Q32024 ECONOMIC REPORT

BFA

INDEX

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EDITORIAL

APPREHENSIVE CONSUMERS, OPTIMISTIC PRODUCERS

The leading indicators of the economy reveal different feelings between consumers and producers. While consumers are increasingly pessimistic about the evolution of the economy, which can be seen by the drop in the confidence indicator, producers seem more optimistic, with the economic climate indicator registering a positive advance compared to the previous quarter.

On the consumer side, there will be, among others, two major aspects to justify this pessimism: on the one hand, the situation in the labour market remains very precarious, with deterioration in the 1st quarter – the number of unemployed increased by 181 thousand people, compared to Q4 2023, and the unemployment rate now stands at 32.4%, one of the highest in the world; the second is the continued loss of purchasing power, at a time when inflation reached the highs of June 2017. It should be noted that the prices of "Health" and "Food and non-alcoholic beverages" are growing above general inflation, and being goods, whose elasticity tends to be more rigid – that is, they are goods and services that families cannot completely give up – the depth of the impact on the well-being of families is even greater.

On the business side, the improvement in sentiment signaled a prospect of improvement in economic activity in Q12024, which proved to be true, since GDP grew 4.6% YoY, and more relevant, non-oil GDP grew 3.9%, accelerating again. Divergence is not such an uncommon phenomenon – entrepreneurs usually work with medium-term expectations that, being positive, may not be visible to consumers in general. However, for the time being, it may be reflected in a scenario of a new slowdown or drop in consumption in Q2 (already visible in the deposit and payment figures), with a misalignment between supply and demand, which, being persistent, may negatively affect economic growth in the medium term, with an increase in production not offset by an increase in consumption. Will the dynamics in domestic production (in some sectors) compensate for the pessimism of consumers?

CHRONOLOGY

January

- Annual Indebtedness Plan 2024 approved;
- Angolan Government approves financing agreement of EUR 84.9 million for the materialization of the project for the construction and equipping of the Eye Institute of Luanda;
- BNA increases reserve requirement ratio by +2pp to 20%.

February

- Approval of the 2021 General State Account;
- Publication of the Employment Survey in Angola (IEA), IVth Quarter 2023;
- Approval of the Medium-Term Debt Strategy 2024-2026.

March

- BNA raises key interest rates by +100bps;
- Disclosure of ACREP's IPO Results;
- Presidential Decree No. 76/24 of 26 March, which authorizes the privatization, through the Initial Public Offering procedure on the Stock Exchange, of 30% of its shareholdings held in ENSA – Seguros de Angola, S.A.

April

- Diesel price was increased by 48% to AOA 200 per liter, in a new step in the strategy of phasing out fuel subsidies;
- Government obtained treasury financing of USD 500 million from Standard Bank of South Africa;
- IMF forecasts world growth to remain at 3.2% in 2024.

May

- BNA increased the basic interest rate (+50bp), the marginal lending facility rate (+100bp), and mandatory reserve coefficient in Kwanzas (+100bp);
- TotalEnergies announced a final investment decision in Block 20/11, with production starting in 2028;
- OPEC+ extended interim production cuts until Sept.

June

- Fitch maintained Angola's rating at B-, also keeping the outlook stable;
- Sonangol and Chevron signed service contracts with risk for the concession of blocks 49 and 50;
- ECB reduced interest rates for the first time in 5 years, setting the deposit rate at 3.75%.

AGENDA

July

18: ECB Monetary Policy Meeting

19: BNA Monetary Policy Committee

23: IMF World Economic Outlook Update

23rd to 28th: FILDA 2024

26 and 27: Federal Reserve Monetary Policy Meeting

August

10: Opening of the Dakar Biennale, in Senegal

19 to 22: Democratic National Convention, in the USA

20 to 22: Namibia Oil & Gas 2024, in Windhoek, Namibia

September

4 to 6: Africa Urban Forum, in Addis Ababa, Ethiopia

12: ECB Monetary Policy Meeting

19: BNA Monetary Policy Committee

20 and 21: Federal Reserve Monetary Policy Meeting

30: National Accounts Data for the 2nd quarter of 2024

HIGHLIGHTS

Angola

- Absence of MinFin in the market puts pressure on the availability of foreign exchange again;
- Currently reduced liquidity causes Luibor rates to rise;
- Yields are going through a moment of adaptation, with Treasury pressuring;
- State spending pressured by the low level of external financing;
- Economy grew 4.6% in Q1 2024, as a result of the good performance of the oil sector;
- We expect economic activity to maintain growth, inflation stays an obstacle;
- The current account remains in surplus and International Reserves still stable.

International

- Rwanda's economy remains resilient, with GDP growing 9.7% inQ12024;
- Inflation remains firm in the Nigerian economy, with the year-on-year rising to 34% in May;
- PMI index indicates weakening of the economy in the Eurozone;
- Unemployment rate in the US increased to 4.0%, the highest of 2022;
- The ECB decided to cut the three key interest rates by 25 bps;
- Greater concern in several geographies with the preponderance of the Dollar;
- Bank of Japan ends period of negative interest rates, in force since 2016.

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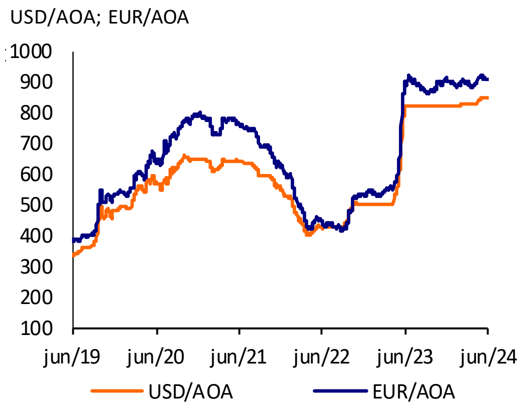
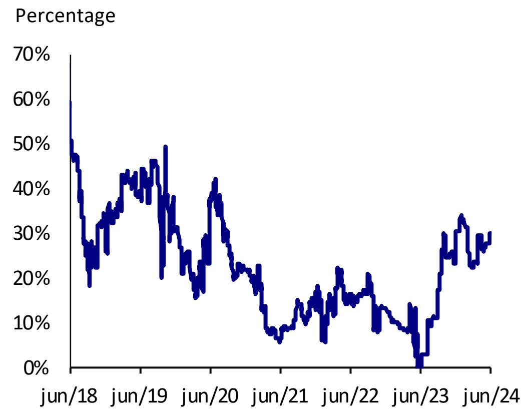
FINANCIAL MARKETS

FOREIGN EXCHANGE MARKET

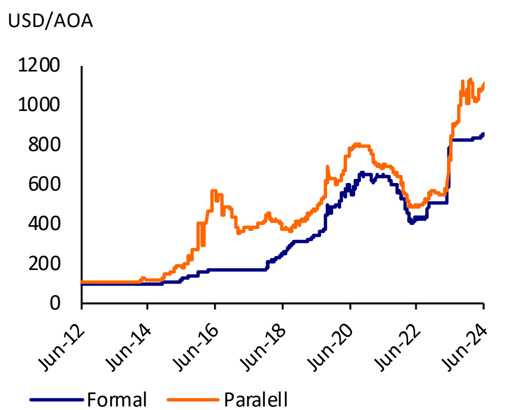
Exchange rate of the Kwanza against the Dollar and Euro



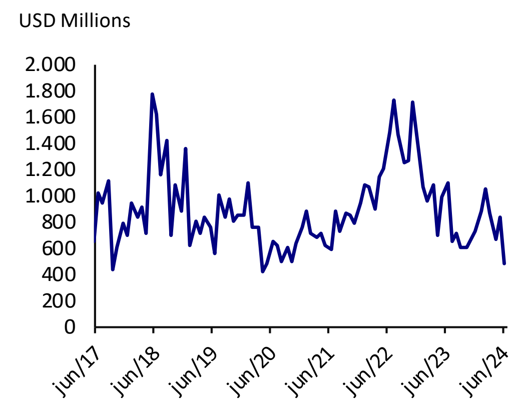
Range between official and parallel USD/AOA exchange rate



USD/AOA exchange rate in the official and parallel market



Monthly sales of foreign exchange to banks

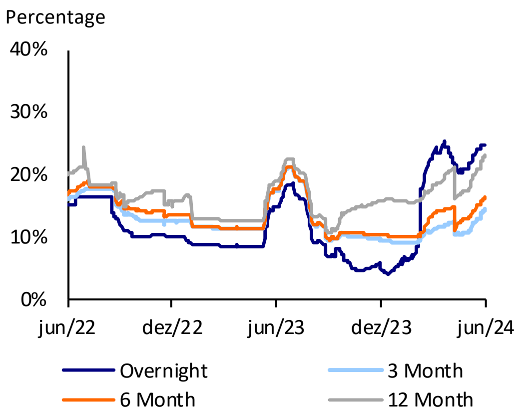


Sources: BNA, BFA Calc.

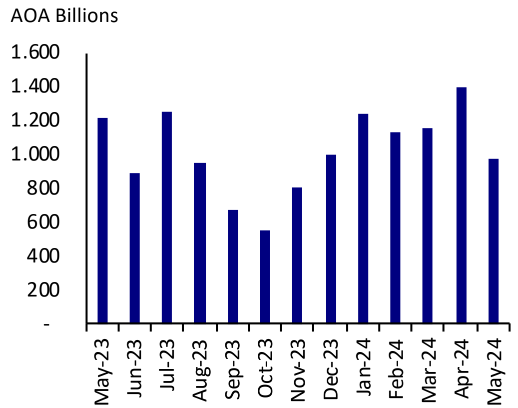
- **In the 2nd quarter, the near absence of the Ministry of Finance from the foreign exchange market once again impacted the shortage of foreign currency.** The foreign exchange backlog remains relevant and worsened in the quarter; The imbalance is also notorious in the interval between the official and parallel exchange rates, which is now persistently around 30%. We think that the authorities maintain prospects of obtaining more external resources for financing the Treasury in the 2nd half of the year, but in our point of view the situation seems uncertain. At this point, pressure remains for a depreciation of the currency.
- The exchange rate remains little changeable, now at the level of 854 per dollar. Foreign exchange sales have remained relatively low, below USD 1 billion per month.
- Despite everything, there are some factors that may reduce imports in the medium term, which may bring a situation of less scarcity at the end of this quarter: an effect on the prices of imported goods due to the increase in customs duties; Continued import substitution in some agricultural goods. At this point, these factors are insufficient to counteract the absence of the Treasury in the foreign exchange market.

