the highest year-on-year growth since 2015

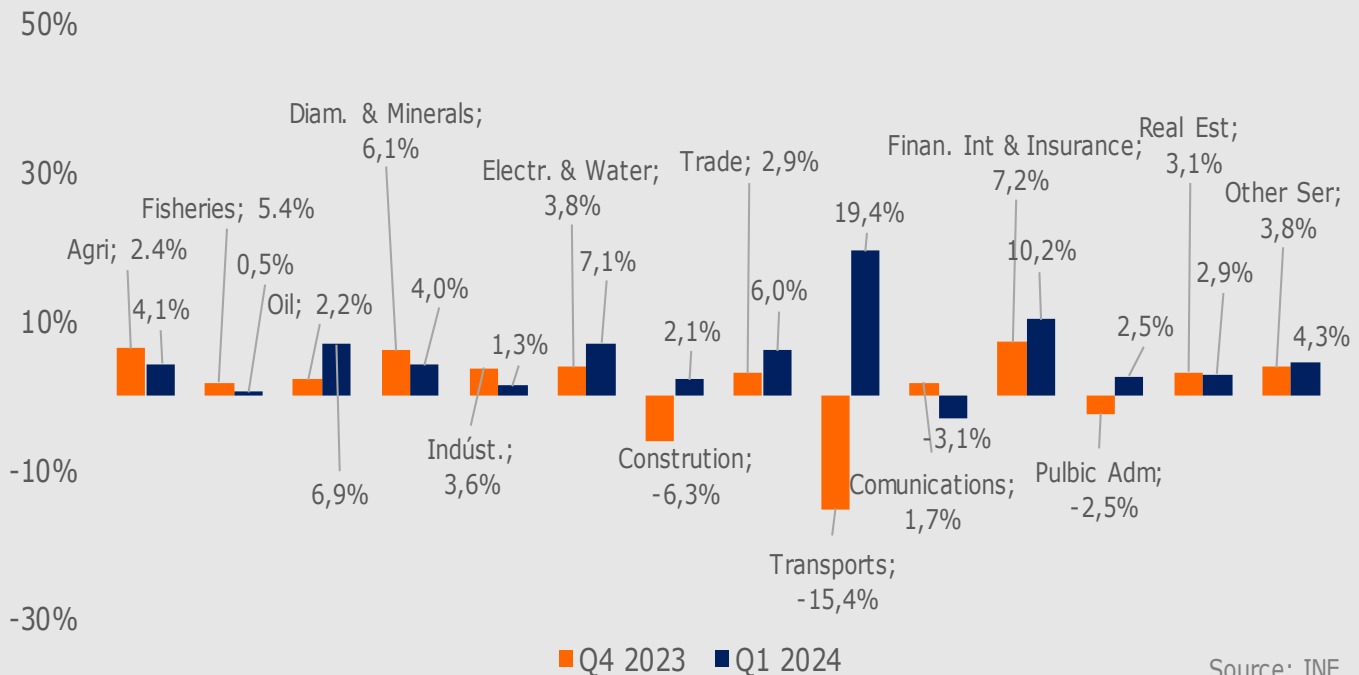
Oil sector drives GDP growth

A. DESCRIPTION

1| In the first quarter of 2024, Angolan GDP expanded by 4.6% compared to the same quarter in 2023. By growing 6.9% yoy and registering the highest level of growth since Q3 2015, the oil sector added 1.6 percentage points (pp) to the general GDP growth rate. The non-oil economy grew 3.9% yoy, the highest since Q1 2023 and added around 3.0pp to the economy's overall growth rate.

Oil sector drives economic growth; Communications is the only sector in decline

Year-on-year change in percentage



2| The non-oil economy has grown resiliently and has now seen improvements in almost all sectors. The Transport (+19.4% yoy), Financial Intermediation & Insurance (+10.2% yoy) and Oil Extraction and Refining (+6.9% yoy) sectors showed higher growth levels than the others, while the Communications sector (-3.1% yoy) was the only one that recorded declines.

B. ANALYSIS

1| In Q1 2024 the non-oil economy grew 3.9%, an acceleration of 3.0pp compared to the previous quarter - this is the highest level of growth since the last quarter of 2022. The robust growth of the non-oil economy was boosted, in part, due to the 6.9% rise in the oil economy,

which recorded the highest level of growth since Q3 20215, largely due to the comparison effect, as in the same quarter of the previous year there was an 8.0% yoy drop in GDP Oil.

