

FLASH NOTE

Nº 17.2024 | October 10, 2024

Low export diversification, but some growth

Growing products include iron, soap, margarine and pasta

A. DESCRIPTION

1| The Angolan economy remains highly dependent on oil exports, as they are the largest regular source of foreign exchange. In total revenues from the export of goods, exports of hydrocarbons represented 94.2% in the last 12 months until August 2024. In this sense, their influence on the external balance of the economy, and therefore, on the value of the exchange rate, make economic diversification is imperative. This diversification has begun, but only in a relevant way in the substitution of imports, which has some impact on the greater resilience of the Angolan economy: explaining, substituting imports does not increase foreign exchange inflows, but decreases foreign exchange outflows. However, true economic diversification also requires new sources of foreign exchange, other exports beyond the oil sector.

2| In 2021, according to the Harvard Growth Lab's Atlas of Economic Complexity, Angola was the 116th most complex economy in the world, out of 133 evaluated, dictated by the enormous concentration of exports in some goods, namely crude oil, refined fuels and diamonds (which are has added another petroleum derivative in recent years, liquefied natural gas). In fact, even in recent years, exports outside this sector have not yet increased significantly. Although they are growing, if we assume the average growth rate since 2021 (22.7% yoy) for the future, it will only be around 2029-30 that non-oil and non-diamond exports will surpass current diamond sales, and only from now on 10 years could cover close to 1/3 of current goods imports. However, there are some goods whose exports began significantly in recent years, although with low or residual values. In this note we present these most relevant developments.

Excluding oil and diamond exports, sales of goods abroad are residual, but growing

USD Million - 6 month moving average



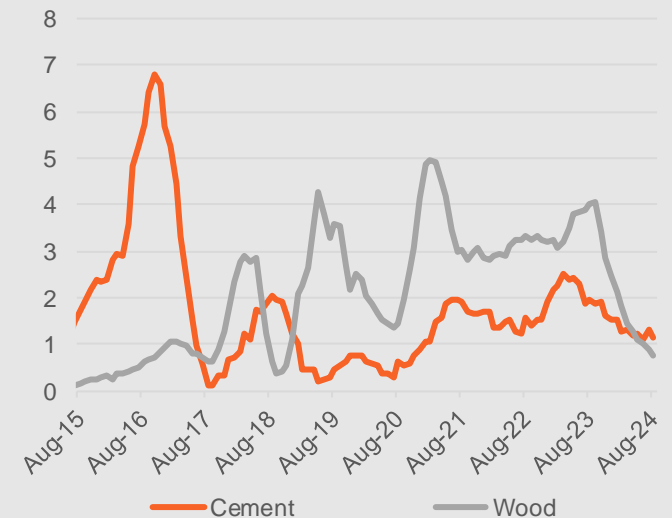
B. ANALYSIS

1| According to tax authority data, in addition to petroleum and diamond goods, and also excluding sales of machines and their parts that could most likely be attributed to the resale of products used by the petroleum industry that are re-exported, there are some goods that have been appearing for some time in the largest non-oil exports. As a preliminary note, whenever we refer to export data, we are referring to the moving average of the last 6 months.

First, wood and cement: in August the moving average of cement exports was USD 1.1 million, a drop of 41.8% compared to the previous year; At this point, this is the lowest level of exports since the beginning of 2021, partly related to a drop in supply, according to press reports¹. In the case of wood, average exports were at USD 0.8 million in August 2024, an impressive drop of 81.1%. Note that the ban on the export of unprocessed wood, decided in February 2023, would have had a very significant impact on these sales.