MONEY MARKET

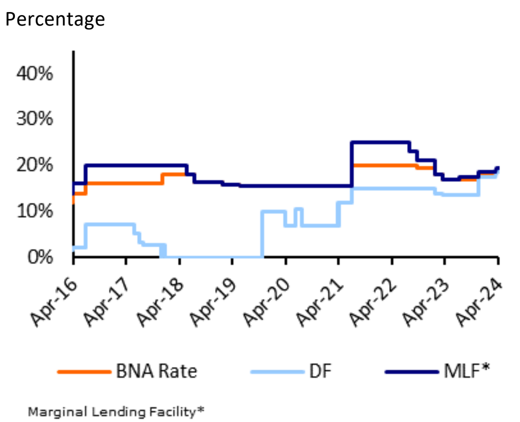
Luibor rates on the various maturities



Liquidity exchange operations

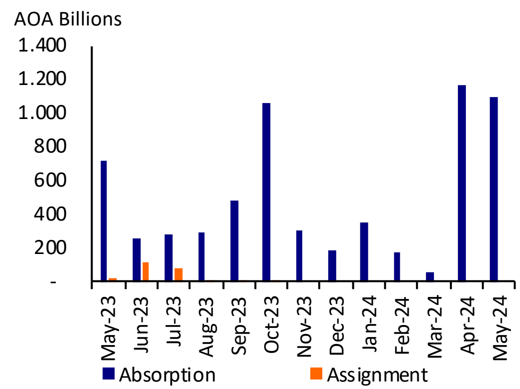


Main monetary policy rates



Sources: BNA, BFA Calc.

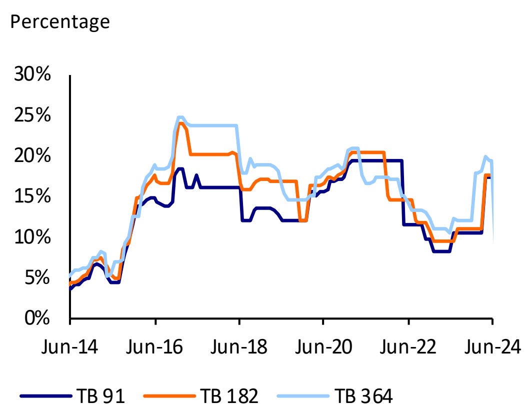
Open Market Operations - Absorption



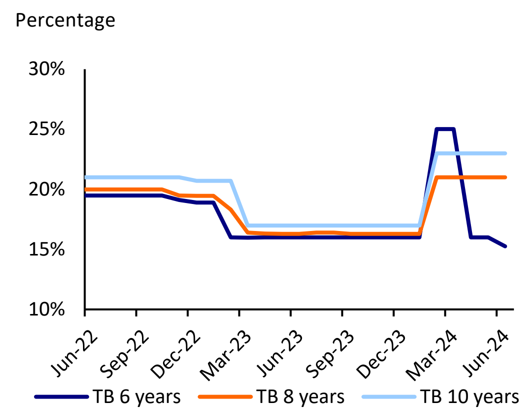
- **After several mixed moves throughout the first quarter, Luibor Overnight (O/N) is trading near 24-25%. At the end of Q12024 and mid-April, O/N rose a lot, reacting to the occasional availability of foreign exchange, even if there was evidence of liquidity in the market. The remaining maturities also increased, although at a more moderate pace.**
- The BNA between April and May intensified the movement of use of open market operations and withdrew close to AOA 2.2 Trillion (T). On the interbank side, the exchange for liquidity peaked in April and had a relevant drop in May. Liquidity has been tight, with some banks transforming term deposits into securities at the request of relevant customers.
- Despite the intense use of OMAs, the BNA is also withdrawing close to AOA 1.97T from the market in the form of reserve requirements. However, we have noticed a great challenge on the part of the Central Bank in managing the effect of fiscal policy that has been expanding the amount of money in circulation, and that can harm the fight against inflation, at least that part of inflation that derives from demand.

PRIMARY BOND MARKET

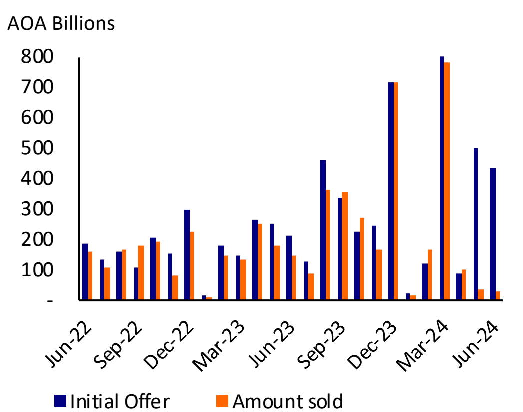
Treasury Bill *Yields*



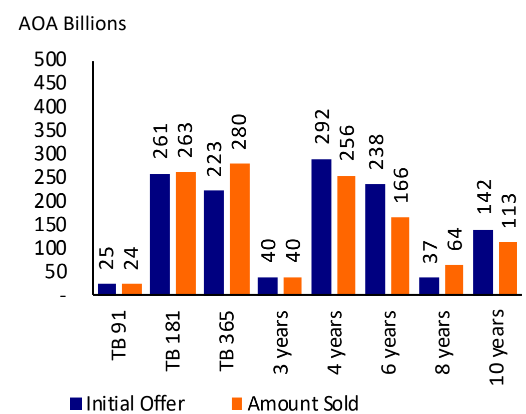
Treasury Bond *Yields*



Debt placements per month



Debt placements by maturity in 2024



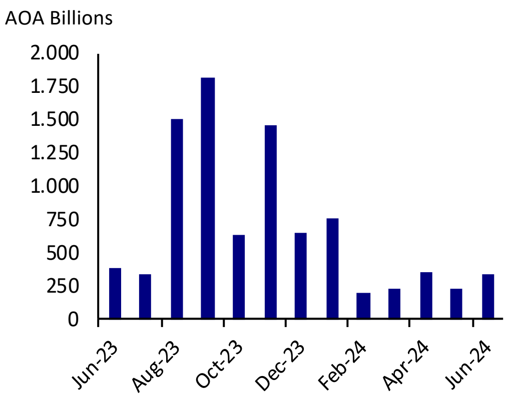
Sources: BNA, BFA Calc.

- **The yield environment in the primary market is experiencing an unusual moment.** There were very few short-term bond issuances this quarter. At the same time, there was an issue of BTs at 365 days with a yield of 8.2%, well below the rates close to 20% where it traded before and clearly distant from the levels where securities are traded in the secondary market, a little above 15%.

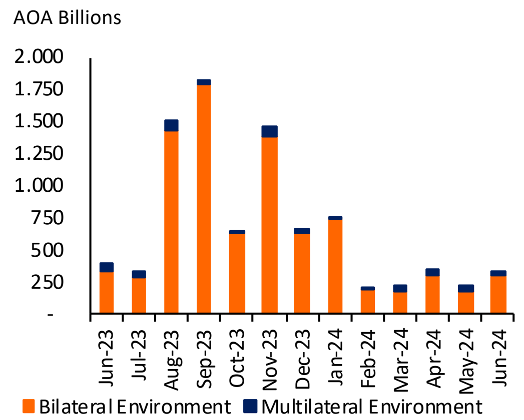
- **On the other hand, the 4-year and 6-year rates fell to 14.0% and 15.3%, respectively, also relatively below the rates where these maturities are traded in the secondary market, close to 20%.** In fact, our expectation was for a moderation of rates by some greater treasury slack from the Ministry of Finance, but reality did not confirm this scenario exactly. Looking at the budget execution data and other information on payments and deposits, the State's cash situation is not yet significantly better. At the same time, there were rate decreases, but with very low funding, which indicates that investors do not seem willing to buy securities under these conditions.

SECONDARY SECURITIES MARKET

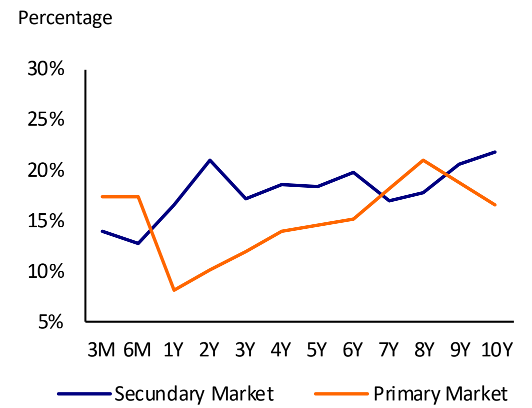
Secondary market transactions



Transactions by trading environment



Kwanza yield curve



- **Trading on BODIVA markets amounted to AOA 0.91T in Q2 2024, down from the previous quarter but up 21.4% from the same quarter a year ago. Bilateral turnover, which accounts for more than 80% of the entire market, rose about 41.3% yoy and ended Q1 2024 at AOA 0.78T.** Despite the year-on-year growth, this is a decrease compared to the peak of trading between August and November last year, with great relevance for the use of the Ministry of Finance to finance itself in the short-term secondary market; in fact, the use of the secondary market, with less disclosure of rates, has been a way for the Treasury to finance itself at market rates without "contaminating" the rates at which it wants to finance in the longer term.

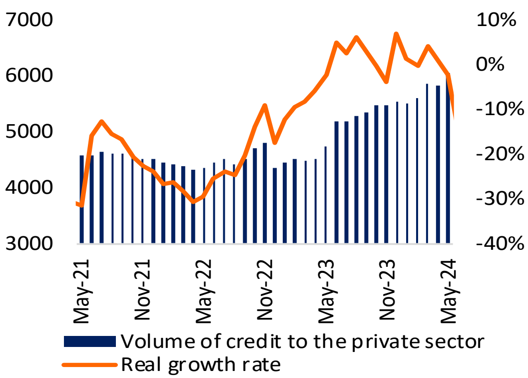
- **There was a change in the relationship between secondary and primary market rates this quarter, with the Ministry of Finance offering issues at rates significantly below what the market assesses as fair rates.** In our view, the situation last quarter, with yields above 20% in the medium term, did not reflect the Treasury's financing conditions at the time; at the same time, the current situation, with the Treasury wanting to drag rates to values between 14-16% in the medium and long term, also seems to us inappropriate and outside the range of rates acceptable to investors, considering other alternatives for applying funds. Thus, the arrival point of rates at the end of this most uncertain period should be somewhere in the middle of these two extremes and will depend on the bargaining power of the Ministry of Finance, which may improve if it obtains more external resources during the next quarter.

Sources: BODIVA,BFA Calc.

CREDIT MARKET

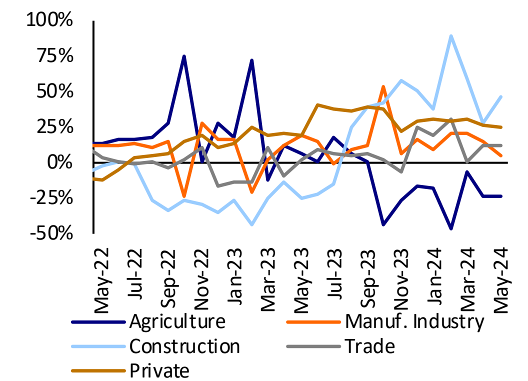
Credit volume and evolution

AOA Billions; Real year-on-year change



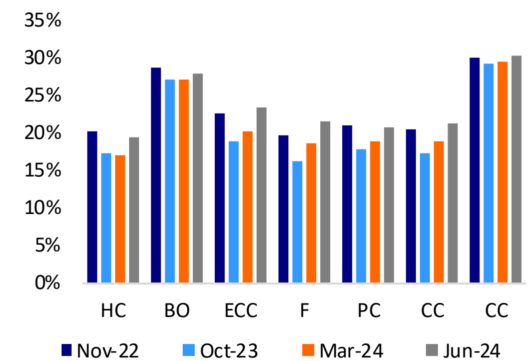
Evolution of credit by sector

Year-on-year change



Interest rates by type of credit

Percentage



- **Credit to the private sector in May stood close to AOA 6.1T, with a nominal increase of around 28.1% YoY, (AOA 1.3T).** According to our calculations based on BNA data, discounting inflation, credit will have contracted by around 2.0%. In relation to the activity sector, credit continues to grow consistently on the Industry, Trade, Construction and Households side, while in the Agriculture, Animal Production, Hunting and Fishing sector, the evolution continues in a negative direction, with a nominal drop of around 28% YoY in May.

