Q42024 ECONOMIC REPORT

BFA

INDEX

EDITORIAL

LOWER INTEREST RATES BRING HOPE, BUT MAYBE FOR 2025

Despite dependence on oil, the Angolan economy has been under the influence of two issues for the last 2 years with no close relation to the price or volume of production of black gold. Production, in fact, has been growing, albeit slightly. The price, on the other hand, not being at the most favorable levels ever, is still trading above 70 Dollars per barrel.

Firstly, the very significant increase in external debt between 2010 and 2016 concentrated many payments in these years; for context, using data from April this year from UGD, external debt service in 2024 will be close to USD 10.3 billion (B), 3.4 of which will be paid by April; in 2023 this value was USD 9.2B, and next year it will also be close to USD 9B, falling to a value of around USD 8B in 2026 and USD 7B in 2027. All these values are quite above the average of USD 5.5B between 2020 and 2022, but the next few years seem likely to bring a very gradual improvement

The second theme concerns the other side of this financial balance: what new loans could partially offset this effort? Between 2019 and 2022, USD 0.8B more was paid in interest and capital than new loans; in other words, with all the merits and defects of this strategy, to deal with its financial operations, the State needed this amount in foreign currency. In 2023, despite payments of USD 9.2B, there was only USD 3.9B in new external financing. There was a difference of USD 5.3B that the State had to withdraw in foreign exchange from the economy (not selling FX on the market), because interest rates led to financing with prohibitive costs. In 2024 the situation will be similar. A change in this direction effectively changes the conditions of the foreign exchange market, and this change could arrive in 2025. The reductions in interest rates by central banks in the European Union and the US are the main determinants of the interest rates that the Angolan Government faces on external financing, and they began to fall this year. For this purpose, they have to go down even further.

CHRONOLOGY

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;

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

July

- MinFin issues Treasury Bonds in Foreign Currency (OT-ME);
- IMF defines that Angola's repayment capacity is adequate, however it is subject to risks;
- The President of the Republic authorized by Presidential Order the partial privatization of State shares in Standard Bank Angola

August

- S&P maintains a “B-” rating in its assessment of Angola’s long-term sovereign credit;
- The start of the privatization process was authorized, through an Initial Public Offering at BODIVA, BFA and Unitel, in both cases for 15% of the companies' share capital.

September

- Federal Reserve cuts interest rate by 50 basis points;
- EximBank provides USD 1.6 Billion for solar energy projects in Angola;
- The Luanda Urban Mobility Improvement Program was approved

AGENDA

October

02 to 03: Angola Oil and Gas Conference

08 to 10: World Ports Conference

17: ECB Monetary Policy Meeting

21: World Parliamentary Forum 2024 - Multilateralism: Achievements, challenges and the way forward

23 and 24: 2nd International Diamond Conference

November

01: IX Insurance Forum

18 and 19: BNA Monetary Policy Committee

20 to 21: 12th IMF Statistical Forum

December

12: ECB Monetary Policy Meeting

15: Vote on the Budget Law proposal

17th and 18th: Federal Reserve Monetary Policy Meeting

31: Quarter III GDP Data

HIGHLIGHTS

Angola

- **Temporary appreciation, with permanent pressure on the value of the Kwanza;**
- **Liquidity apparently improves, with volatile Luibor rates;**
- **Primary yields unchanged, but under pressure from the secondary market;**
- **State spending pressured by the low level of external financing;**
- **Economy grew 4.1% in Q2 2024, because of the good performance of the oil sector and tradable goods;**
- **Growth should slow down in the 2nd semester, due to domestic consumption;**
- **Current account continues to show a surplus.**

International

- **Lobito Corridor could bring benefits to the copper region in the DRC;**
- **Inflation began to slow down in Nigeria;**
- **China struggling to cope with economic slowdown**
- **PMI index points to economic slowdown in the main economies;**
- **Central banks continue on path of interest rate cuts;**
- **Rising coffee prices, heavily pressured by climate change and new European regulations;**
- **North American stocks continue their period of strong growth accompanied by stocks in emerging markets.**

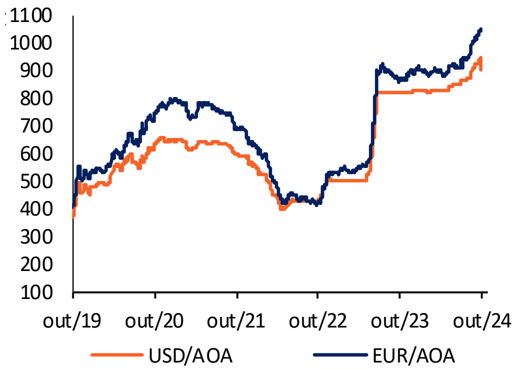
ECONOMIC REPORT
Q4 2024
Economic Research Unit