Wood exports at minimum; cement sales abroad also falling

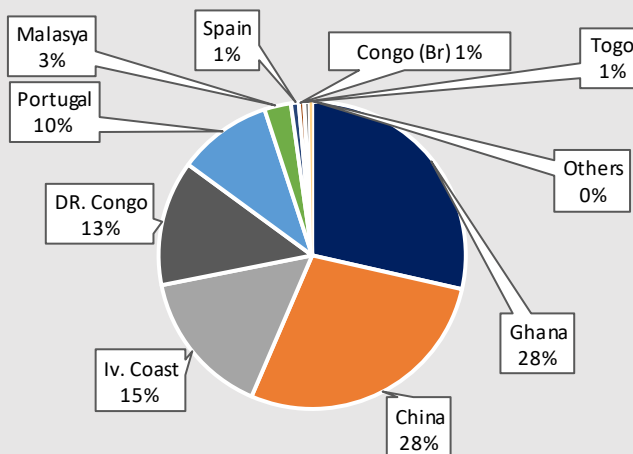
USD Million - 6 month moving average



Fish exports are also relatively traditional, in particular the sales of shrimp and sardines: shrimp exports fluctuate a lot, even using a moving average, but have generally been between USD 2-5 million. In the case of sardines, the most recent scenario, with minimums since 2019-20, is greatly affected by a decrease in the presence of the species on the Angolan coast, which will be related to overfishing problems, in particular operations that are not legalized and difficult to monitor, being that there may also be some effect of climate change, through changes in water temperature. The drop in

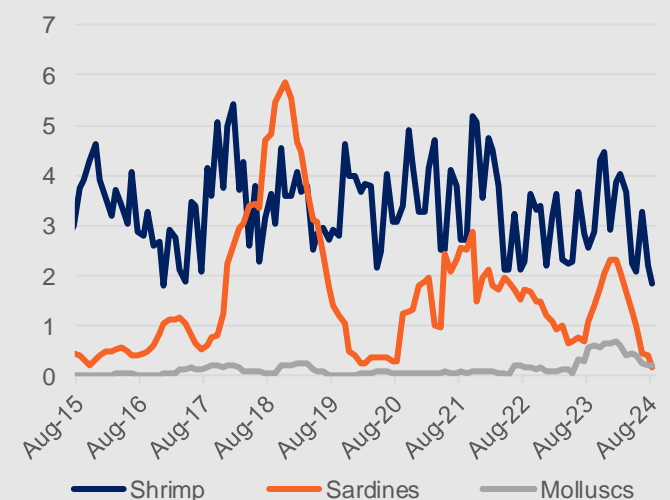
Fish exports to varied destinations, with emphasis on Ghana, China and Ivory Coast

% exported per destination, 2023-24



Shrimp exports remain relevant; sardine sales at a minimum

USD Million - 6 month moving average

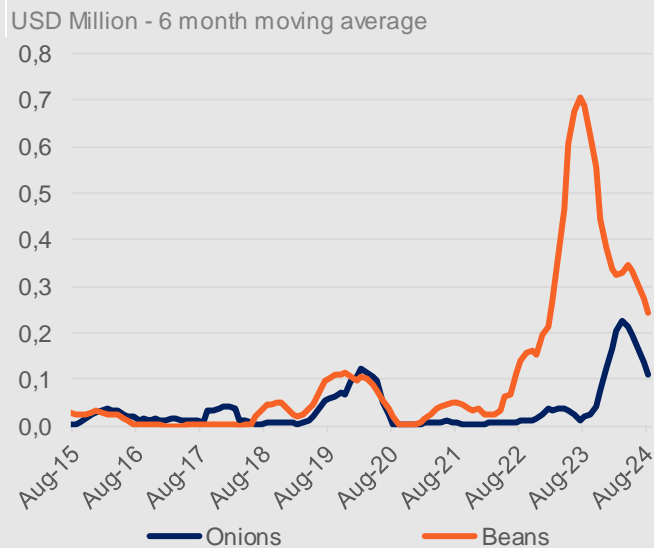


¹ <https://www.expansao.co.ao/angola/interior/cimento-em-alta-de-precos-continua-a-pressionar-construcao-no-pais-120606.html>

average sardine exports in August 2024 is 84.2% compared to the same period of the previous year. Note the decrease in the allowable catch rate for sardines, which is defined by the Government, in recent years, having been set at 120 thousand tons for 2024.