- **Interest rates rose by an average of 200Pbs to 23.6%, according to our most recent analysis of bank pricing.** Few banks have updated their credit pricing, which signals that the changes in rates were mainly due to changes in the Luibor that serve as an index for credit rates in several banks. The evolution of the cost of credit is very much at the mercy of monetary policy, which at that time is going in a direction of contraction, in line with the strategy to combat inflation that has continued to accelerate. Our perspective is that interest rates for the different types of credit will increase even a little, in line with the Luibor rates in the longer maturities.

Sources: BNA, BFA Calc.

Graph to the right's legend: Housing credit (HC); Bank overdrafts (BO); Escrow Current Account (ECC); Financing (F); Personal credit (PC); Car credit (CC); Credit Cards (CC)

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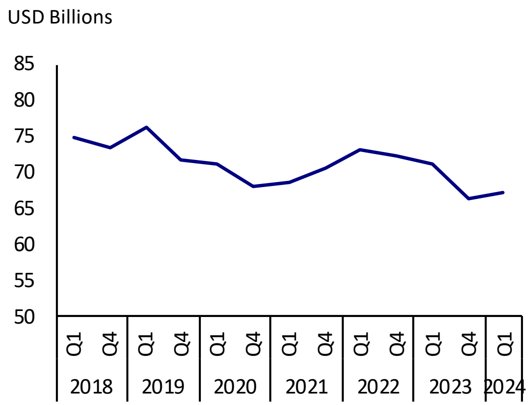
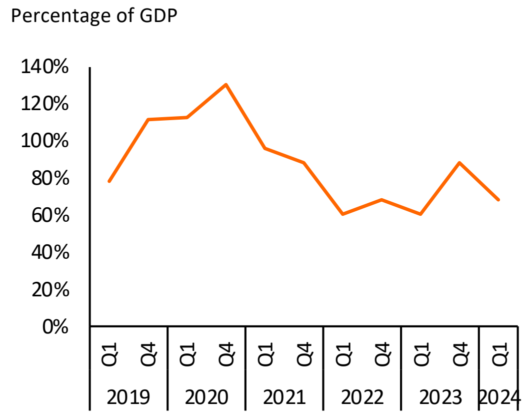
PUBLIC FINANCE

PUBLIC DEBT

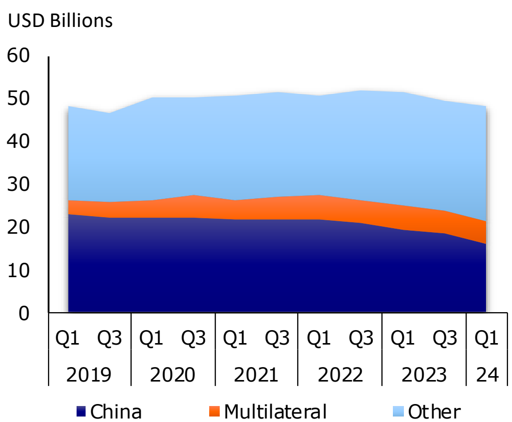
Total public debt



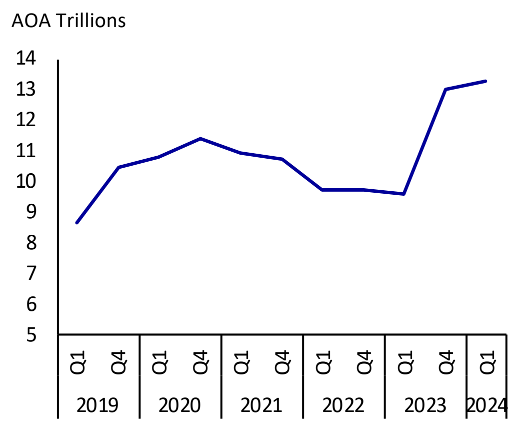
Government debt as a percentage of GDP



External public life by type of creditor



Domestic bond debt

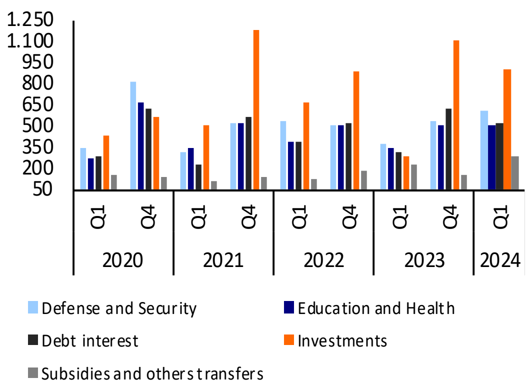


Sources: MinFin, BNA, BFA calc.

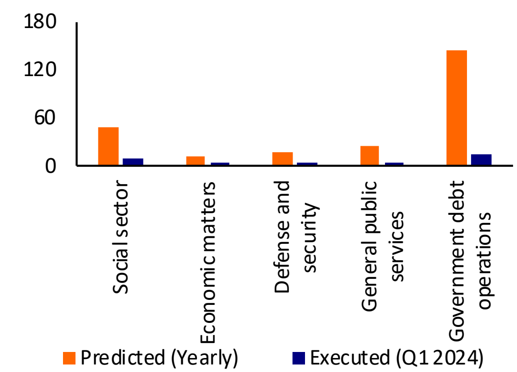
- **Angolan public debt, valued in Dollars, grew slightly in Q1 2024, standing at USD 67.2B.** When valued in Kwanzas, the debt stood at AOA 55.8T, the highest value since records began and influenced by the depreciation of the local currency (which affects the value of the debt in local currency when it is measured in dollars) and the trajectory of inflation. The China Development Bank (CDB) remains the entity with the largest portion of the debt, USD 10.2B – it is important to remember, however, that in Q1 new debt conditions were negotiated with the CDB that imply the reduction of the amounts fixed in the guaranteed account by around USD 150-200 million per month. According to statements by the Minister of Finance, Vera Daves, this slack is currently being used for interest payments.
- **The external public debt stood at USD 48.3B, USD 1.3B less than in the last quarter of the previous year.** Debt to Chinese entities stood at USD 16.2B; despite having registered a decrease of about USD 1.7B qoq, it still represents more than a third of the total debt. The 2nd geography with the highest volume of debt is the United Kingdom, with 28.3%.

BUDGET EXECUTION

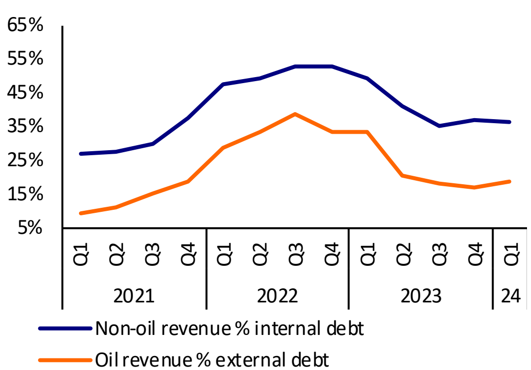
Fiscal weight by sector



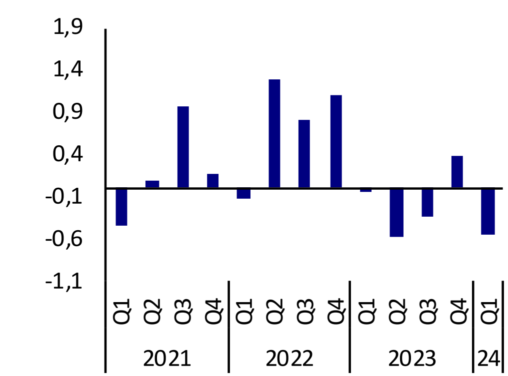
Expenditure planned and implemented by sector



Oil and non-oil revenues as a percentage of debt



Budget balances by quarter



Sources: MinFin, BNA, BFA Cálc.

- **Of the AOA 24.7T foreseen in the General State Budget (OGE) for the year 2024, the Angolan government spent AOA 3.9T in Q1 2024, which represents an execution rate of 16%.** Revenues grew 36% yoy to AOA 3.6T – this growth was mainly due to the volume collected in oil taxes, which accounted for 60% of total revenues in this quarter and grew 57% compared to the same period in the previous year.
- Executed expenses grew 45% yoy to AOA 3.8T. Current expenditure was executed in the order of AOA 2.0B, of which personnel expenses and interest on the public debt now reached AOA 715B and AOA 522B, respectively. In education and health, expenditure rose to AOA 506B, which corresponds to a year-on-year drop of around 31%.
- On the Economic Affairs side, the most significant expenditures, i.e. fuel and energy, as well as the mining and construction industry, increased to AOA 228B (+299% yoy) and AOA 39.7B (311% yoy), respectively.

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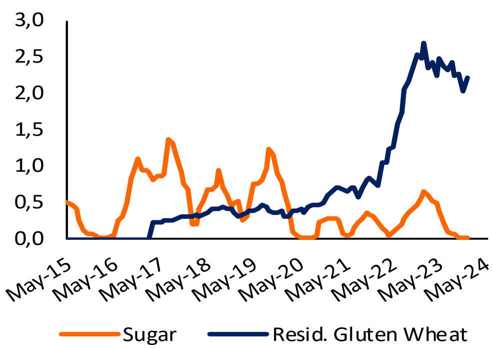
REAL ECONOMY

SPOTLIGHT

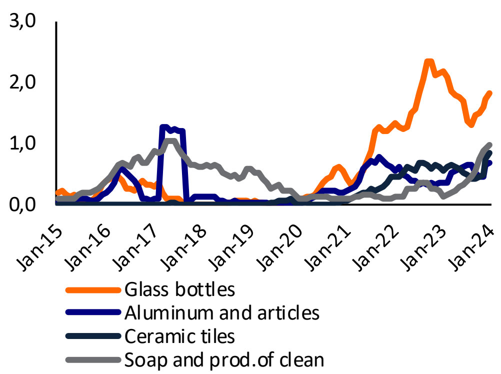
Monthly exports of food manufactures

USD Millions – 6-month moving average



Monthly exports non-food manufacturing

USD Millions – 6-month moving average



Sources: AGT, BFA calc.