Trade, the largest sector of the economy after oil, grew 6.0% in the first quarter of 2024, an acceleration of 3.1pp compared to 2.9% recorded in the previous quarter. According to INE, this growth was justified by the increase in the production of agricultural, fishing, manufactured and imported products. On the other hand, there was a drop in purchases of current consumer goods from abroad, measured in Dollars, by 27.6% yoy.

Construction accelerated 8.4pp qoq to 2.1% at the beginning of 2024. This variation was due to the increase in the production of construction materials which, according to INE, are the main indicators of the sector. This behavior is also in line with the increase in imports of construction and construction materials, which grew 14.3% yoy.

The Diamonds & Minerals sector grew 4.0% yoy in Q1 2024, a slowdown compared to the 6.1% in the last quarter of 2023. The continuation of growth met our expectations as data on diamond exports already signaled growth of 28.7% yoy in the first quarter. Meanwhile, export volume was sold at an average of USD 145.4 per carat in Q1, slightly below the USD 167.4 charged in the same quarter of the previous year.

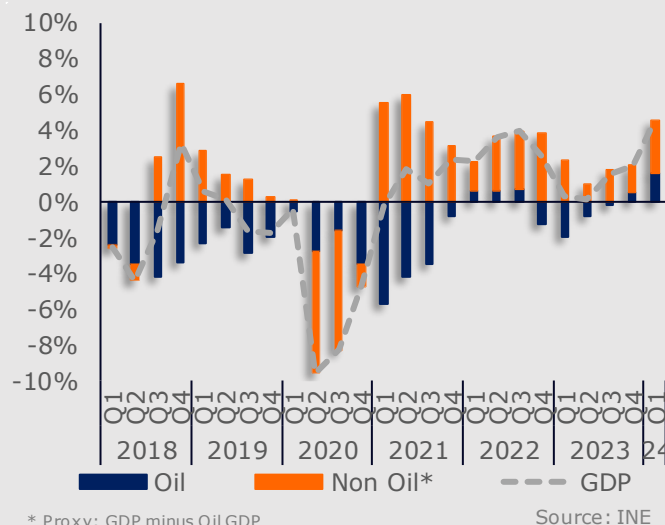
The volatility in the sector's economic activity makes it very difficult to predict future performance. Despite this, current data also suggests a positive trend for the sector's growth, driven fundamentally by the extraction of diamonds and which occurs even considering the various investments in other minerals, which are still in the initial stages of operation. Even so, data from the last few months of diamond production are positive. This growth is possibly due to the start of operations at the new Luele mine, in November 2023.

The transport sector saw its performance accelerate 34.8pp to 19.4% in Q1, adding 0.7pp to the overall GDP growth rate. According to INE, this increase is justified by the increase in the number of passengers transported in the main branches of the sector, which account for more than 90% of the sector's activity. The sector's growth is notable: if we combine the last 4 quarters and compare with the same period 2 years earlier, transport activity grew 31%, more than any other sector.

The Agriculture and Forestry sector grew just 4.1% yoy, a slight slowdown compared to the 6.2% yoy in the immediately previous quarter and contributed 0.2pp to the total GDP

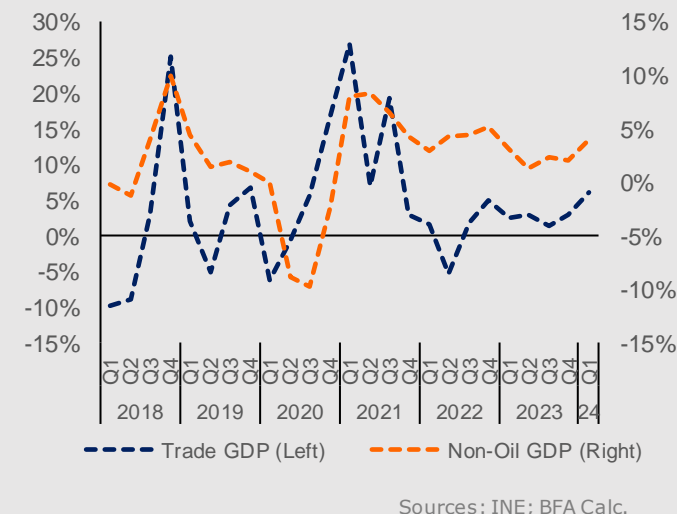
The non-oil sector accelerates again and records highs since the end of 2022

Yoy variation; Contribution to year-on-year change



Trade accelerates slightly, due to increased production

Yoy variation



variation. Note the constant growth of the sector, whose activity increased for the 22nd consecutive quarter.