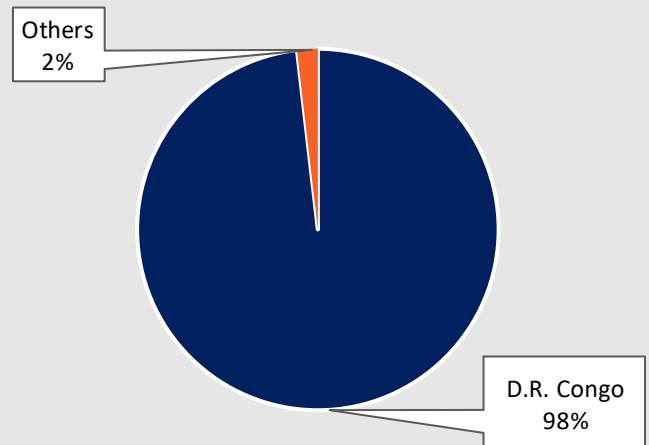
2| Let us then look at exports that only became relevant relatively recently. Starting with vegetables, we can notice a very significant increase in exports of beans and onions, but still at very insignificant levels. Even so, in August 2024 the average export of both goods had fallen significantly, -65.0% yoy in the case of beans. Note that, even so, until March of this year, reports were of high demand from Congolese buyers, not to mention significant drops in production, so it could be a customs registration issue. In the case of onions, it is still too early to assess the drop, as the peak of sales abroad was between November 2023 and February 2024, so the current drop may be seasonal.

Onion and bean exports drop after peak; onion sales peaked in 2024



Sales of vegetable products (especially onions and beans) abroad are destined for the DRC

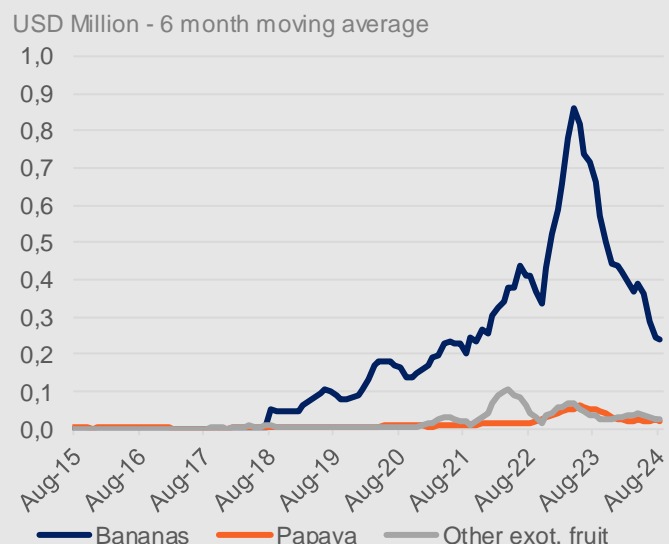
% exported per destination, 2023-24



The case of fruits is another in which exports, being more relevant than 2-3 years ago, are below recent peaks. In the case of bananas, in August 2024 the average export was USD 0.2 million (-63.5% yoy), after a peak of USD 0.9 million per month in April 2023. The other fruits continue exhibiting very low export levels, well below USD 100 thousand per month. It should be noted that fruit exports have been concentrated in Portugal in the last year and a half; The existence of few buyers (and few exporters) will justify the volatility of these sales, something that is common to several of the products evaluated in this note.

In the opposite direction, coffee cultivation continues, which, although still not significant, has seen the prospect of a gradual increase in the value of exports. In fact, despite there being an increase in export volume between 2019 and 2020, the recent increases in exported value are related to a very sharp increase in the international price of coffee, with Robusta coffee futures