EXPORT DIVERSIFICATION AT THE BEGINNING

- **In recent years, some import substitution has begun to occur, namely because of greater domestic production of fruit and vegetables, but also of some small food manufactures.** The impact was relevant in foreign exchange savings – in addition to an overall decrease in imports of goods, food imports clearly decreased to a greater extent: they accounted for only 12.9% of goods imports in 2023, compared to a peak of 22.5% in 2017. In the case of export diversification outside the oil sector, there is still no relevant impact: according to AGT data for 2023, exports of hydrocarbons (including natural gas and refined products) accounted for 94.0% of sales of goods abroad, diamond exports accounted for 4.4% of the total and the remaining non-oil exports accounted for only 1.6% of the total. Still, this is an increase from 1.1% in 2022 and there are several goods whose exports are now starting, practically from scratch.

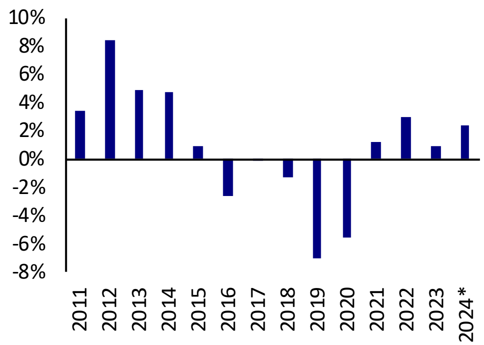
- **The case of wheat is a relevant example in which the process is working – we see a decrease in wheat flour imports, some small exports, but not very relevant, an increase in wheat imports, and the emergence of exports of wheat gluten residues, a useful by-product for feed industries.** In other words, what is happening is that a wheat milling sector has developed, causing us to import less finished product (wheat flour), more raw material to process (wheat), to replace an import with domestic production, with the side effect of generating a by-product valid for export, and which at this point represents more than sugar exports. which have decreased a lot. As can be seen in the graph, in the 6 months up to May, an average of USD 2.2 million per month was exported.

- **On the other hand, there are small manufacturers outside the food sector that are also starting to export.** One of the interesting highlights is the production of glass bottles, which at this point benefits from the competitive advantage of cheap fuel in Angola, and whose exports in the last 6 months were around USD 1.7 million per month. It should also be noted the positive evolution of recent exports of aluminum and aluminum articles, ceramic tiles, and soap and other cleaning products. Other goods whose exports have started in the last 2/3 years are iron and steel, iron articles, pasta, margarine, onions, beans, bananas, coffee and granite.

NATIONAL ACCOUNTS

Year-on-year rate of change in GDP

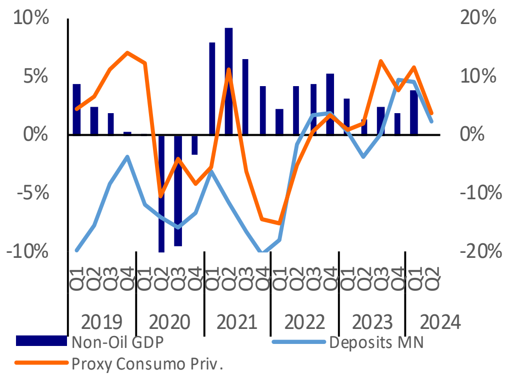
Real year-on-year change



*** Forecast**

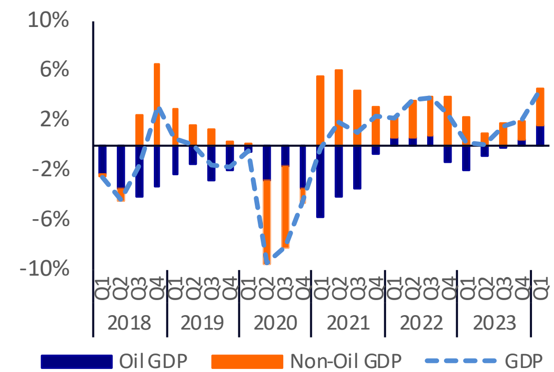
High-frequency indicators and non-oil GDP

Real year-on-year change



Evolution of oil and non-oil GDP

Real year-on-year change



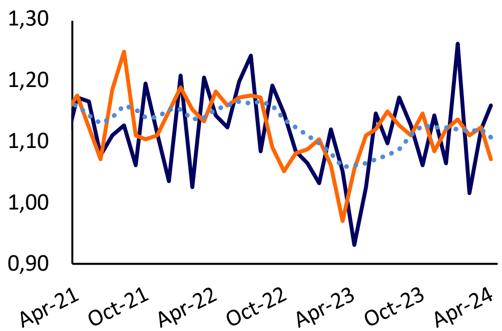
- **In the first quarter of 2024, Angola's GDP expanded by 4.6% compared to the same quarter in 2023. By growing 6.9% yoy and registering the highest growth level since Q3 2015, the oil sector added 1.6 percentage points (pp) to the overall GDP growth rate. The non-oil economy grew 3.9% yoy, the highest since Q1 2023 and added about 3.0pp to the overall growth rate of the economy.**
- The high-frequency indicators that we monitor indicate a retard in the trend and anticipate a slowdown in economic activity as early as the second quarter. Our private transactions indicator, based on EMIS data, points to a deceleration from 7.9pp to 3.9% in Q2 and private sector deposits in local currency grew by only 2.5%, very low from the 9.1% and 9.5% recorded in Q1 2024 and Q4 2023, respectively. Thus, when we look at the next quarters in non-oil economic activity, we anticipate a continuation of sustained growth, although with a moderation – possibly temporary – as early as Q2 2024.
- On the one hand, the growth in the volume of crude oil production – influenced by new production in several blocks – and the relatively favorable trajectory of the Brent price may have an impact on greater capital flows entering the economy, and greater need to provide services to oil companies.
- From another perspective, the rise in prices and the corresponding loss of purchasing power continues to be a very relevant factor, with annual inflation above 30%; in addition, the difficulty in obtaining foreign currency and delays in payments from the State to companies in some sectors are realities that continue to be relevant constraints. It is possible that the situation will improve in the 2nd half of the year, especially because of the greater volume of external financing to the Treasury. It's not a closed spot, though.

Sources: INE, OPEC,EMIS

OIL AND NON-OIL ECONOMY

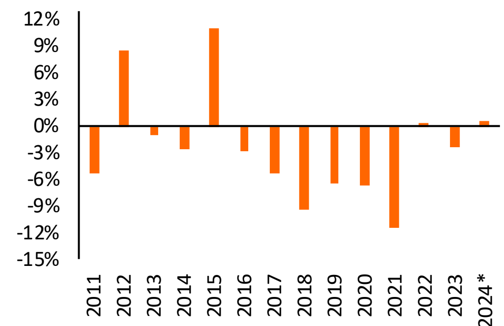
Production and exports of crude oil

Millions of barrels per day



Oil GDP

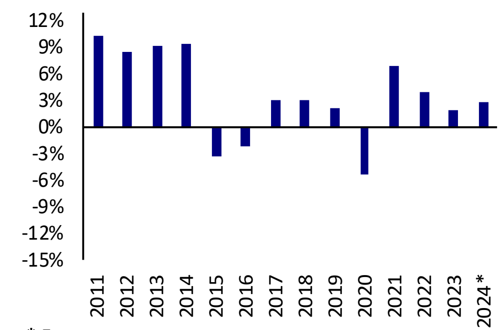
Real year-on-year change



* **Forecast**

Non-oil GDP

Real year-on-year change



* **Forecast**

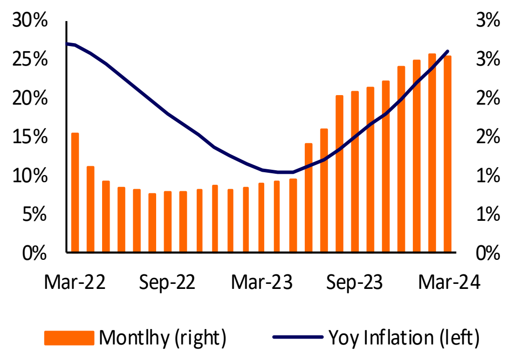
- **The oil economy grew by 6.9% year-on-year in Q1, registering the highest level of growth since Q3 2015, when it stood at 8.1% yoy. ANPG data, which showed an increase in crude oil production of 7.5% yoy, already anticipated a growth in oil sector activity of the same order.** It should be noted, however, that the significant increase in production in this quarter is largely due to the comparison effect with the same quarter of the previous year – in Q1 2023, there was a normal performance of oil production, due to the production stoppage of the Dahlia field, in Block 17, for maintenance, for 35 days. Still, the oil economy grew 2.1% also when compared to Q4 2023.
- **Trade, the second largest sector of the economy after oil, grew by 6.0% in the first quarter of 2024, an acceleration of 3.1pp compared to the 2.9% recorded in the previous quarter.** The transport sector saw its performance accelerate by 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 hold a weight of more than 90% in the sector's activity.
- **Outside the main contributions, it is worth highlighting the Agriculture and Forestry sector which, growing only 4.1% yoy (6.2% yoy in Q4 2023), recorded growth for the 22nd consecutive quarter.** On the other hand, the Electricity & Water sector grew by 7.1% yoy, and it should be noted that it has been growing for 12 consecutive quarters, with an average growth rate of 4.6% yoy in that period, as a result of gradual improvements mainly in electricity supply, with new dams and, at this time, also investment in solar parks, as well as a gradual improvement in energy transmission and more capillary distribution.

Sources: INE, BFA calc.

CONSUMER PRICES

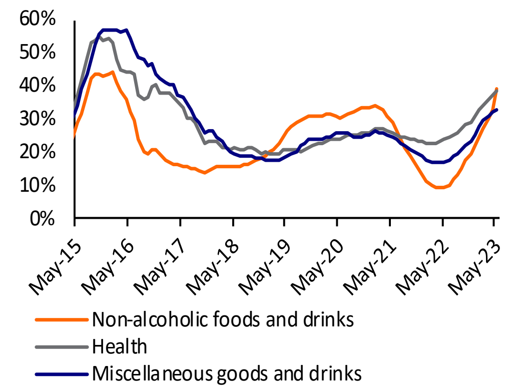
Headline inflation

Percentage



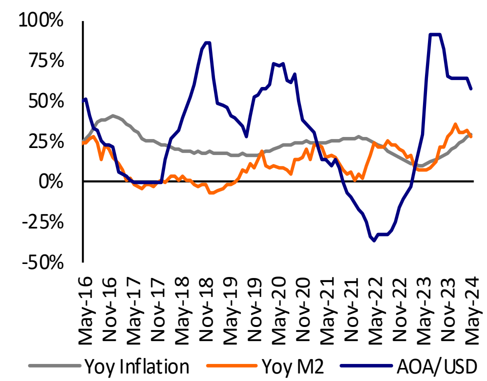
Inflation by classes

Year-on-year change



Inflation, M2 and exchange rate

Percentage



- **Headline inflation accelerated by 2pp to 30.1% in May, the highest value since June 2017. Compared to April, prices rose 2.5%, a deceleration of 0.1pp. In Luanda, prices continue to rise sharply - year-on-year inflation stood at 41.6%, the highest since December 2016.**
- With the target set at 23.4%, the BNA expects inflation to start falling as early as the second half of the year, which seems quite challenging to us, especially because of inflationary inertia that will take longer to fade – that is, inflation expectations may support the continuation of an accelerated rise in prices. We believe that at that time there are many more forces that can put upward pressure on prices: M1 and M2 year-on-year continue to grow well above the real rate of economic growth; Customs tariffs increased slightly. Finally, the imbalance in the foreign exchange market, with a relevant shortage of foreign exchange, remains, so the result in lower availability of goods and services in the economy will also be inflationary.
- Our perspective is that inflation will continue to rise and end the year above 32%. Note the faster growth of the "Food and non-alcoholic beverages" class – 39% YoY, +9pp than general inflation – which contributes more than 60% of the overall index. On the other hand, the gap between national inflation and Luanda's continues to grow - the gap has reached new highs since records began, 11.4pp -, and as Luanda is the large market, a spillover effect in the other provinces cannot be ruled out. Therefore, we conclude that all these combined effects should make the decline in annual inflation challenging this year.