The only exception to the growth of almost all sectors was the Communications sector, which saw its activity contract 3.1%yoy, -4.8pp compared to the previous quarter. This decrease was due to the reduction in production of Telecommunications Tariff Units.

In general, the growth of the non-oil economy may lead us to review the growth forecast for 2024, but we will need to evaluate the evolution in the Q2, particularly considering the relevant impact of the currency shortage that existed in the period, which will still be in effect in part in the 2nd semester, and delays in Treasury payments in some sectors, such as Construction.

The high-frequency indicators we monitor indicate a slowdown in the trend and anticipate a slowdown in economic activity in the second quarter. Our private transactions indicator, based on EMIS data, shows a slowdown in real growth from 7.9pp to 3.9% in Q2 and private sector deposits in domestic currency grew by just 2.5% in annual real terms, very down from the 9.1% and 9.5% recorded in Q1 2024 and Q4 2023, respectively.

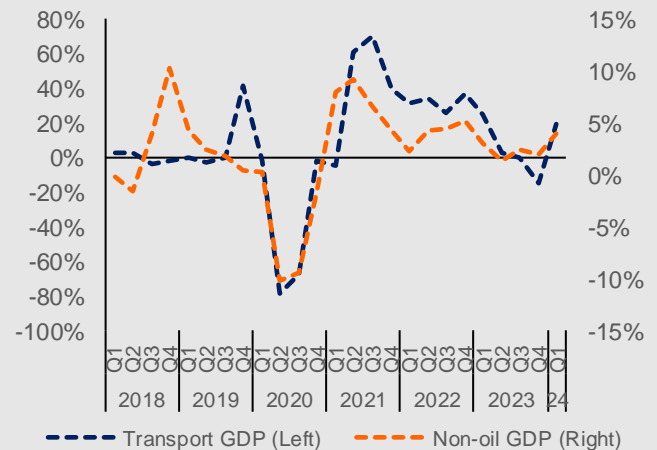
2| The oil economy grew 6.9% in Q1 compared to the same period last year, registering the highest level of growth since Q3 2015, when it reached 8.1% yoy. ANPG data, which showed an increase in crude oil production of 7.5% yoy, already anticipated a growth in oil sector activity of the same order. It should be noted, however, that the significant increase in production in this quarter is largely due to the effect of comparison with the same quarter of the previous year – in Q1 2023, there was a normal performance in oil production, due to the stoppage of production in the Dália field, in Block 17, for maintenance, for 35 days. Still, the oil economy grew 2.1% also when compared to Q4 2023.

3| When we look at the coming quarters in non-oil economic activity, we anticipate a continuation of sustained growth, albeit with a slowdown – possibly temporary – already in Q2 2024. Let's look at some factors that could influence economic activity in this direction:

- **Growth in the volume of crude oil production, which translates into an increase in oil GDP** - the effects of the planned investments concentrated in Block 15, resulting from the

Transport accelerates after two periods of consecutive declines

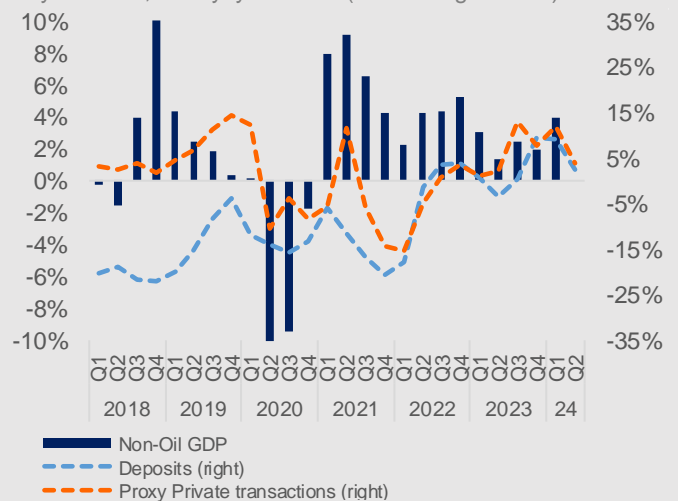
Yoy variation



Sources: INE; BFA Calc.