Banana exports well below peak in early 2023

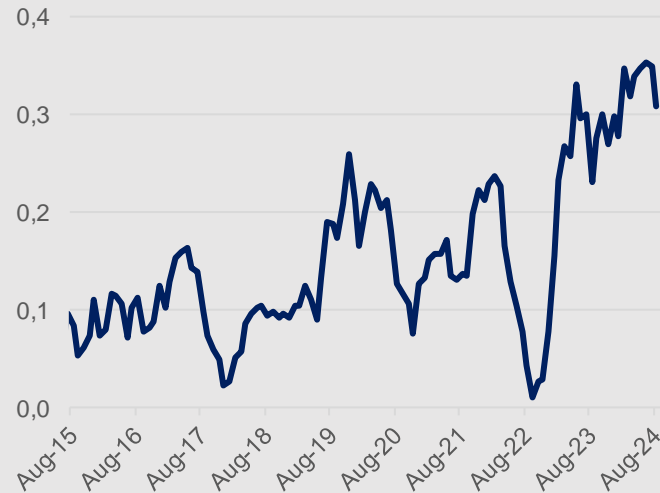


are related to a very sharp increase in the international price of coffee, with Robusta coffee futures

(the most typical production in Angola). for November this year, being negotiated at double the usual prices. In the case of coffee, despite exports still being quite low, it is a sale to already diversified destinations, although mainly to Portugal, with 56% of coffee purchases from Angola.

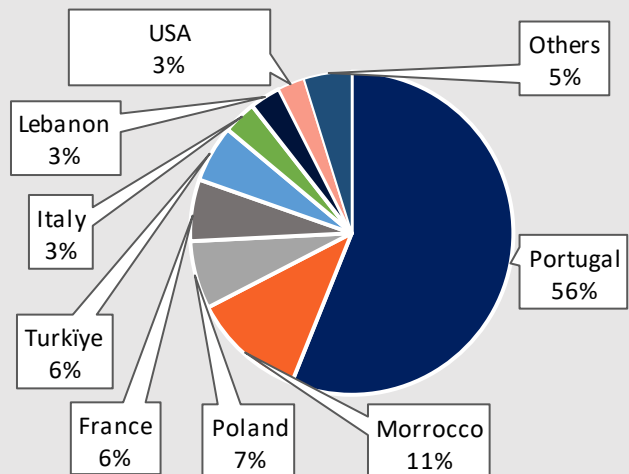
Coffee exports at highs in recent years, but still below the monthly million

USD Million - 6 month moving average



Coffee exported mainly to Portugal, but with several other relevant destinations

% exported per destination, 2023-24

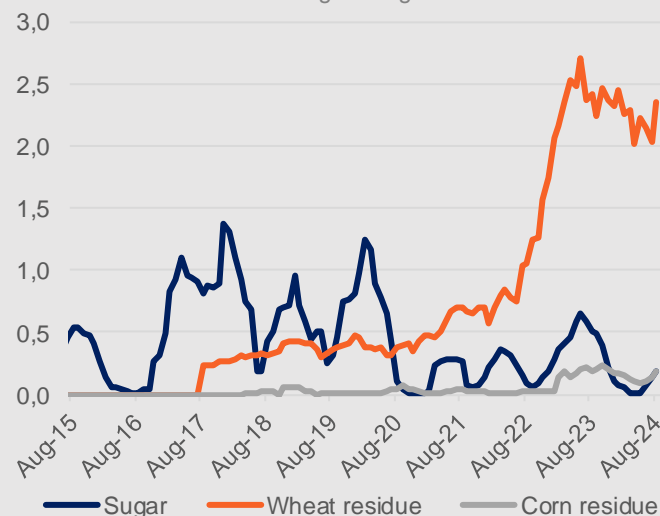


3| With the development of Agriculture in recent years, there has been an opportunity to start using surplus production in small food processing industries, which have shown some growth, albeit from a very insignificant base.

We begin by highlighting the wheat and corn derivatives production sector, whose exports are testimony to its development. Consider the following: exports of wheat residues reached a monthly average of USD 2.4 million, in August 2024, a slight drop of 2.7% yoy, but remaining quite relevant. Wheat flour exports, on the other hand, are below recent highs. However, what is visible from the decrease in imports of this good is that there is greater milling production, replacing imports with domestic production. In fact, we