Sources: INE, BNA, BFA calc.

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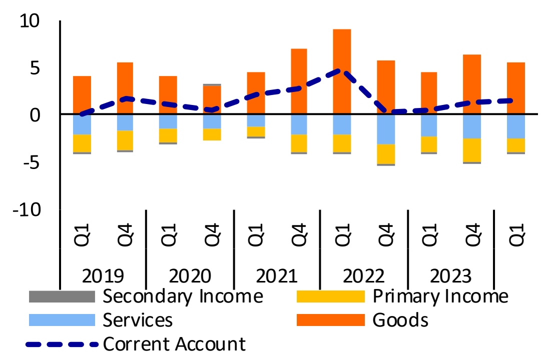
BFA

EXTERNAL ACCOUNTS

BALANCE OF PAYMENTS

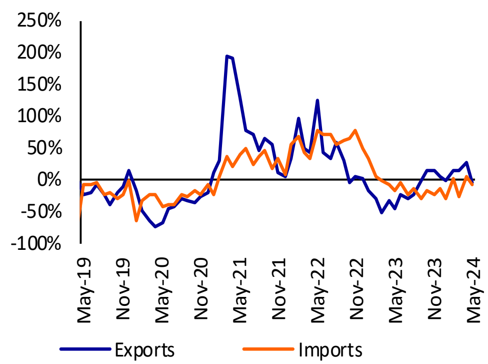
Quarterly balance of payments

USD Billions



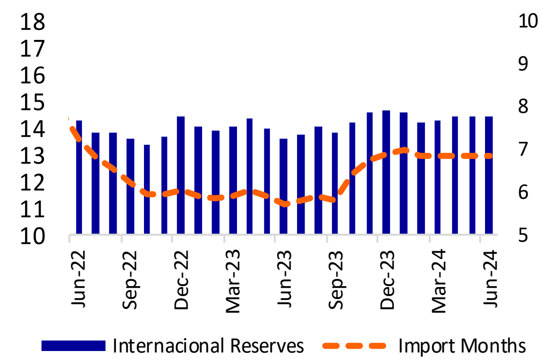
Evolution of exports and imports

Year-on-year change in Dollars



International Reserves

USD Billions; Months

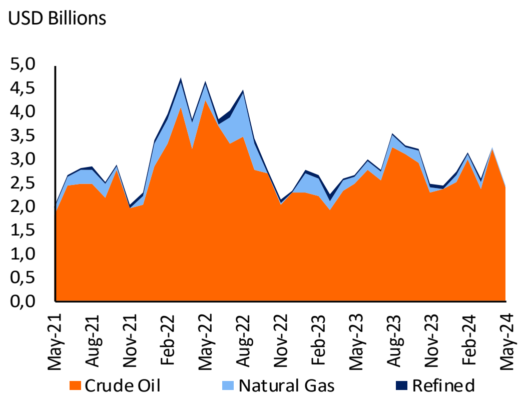


- **In the first quarter of 2024, the current account recorded a surplus of USD 1.5B, a year-on-year increase of approximately USD 1.1B – the value of the current account represents approximately 6.2% of Gross Domestic Product (GDP), according to BNA data.** The balance of the Services account grew 5.5% yoy to USD 2.5B, while the balance of the Primary and Secondary Income accounts remains in negative territory.
- **Exports in Q1 2024 stood at USD 8.8B, making a year-on-year increase of around 2%. Petroleum products (which include crude oil, refined oil and gas) continue to concentrate the largest share of exports, around 93.7%, followed by the diamond sector with 4.6% and other sectors with 1.7%.** On the import side, there was a drop to USD 3.2B (USD -533.3 million QoQ) - this result was mainly influenced by the reduction in imports of current goods, currently at USD 1.9B against USD 2.6B at the beginning of 2023.
- **International Reserves (IR) ended June valued at USD 14.4B, a reduction of 28.7 million compared to May. According to our calculations, the reserves cover approximately 7 months of importing goods and services.**

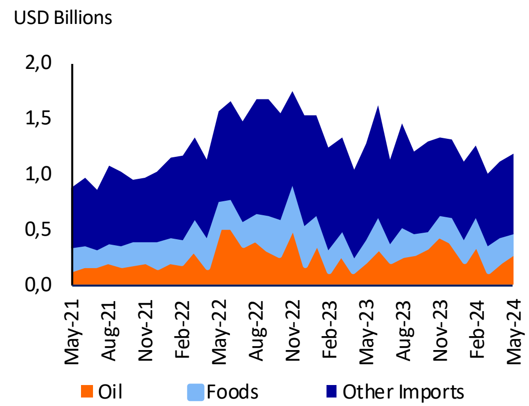
Sources: BNA, BFA calc.

EXPORTS AND IMPORTS

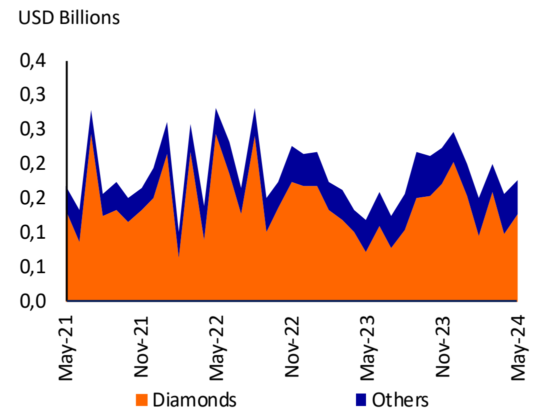
Hydrocarbon exports



Imports by type



Exports of non-petroleum products



- **Crude oil exports totaled around USD 13.5B until May 2024, a growth of around 20% compared to the same period in 2023. Exports of natural gas and refined fuel had the opposite performance, having recorded drops of around 61% and 32%, respectively.**
- **Imports of goods totalled USD 5.6B through May, making a contraction of 12% yoy. During the period under review, fuel accounted for 22% of total imports, USD 1.2B; food imports accounted for 17% of the total, about USD 991.2 million.** Although imports have reduced, these two categories recorded increases compared to the same period in 2023, increases of 6% and 5%, respectively, in fuel imports and food imports.
- **During the first 5 months of the year, exports of non-oil products stood at USD 885 million, an increase of 10% yoy. Diamond exports grew 7% YoY (from USD 595.1 million to USD 634.7 million).** Although they are not very expressive, exports of other products also had a positive performance in general, having grown by about 18% yoy (from USD 212.9 million to USD 250.8 million).

Sources: AGT, BFA calc.

MAIN EXTERNAL INDICATORS

DESCRIPTION	Q1 2023	Q4 2023	Q1 2024	QoQ	Yoy
GDP (USD Millions)	26.823,8	22.238,2	24.719,7	11,2%	-7,8%
Exports of goods and services (USD Millions)	8.654,3	10.113,5	8.842,9	-12,6%	2,2%
Imports of goods and services (USD Millions)	6.411,3	6.238,5	5.685,9	-8,9%	-11,3%
Service Account (USD Millions)	(2.342,2)	(2.486,9)	(2.470,2)	-0,7%	5,5%
International Reserves (USD Millions)	14.050,9	14.733,4	14.316,2	-2,8%	1,9%
Total External Debt Stock (USD Millions)	57.307,9	55.995,9	54.821,5	-2,1%	-4,3%
Stock of Short-Term External Debt (USD Millions)	4.486,5	4.915,2	4.980,6	1,3%	11,0%
Average Exchange Rate (USD/AOA)	504,1	827,4	829,7	0,3%	64,6%
Current Account/GDP (%)	1,6	5,7	6,2	0,4	4,6
Goods Account/GDP	17,1	28,6	22,8	-5,8	5,7
Services Account/GDP	(8,7)	(11,2)	(10,0)	1,2	-1,3
Exports of goods and services/GDP	32,3	45,5	35,8	-9,7	3,5
Imports of goods and services/GDP	23,9	28,1	23,0	-5,1	-0,9
Capital and Financial Account / GDP	(5,8)	(3,1)	(4,2)	-1,1	1,5
Foreign Direct Investment (net)/GDP	(2,3)	(1,8)	0,8	2,6	3,0
Total External Debt Stock/ GDP	53,4	63,0	55,4	-7,5	2,0
International Reserves / Imports of Goods and Services (Months)	6,6	7,1	7,6	0,5	1,0
International Reserves/Total External Debt Stock (%)	24,5	26,3	26,1	-0,2	1,6
International Reserves/Stock of Short-Term External Debt (%)	313,2	299,7	287,4	-12,3	-25,7

Sources: BNA

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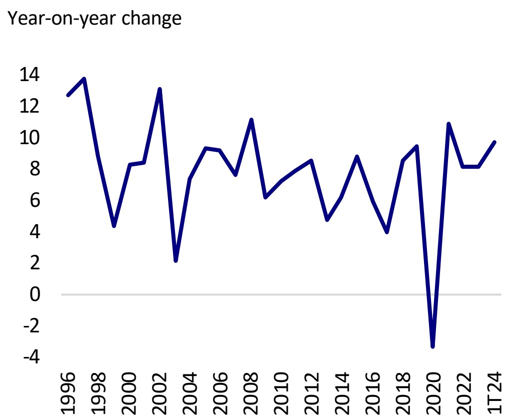
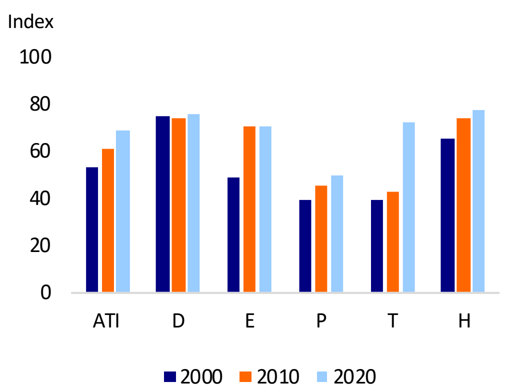
AFRICAN ECONOMIES

SPOTLIGHT

Evolution of the economy since 1996



Rwanda Transformation Index



Sources Bloomberg; ACET

RWANDA, STILL RESILIENT BUT VULNERABLE

- **Since 1994, Rwanda has made great strides in terms of the structural transformation of its economy. The Africa Transformation Index (ITA - which measures economic transformation in various metrics) for Rwanda has increased by +16 points in 20 years, suggesting significant progress, with particular emphasis on increased export competitiveness, productivity and technological upgrading.**

- Growing at an average of close to 9.0% over the past 30 years, Rwanda's economy has remained very resilient and consistent, unlike other African economies. At the same time, in addition to its own merits, this economic growth benefited from a time of low interest rates. We are now facing a different international environment, for some time to come, with challenges, for example, in attracting external financing for most emerging markets. Despite a commitment to stability and openness to the outside, which generates an image of economic freedom, the economic model is also based on a relevant weight of the public sector, which spends a little less than 30% of GDP, a figure above the average in African economies. In this sense, the debt, which fell sharply in 2005 and 2006 with debt forgiveness agreements, has increased again since 2012, although it has been stabilized since 2020, as a percentage of GDP. This stabilization happens in parallel with very significant budget deficits (always above 6% of GDP since 2019), partly due to strong spending on public investment, close to 10% of GDP in recent years - for comparison, the Angolan State has spent close to 5% of GDP on public investment, on average over the last 5 years.