High-frequency indicators signal slowdown in non-oil activity in Q2

Yoy variation; Real yoy variation (decoupling inflation)

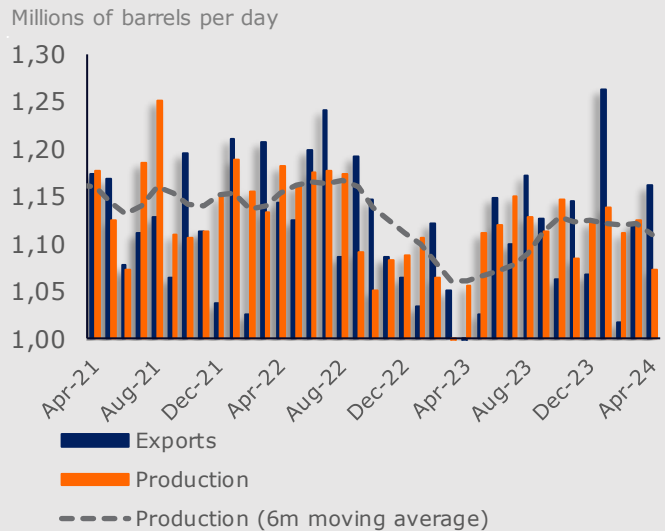


Sources: INE; BNA, EMIS and BFA calc.

redevelopment plan, the first fruits of which were observed at the end of 2023, among other investments, they can have an impact on greater capital flows entering the economy, such as the need to provide services to oil companies.

- **The trajectory of the Brent price** – the price of a barrel of Brent oil, a reference for Angolan exports, has averaged USD 80 since the beginning of the year. According to data from Bloomberg, the Brent Crude Oil 15-45 Day Forward Strip Price/Angola, an indicator with behavior in line with the MinFin average oil price, averaged USD 85.2, +9.7%yoy, and the average MinFin oil price is expected to be between 81-84 USD, above the USD 65 OGE reference price, potentially improving the exchange rate and fiscal situation.

Oil economy recorded annual growth of maximum 6.9% since 2015



Sources: MINFIN; OPEC

Meanwhile, it is important to consider that there are other indicators that have the potential to push the economy in a more negative direction:

- **Rising prices continue to be a very relevant indicator – monthly inflation was 2.5% in May and this year it accelerated to 30.1%.** In relation to the month of April, this is a slowdown of 0.1 percentage points. The gap between Luanda and National inflation continues to grow and is currently at 11.4pp, signaling a movement of continuous acceleration in prices at a national level, especially in the short term.
- **Difficulty in obtaining foreign currency and delays in payments from the State to companies** - the delicate situation of the Treasury, with high payments abroad and the weak capacity to obtain external financing for the treasury, has affected the economy in two ways: one is the virtual absence of the Treasury from the foreign exchange market, which puts pressure on the Kwanza and has led to a shortage of foreign currency; the other is the greater difficulty in obtaining financing in Kwanzas due to the absence of these revenues from the sale of foreign currency and the fact that the Treasury is showing some resistance to raising bond rates at least to the level of inflation, which is leading to delays in payments to companies, affecting economic activity in sectors more dependent on the State, such as Construction. It is possible that this situation will improve in the second half of the year, but it will depend on the availability of more external financing.

C. CONCLUSION

1| Economic growth in the 1st quarter was higher than our expectations, particularly in the case of the non-oil economy. On the contrary, as expected, there was strong growth in the oil economy, influenced by the very negative performance in the first quarter of last year and the fruits of investments in the sector.

2| The recent acceleration of the non-oil economy may lead us to review the growth forecast for 2024, but it is necessary to evaluate developments in the second quarter, especially considering the significant impact of the currency shortage during the current period, which will still partially persist in the future. second half of the year, as well as delays in Treasury payments in some sectors.

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