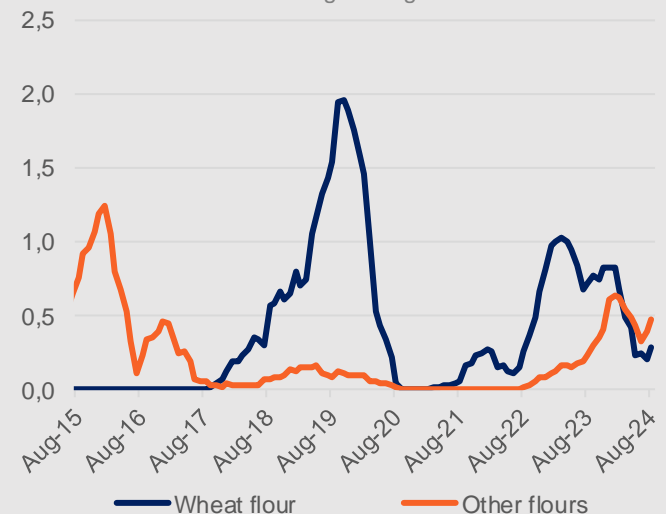
Wheat residue exports remain high; sugar sales at corn residue level

USD Million - 6 month moving average



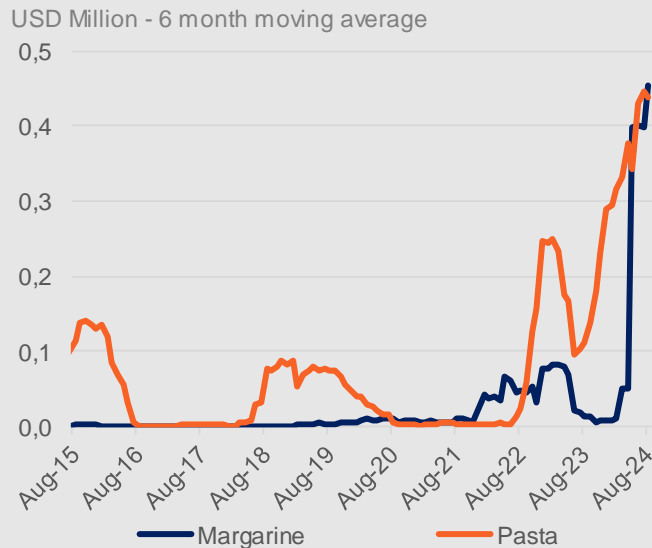
Wheat flour exports below 2019 and 2022-23 peaks;

USD Million - 6 month moving average



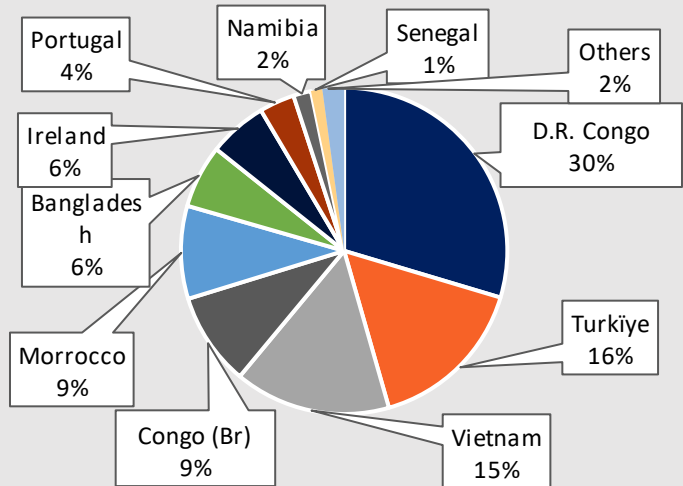
also know that this milling production has led to greater imports of wheat as raw materials. In the case of other flours and corn residues, exports are much smaller, but it should be noted that they are both at the same level as sugar exports, which have been significantly reduced in recent years.