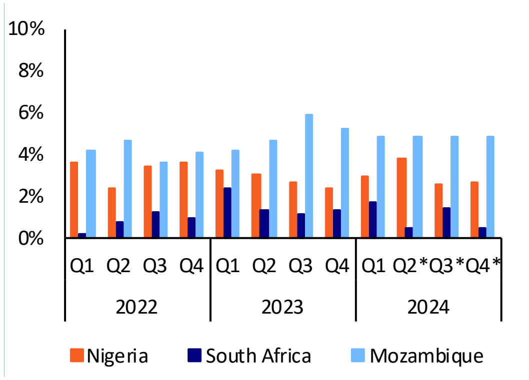
- In Q1 2024, the economy returned to above-trend growth, around 9.7%; however, the return to the low interest rate environment will not be that fast, so Paul Kagame's Executive, which at the time of publication of this report is expected to have won the July 15 elections, should focus, over the next 7 years, on encouraging further development of the private sector, and consolidation of public accounts. Still, strong growth leaves room for persistent deficits, without compromising debt stability. Low domestic savings, scarcity of human capital, and the high cost of energy are some of the main constraints on private investment that will be important to overcome.

Legend of the bottom graph: ATI – Africa Transformation Index; D – Diversification; C – Competitiveness of exports; P – Productivity; T – Technology; H – Human well-being

MACROECONOMIC INDICATORS

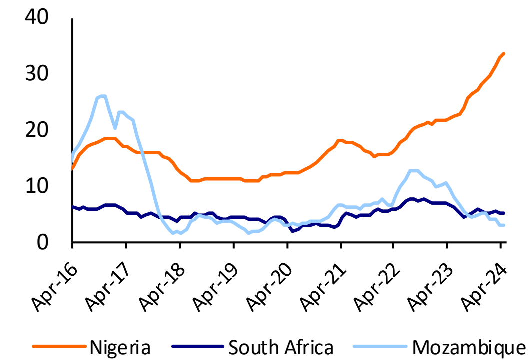
Annual GDP growth

Year-on-year change



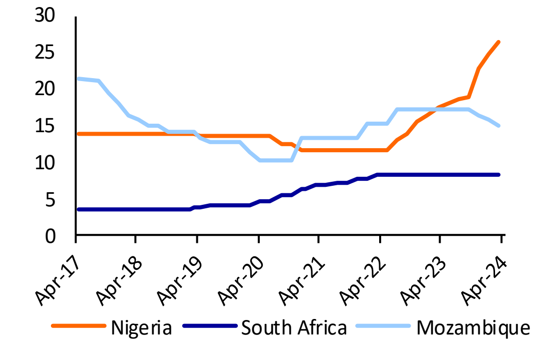
Year-on-year inflation

Year-on-year change



Interest Rate of African Economies

Percentage



- **Despite facing multiple and overlapping shocks, African economies remain resilient and with growth prospects in 2024-25 that are quite heterogeneous across regions, reflecting differences in the structure of economies, commodity dependency, and domestic policy responses to mitigate the impact of these shocks.** In Nigeria, GDP grew by 3.0% in Q1 2024, compared to 2.3% in 1Q2023. According to the National Bureau of Statistics, GDP growth was due to performance in the financial and insurance and mining and extraction sectors. In South Africa, the economy accelerated 0.4pp to 1.7% in Q1 2024, down from 2.4% in Q4 2024.

- **Annual inflation has shown a mixed behavior in the African economies under review: in Nigeria, inflation has been accelerating and has now reached the fourteenth consecutive month of increases. In year-on-year terms, it rose to 34% in May, (+0.3 pp compared to April).** In Mozambique, year-on-year inflation continues to decline, standing at 3.1% in May, decelerating from 3.3% in April. In South Africa, annual inflation has remained close to 5.2% since April, below the 5.6%, the year-to-date peak. Due to the differentiated movement of inflation in these economies, central banks have moved interest rates in different directions. In Nigeria, the Central Bank raised rates in April by 150bps to 26.25%, a cycle of increases that has been going on since March 2022. In Mozambique the MIMO rate was reduced to 15% (-75bps). On the South African side, maintenance (8.25%) has been the preference since May last year.

Sources: SARB, BM, CBN, Stats SA, Bloomberg

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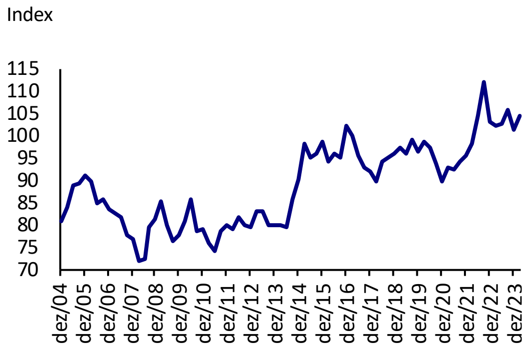
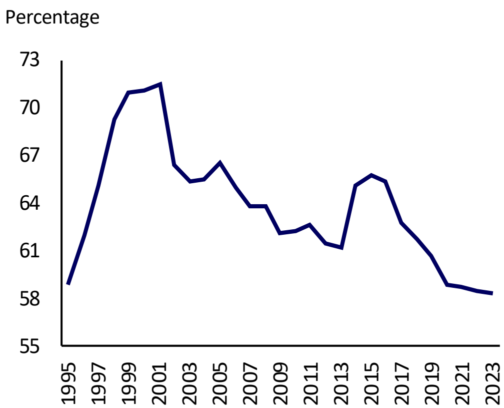
GLOBAL ECONOMIES

SPOTLIGHT

Dolar Index



Share of the Dollar in Official Foreign Exchange Reserves



Sources: Bloomberg, FMI, CMO

DE-DOLLARIZATION – WILL IT BE A PRELUDE TO A NEW ERA?

- **Following the increase in geopolitical tensions in Eastern Europe, there has been greater concern in several geographies about the preponderance of the Dollar as a reserve currency, but also as the main payment in international trade.** The US sanctions on Russia, although not the first - Venezuela, Cuba, North Korea and Iran have been under sanctions for more than 5 years - were crucial, as they increased the fear that the Dollar and this relevant status will continue to be used as an instrument of American military diplomacy.

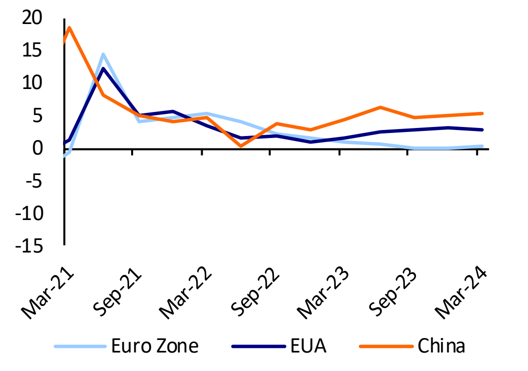
- Thus, to mitigate the risk mentioned above, there have been movements that will tend to reduce to some extent the preponderant use of the Dollar. For example, the last meeting of the BRICS and allies summit held in January 2023, member states expressed interest in promoting a currency that would be accepted by the general public as a medium of exchange and store of value. Likewise, there has been an increase in gold reserves by the Central Banks of several countries: according to the World Gold Council (CMO), in 2023, central banks added 1,037 tons of gold to their reserves – the second largest annual purchase in history – after a record 1,082 tons in 2022. The increase in gold reserves is seen as a matter of sovereignty and national security, but above all a way to protect the economy against financial contagion, currency devaluation, geopolitical crises and ensure an increase in assets. This increase has corresponded, with other factors, to a gradual and continuous decline in the Dollar's share of the allocated foreign exchange reserves of central banks and governments. Recent IMF data show that after peaking at 71% during the early 2000s, the dollar represents about 58% of current foreign exchange reserves. On the other hand, other currencies have gained market share – the Chinese currency soma has become a relevant reserve currency, accounting for 2.3% of world reserves, along with other currencies that have also gained importance, such as the Australian dollar (2.1%), the Canadian dollar (2.6%), or the pound (4.8%).

- In general, the search for a currency to replace the Dollar aims to reduce transaction costs, alleviate exchange risks, avoid dependence on the American currency and mitigate risk and losses in case of American sanctions. However, it should be noted that the Dollar remains fundamental in financial stability: it is a reference for 80% of external public debt, 2/3 of total assets issued in global markets, 55% of bank loans and is the most used currency in the SWIFT international payment system.

MAJOR ECONOMIES: REAL ECONOMY

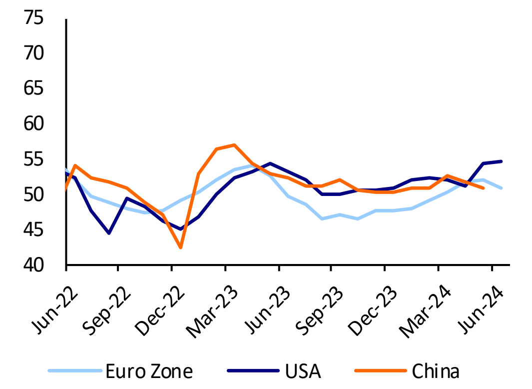
GDP in major economies

Real year-on-year change



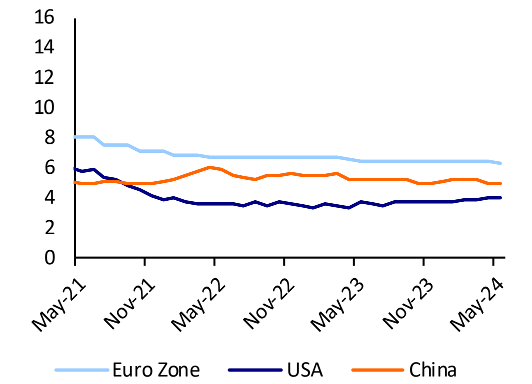
PMI indices in major economies

Index



Unemployment in major economies

Percentage



- **The U.S. economy in 1Q2024 grew 2.9% YoY, slightly below what was expected. Economic growth slowed when compared to the 3.1% YoY recorded in 4Q2023.** However, despite a slowdown in consumption, the main engine of the economy, it still achieved a considerably growth rate compared to the average of the last eight quarters. Driven by a return to growth in Germany and strong expansion in Spain, the Eurozone grew more than expected, around 0.4% YoY in Q1 2024. China also grew more than expected, with activity up 5.3% YoY, which represents some relief to the authorities as they try to sustain growth in the face of prolonged weakness in the property sector and local government debt, which is rising significantly.