Pasta exports are growing fast, such as margarine sales



Food manufacturers with very varied destinations, with DRC, Türkiye and Vietnam highlighted

% exported per destination, 2023-24

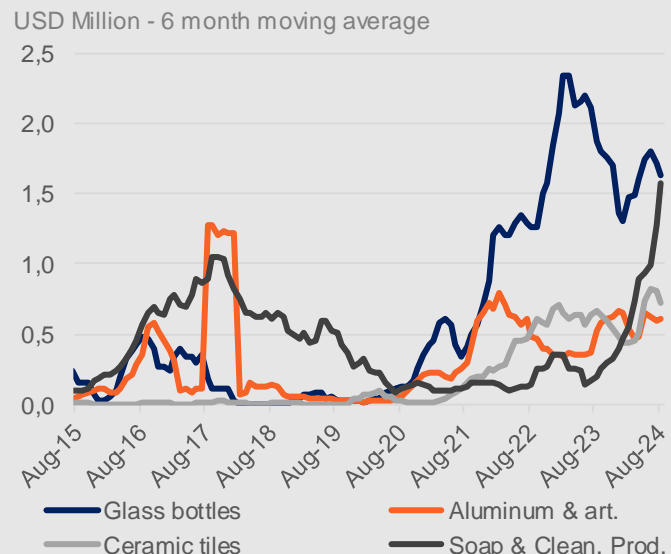


Two other goods whose exports are still quite small but which could grow are pasta and margarine. In the case of pasta, exports are above USD 0.4 million per month, on average in August, almost quadrupling compared to the same period of the previous year. Margarine exports are at a similar value, with no relevant exports for a year. Adding the various food manufacturing exports, we already see a set of diverse destinations for these products, with the Democratic Republic of Congo at the forefront, but also including Turkey, Vietnam, and Congo-Brazzaville.

4| Industry not directly linked to the agricultural sector has also seen some developments in exports.

Take the export of glass bottles, which began to emerge significantly in 2020/21, and reached a monthly average of USD 1.6 million per month in August, a drop of 12.5% yoy compared to same period of 2023. In this case, we know that there is some competitive advantage in the price of fuel and energy in Angola, which is an important component for production. On the other hand, exports of soap/cleaning products have also grown in recent months, to an average of USD 1.6 million per month, 7 times the amount in the same period of 2023. Exports of aluminum, articles of aluminum and also ceramic tiles, are relatively stagnant after a period of growth in recent years. The relatively sustainable evolution shown in the graph. There is also a significant increase in exports of ceramic products, especially ceramic tiles, which reached a maximum of USD 6.8 million in 2022, and will already accumulate USD 2.1 million by April 2023. A 3rd set of goods with exports on the rise is the group "Aluminum and its articles"; although still below the maximum of USD 8.0 million in 2017 (especially due to the month of August 2017, far above all others), exports have

Exports of soap and similar products increasing significantly; glass bottle sales still relevant



Exports of soap and similar products increasing significantly; glass bottle sales still relevant

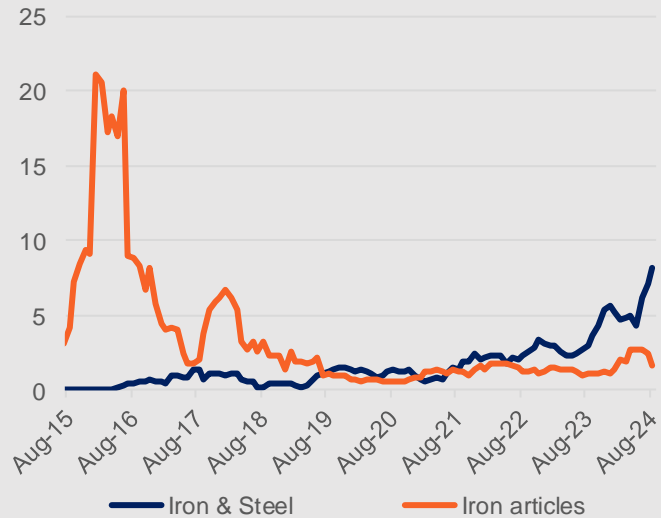
remained high since 2021, with clear growth from the end of 2020, and maintenance at an interesting level since that time.

5| Finally, there are also some very significant developments in mining, a sector that could become fundamental outside of what is already explored in diamonds.