- **Markit's PMI indices in the Eurozone and China are suggesting a mixed picture regarding the growth of the economy in Q2.** In China, manufacturing weakened, while services grew at a modest pace. In the Eurozone, the composite PMI fell in June (from 52.2 to 50.8), after recording three consecutive increases. The drop indicates that the euro area economy is only expected to recover slowly. In the US, PMIs are suggesting an acceleration of economic activity in Q2 with the indicator increasing +3pp to 54.6 points in 3 months, a surprising move compared to that recorded in Q1 2024.

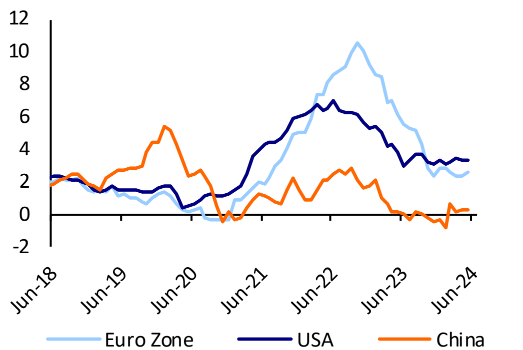
- Jobs in the US increased strongly in May, +272 thousand people, while the unemployment rate increased slightly to 4.0%, the highest level since January 2022. In the Eurozone, the rate fell slightly to around 6.3% (-0.01pp) and in China the rate remains close to 5.0%, after rising by +0.2pp in April.

Sources: Bloomberg, FRED

INFLATION AND REAL INTEREST RATE

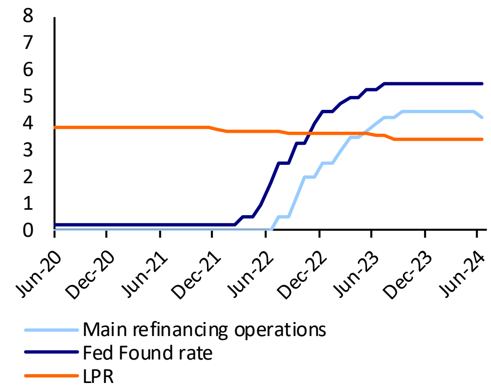
Inflation in major economies

Year-on-year change



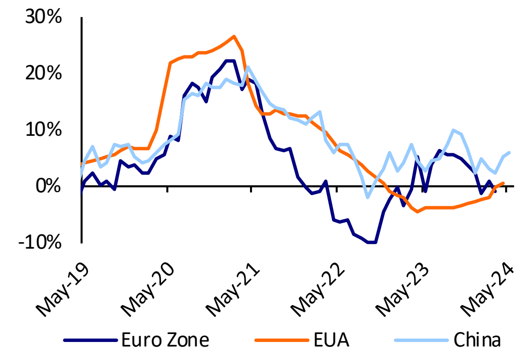
Benchmark interest rates in major economies

Percentage



Year-on-year change in M2

Year-on-year change



- **Inflationary pressure in the US eased significantly in May. Consumer prices fell slightly, but core inflation, the most important rate excluding volatile energy and food prices, grew by just 0.2% in May, after increases of 0.5% and 0.4% in March and April, respectively.** The year-on-year rate fell from 3.4% to 3.3%. The weakening of inflationary pressure comes mainly from the prices of normally labor-intensive services, which had previously risen sharply due to high wage increases. Eurozone inflation rose in May to 2.6% year-on-year, up from 2.4% in April and beating the forecast of 2.5%. In the Chinese economy, the year-on-year consumer price level remains close to zero, unchanged in May compared to April, standing at 0.3% yoy.

- **Despite concerns about inflation, the ECB, at the last monetary policy meeting, decided to lower interest rates after 18 months.** The European Central Bank cut the three main key interest rates by 25 bps. The Fed, despite the relief from inflation and the improvement in the labor market, decided to keep interest rates unchanged, as the market expected. The target range for Fed funds thus remains between 5.25% and 5.50%. The basic interest rate has been at this maximum level since July 2023, that is, for 46 weeks. The Central Bank of China maintains the Loan Prime Rate at 3.45%, the same level since August last year – this position should continue considering current inflation levels.

Sources: Bloomberg, FRED

GLOBAL PERSPECTIVES

Recession Probability 30%

EUA	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Real GDP (yoy)	2,9%	3,1%	2,9%	2,9%	2,1%	1,6%	1,7%	1,7%	1,8%
Industrial Production (yoy)	-0,1%	-0,1%	0,0%	0,0%	0,1%	0,7%	1,4%	1,2%	1,5%
Inflation (yoy)	3,5%	3,2%	3,3%	3,3%	3,0%	2,9%	2,5%	2,3%	2,3%
Unemployment Rate	3,7%	3,7%	3,8%	4,0%	4,0%	4,1%	4,1%	4,2%	4,1%
Current Account (%GDP)	-3,3%	-3,2%	-3,2%	-3,1%	-3,1%	-3,1%	-3,1%	-3,2%	-3,2%
Central Bank Interest Rate	5,50%	5,50%	5,50%	5,50%	5,35%	5,05%	4,75%	4,40%	4,15%
EUR/USD	1,06	1,10	1,08	1,07	1,08	1,09	1,10	1,11	1,12

Recession Probability 15%

CHINA	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Real GDP (yoy)	4,9%	5,2%	5,3%	5,3%	4,7%	4,7%	4,2%	4,5%	4,6%
Industrial Production (yoy)	4,2%	6,0%	4,5%	6,2%	5,0%	4,9%	4,5%	4,6%	4,7%
Inflation (yoy)	-0,1%	-0,3%	0,0%	0,3%	0,5%	1,2%	1,4%	1,5%	1,5%
Unemployment Rate	5,2%	5,0%	5,2%	5,0%	5,1%	5,0%	5,1%	5,0%	5,0%
Current Account (%GDP)	1,8%	1,5%	1,2%	1,4%	1,5%	1,4%	1,2%	1,5%	1,4%
Central Bank Interest Rate	3,45%	3,45%	3,45%	4,25%	4,25%	4,25%	4,25%	4,25%	4,25%
USD/CNY	7,30	7,10	7,22	7,27	7,25	7,23	7,20	7,20	7,20

Recession Probability 20%

EUROZONE	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Real GDP (yoy)	0,2%	0,2%	0,4%	0,5%	0,8%	1,3%	1,3%	1,5%	1,5%
Industrial Production (yoy)	-0,7%	-4,4%	-3,6%	-15,0%	0,6%	1,3%	2,6%	2,3%	2,2%
Inflation (yoy)	4,9%	2,7%	2,6%	2,5%	2,2%	2,3%	2,1%	2,1%	2,0%
Unemployment Rate	6,6%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%
Current Account (%GDP)	1,1%	1,7%	2,2%	1,7%	2,1%	2,1%	1,6%	1,6%	2,0%
Central Bank Interest Rate	4,50%	4,50%	4,50%	4,25%	3,65%	3,40%	3,15%	2,90%	2,65%
EUR/USD	1,06	1,10	1,08	1,07	1,08	1,09	1,10	1,11	1,12

Sources: Bloomberg

The figures as of Q3 2024 are all forecasts sourced on Bloomberg; with regard to Q2 2024, the values of GDP, Industrial Production, Unemployment Rate and Current Account are forecasts

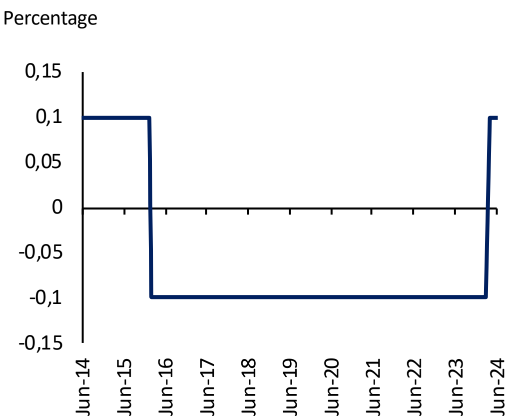
ECONOMIC REPORT
Q32024
Economic Research Unit

BFA

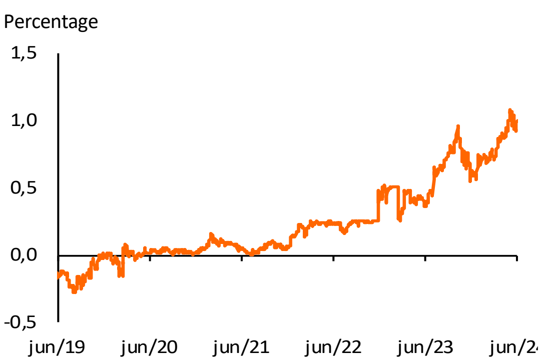
INTERNATIONAL FINANCIAL MARKETS

SPOTLIGHT

Bank of Japan interest rate



Japanese Debt Yield (10 years)



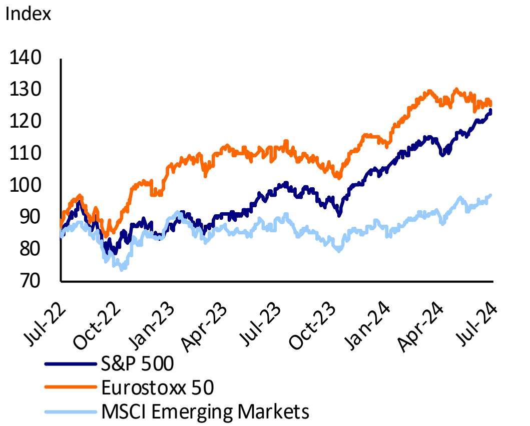
Sources: Bloomberg

JAPAN'S INTEREST RATES SAY GOODBYE TO THE NEGATIVE ERA

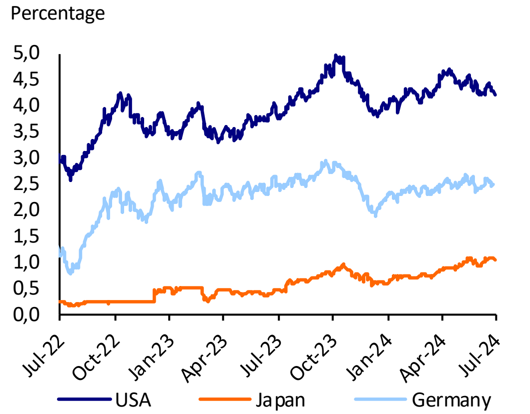
- **The Bank of Japan (BOJ) ended the period of negative interest rates in March, in force since 2016, raising short-term rates from -0.1% to the 0% and 0.1% ranges.** This decision reflects the attempt to normalize monetary policy after years of intensive economic stimulus. However, this first increase is not expected to result in any other upward changes in the near future – the BOJ hinted that from here on there would be a maintenance of current financial conditions.
- This decision, by the main authority responsible for setting the guidelines of Japanese monetary policy, was mainly influenced by the performance of economic activity and how it has affected yields in the country's financial markets. In 2023, the Japanese economy went through a challenging scenario: after growing by 4.3% and 4.1% in the first and second quarters of 2023, GDP contracted by 3.7% in Q3 and improved slightly in the last quarter when it grew by only 0.4%. Combined factors such as the economic recovery, still moving at a slow pace, and a strong depreciation of the Yen have meant that Japan is no longer among the 3 largest economies in the world, when measured in USD, according to IMF data. Another element that has been used as an indicator of economic performance is inflation, which has left the deflation scenario in which it has been for years; it now remains low, however, still above the 2% target set by the BOJ - the price level accelerated to 2.8% in May, up from 2.2% at the beginning of the year. Much of this acceleration was due to base effects of energy subsidies implemented in early 2023.
- Japanese sovereign bonds are appreciating and have reached their highest value since June 2012. On the other hand, with the depreciation of the yen, since the beginning of the current year, Japanese stocks have been performing well in both local currency and USD terms. Other factors that have influenced the yield of Japanese sovereign bonds are the level of government debt and demographic issues. Still, despite concerns about long-term debt sustainability (above 250% of GDP), the rating of the main rating agencies is positive. However, the demographic theme remains: the birth rate is low, and with an aging population, there will be fewer taxpayers and consequently greater pressure on pension and health spending.

EQUITIES AND DEBT

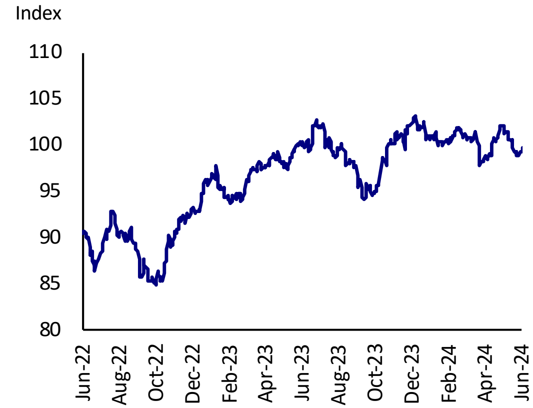
Main stock indices



10-year sovereign debt *yields* of major economies



Emerging economies bond index



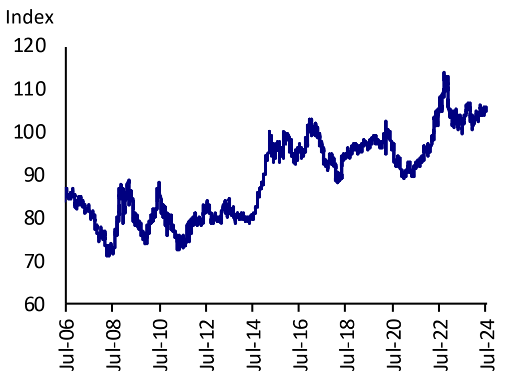
- **The S&P 500 and Nasdaq indexes posted big gains in the first half of 2024 and surpassed highs since 2021. On the side of the MSCI Emerging Markets, the trend is also upward, but still far below the highs of early 2021. Emerging-economy bonds have seen a mixed performance with far-reaching effects on global markets.**

- **Central bank decisions and the dynamics of the economy itself influence sovereign bond yields: sovereign bond yields in the main US economy are now falling, influenced by cooling economic activity. In May, the 10-year benchmark indices fell by 35 bps in the US. On the European side, the drop was only 15 bps. However, after the release of the PMIs recently, market sentiment has changed and the yield on sovereign bonds has risen again. This rise was further driven by the ECB's outlook on its future decisions and, on the US side, by labour market data for the month of May.**

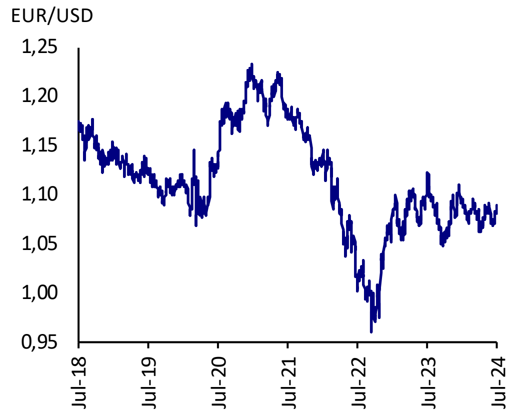
Sources: Bloomberg, Lazard Asset Management

FOREIGN EXCHANGE AND MONETARY MARKET

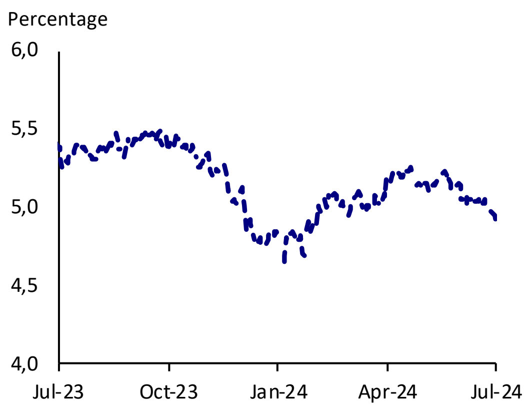
Dollar Index



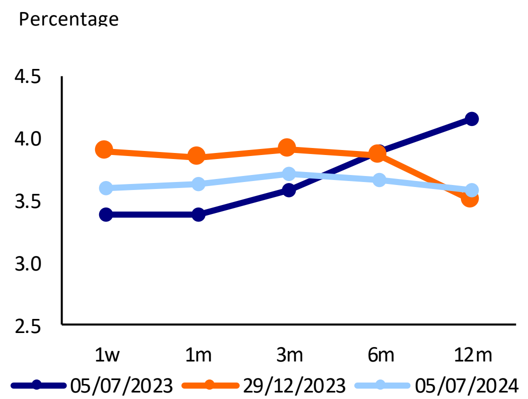
Exchange rate of the Dollar against the Euro



Money Market Interest Rate Dollar (SOFR 12M)



Money market interest rates Euro (Euribor)



Sources: Bloomberg

- Since the beginning of the year, the Dollar has been gaining strength against other currencies (+2.8% ytd). After the release of data on unemployment and inflation, the Fed, the US central bank, left the rate corridor unchanged, as expected by the market. The EUR/USD pair has been a mixed performer. At the end of June, EUR/USD closed at approximately 1.08, showing a slight decrease from the lowest levels recorded previously, such as 1.10 at the beginning of the year. This volatility was influenced by several economic and political factors, including inflation in the US and elections in France.
- The 12-month SOFR has been showing a slight decrease in recent months, still standing at around 5% since December 2023. In June, the rate fell to 5.03%, slightly above the 5.2% recorded at the end of May.
- Euribor rates have started to fall slightly, reflecting the beginning and continuation of the cycle of interest rate reductions by the European Central Bank.

MARKETS OUTLOOK

FOREIGN EXCHANGE MARKET	Dec-23	Mar-24	Jun-24	YTD	YOY	QOQ	Q3 2024	Q4 2024	1T 2025	Dec-25	Dec-26	Dec-27
EUR/USD	1,10	1,08	1,07	-2,6%	-2,5%	-1,2%	1,08	1,08	1,10	1,12	1,13	1,13
GBP/USD	1,27	1,27	1,26	-0,7%	-0,5%	-0,8%	1,27	1,27	1,28	1,31	1,32	1,32
USD/JPY	141,04	160,88	151,35	7,3%	4,9%	-5,9%	156,00	153,00	150,00	143,00	139,00	130,00
Dólar Index (DXY)	101,33	104,49	105,87	4,5%	2,9%	1,3%	105,00	104,40	103,50	100,80	98,50	96,90

MONEY MARKET	Dec-23	Mar-24	Jun-24	YTD	YOY	QOQ	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Euribor 3M	3,9%	3,8%	3,7%	-0,2	0,1	-0,1	3,4%	3,2%	2,9%	2,7%	2,5%	2,3%
SOFR 3M	5,3%	5,3%	5,3%	0,0	0,1	0,0	5,1%	4,8%	4,5%	4,2%	4,0%	3,8%
FED rate upper limit	5,5%	5,5%	5,5%	0,0	0,3	0,0	5,4%	5,1%	4,8%	4,4%	4,2%	4,0%
FED rate lower limit	5,3%	5,3%	5,3%	0,0	0,3	0,0	5,1%	4,8%	4,5%	4,2%	3,9%	3,7%
ECB - Main refinancing rate	4,5%	4,5%	4,3%	-0,3	0,3	-0,3	3,7%	3,4%	3,1%	2,9%	2,7%	2,6%
ECB - Deposite rate	4,0%	4,0%	3,8%	-0,3	0,3	-0,3	3,5%	3,2%	3,0%	2,7%	2,5%	2,4%
BOE rate	5,3%	5,3%	5,3%	0,0	0,3	0,0	5,0%	4,7%	4,3%	4,0%	3,7%	3,5%

SOVEREIGN DEBT	Dec-23	Mar-24	Jun-24	YTD	YOY	QOQ	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
USA 10-Year	3,9%	3,9%	4,2%	0,3	0,7	0,3	4,3%	4,1%	4,1%	4,0%	3,9%	3,8%
Germany 10-Year	2,0%	2,0%	2,3%	0,3	0,0	0,3	2,5%	2,3%	2,2%	2,1%	2,0%	1,9%
Japan 10-Year	0,6%	1,1%	1,1%	0,4	0,7	0,0	0,8%	0,9%	1,0%	1,0%	1,1%	1,1%
UK 10-Year	3,5%	4,3%	4,2%	0,6	-0,2	-0,1	3,9%	3,8%	3,7%	3,6%	3,5%	3,5%
China 10-Year	2,6%	2,3%	2,2%	-0,4	-0,4	-0,1	2,3%	2,3%	2,3%	2,3%	2,2%	2,2%

COMMODITIES	Dec-23	Mar-24	Jun-24	YTD	YOY	QOQ	Q3 2024	Q4 2024	Q1 2025	Dec-25	Dec-26	Dec-27
Brent	77,0	81,6	86,4	12,2%	8,3%	5,9%	83,9	82,1	80,8	79,1	75,5	73,1
WTI	71,7	77,0	81,5	13,8%	15,4%	5,9%	80,5	78,3	76,6	74,7	70,8	68,2
Natural Gas	103,0	85,9	102,8	-0,2%	-44,7%	19,6%	76,8	95,8	94,1	91,3	82,0	74,1
Gold	2078,4	2348,3	2330,9	12,1%	21,9%	-0,7%	2372,0	2412,0	2446,0	2488,0	2601,0	2663,0

Sources: Bloomberg

DISCLAIMER