Iron and steel exports have increased significantly in recent months, reaching an average of USD 8.1 million per month in August 2024. This number includes a record export since the beginning of this data series in 2015: USD 14, 5 million iron exports in June 2024. The 6-month moving average growth was, in August, 165.9% yoy. On the other hand, iron articles reached an export average of USD 1.6 million per month in August 2024, 46.2% above the same period of the previous year, still far from peaks at the time of 2015-16, according to statistics. These recent developments are related to a boost in Companhia Siderúrgica do Cuchi, which exported pig iron for the first time from the Port of Namibe this year. There is also another project with a possibly promising future, with the Turkish company Tosyali's exploration of the Kassinga mine mining project.

Iron and steel exports at historic highs, close to USD 10 million per month

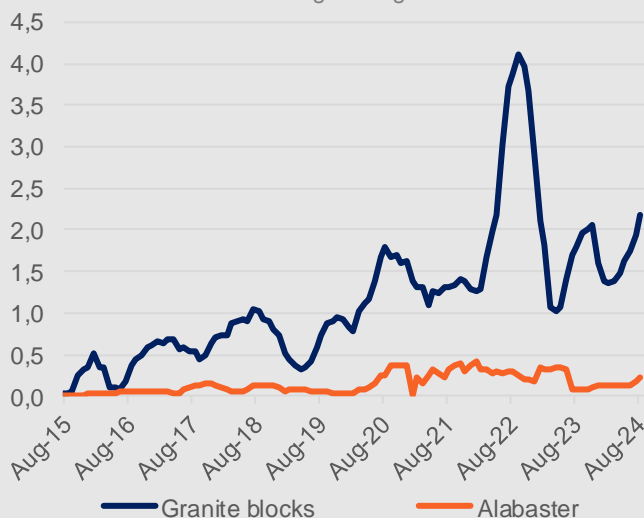
USD Million - 6 month moving average



In another type of mining, block granite exports remain relatively dynamic, although below the peaks recorded in 2022, with an average of USD 2.2 million per month in August this year, a growth of 20.8% compared to the same period of the previous year. In the case of alabaster, exports have remained at the very low level at which they started – they are close to USD 0.2 million and growing a lot in percentage terms, but very low compared to sales of granite abroad. Adding these exports of minerals

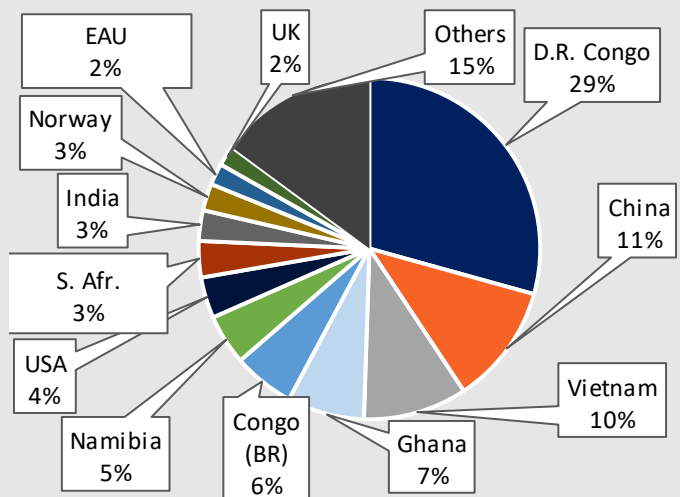
Block granite exports growing, after peak at the end of 2022

USD Million - 6 month moving average



Exports of ores and mineral manufactures diversified by destination, highlighting DRC

% exported per destination, 2023-24



and non-agricultural manufactures, we also find a diverse set of destinations, but with great emphasis on the Democratic Republic of Congo, with 29% of them, followed by China (11%) and Vietnam (10%).

C. CONCLUSION

1 | The diversification of exports is not yet a reality: adding all the goods mentioned and some others that are also exported (drinks, for example), they represented only USD 28.5 million per month in the last 6 months. Compare this with diamonds, whose monthly exports almost always exceed USD 100 million per month. Even so, we were able to list a series of goods whose exports have grown significantly in recent years. If some of these continue to grow at the rate they have been growing, and to these are added a series of goods to be exported, then the diversification of exports can truly occur and this could be the beginning.

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