FINANCIAL MARKETS

FOREIGN EXCHANGE MARKET

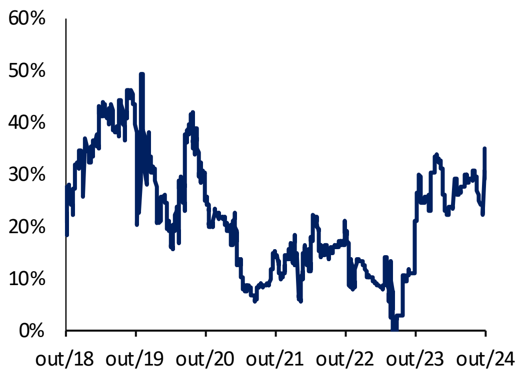
Exchange rate of the Kwanza against the Dollar and Euro

USD/AOA; EUR/AOA



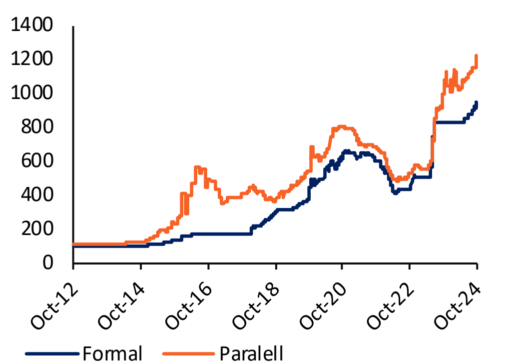
Gap between official and parallel USD/AOA exchange rate

Percentage



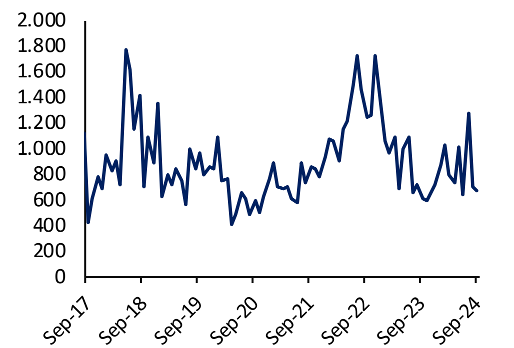
USD/AOA exchange rate in the official and parallel market

USD/AOA



Monthly sales of foreign exchange to banks

USD Millions



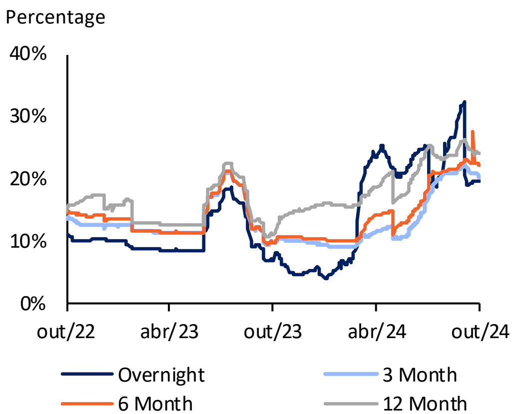
Sources: BNA, BFA Calc.

- **The local currency registered a certain stability throughout the first months of the year; however, it has been depreciating slightly, resulting in a loss of 6% against the Dollar and 9% against the Euro in the last quarter.** BNA intervened in the market, providing commercial banks with around USD 250 million (M) to cover foreign exchange operations aimed at importing food and medicines; and this movement had an effect on the exchange rate, with the local currency appreciating around 3.3%, with the USD/AOA pair now at 905. In our view, this appreciation is temporary, as the backlog remains robust and BNA will not make regular interventions, which will continue to put pressure on Kwanza. The EUR/AOA exchange rate reached the mark of 1,000 Kwanza per Euro in August, however, it is currently quoted at EUR/AOA 993. The gap between the official exchange rate and the parallel rate is around 35% and this factor reinforces the feeling of that the local currency is under immense pressure to depreciate.

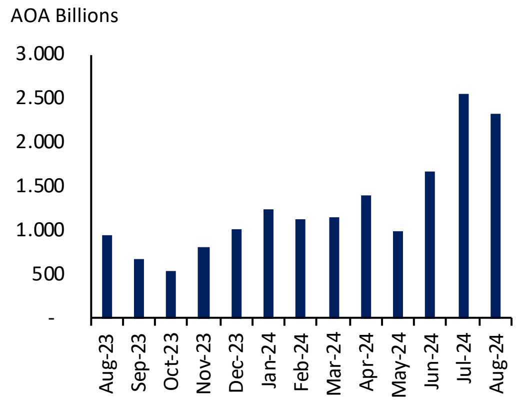
- Demand for foreign exchange remains significantly higher than current supply levels and we estimate that the level of needs for the entire system is around USD 1.5B.

MONEY MARKET

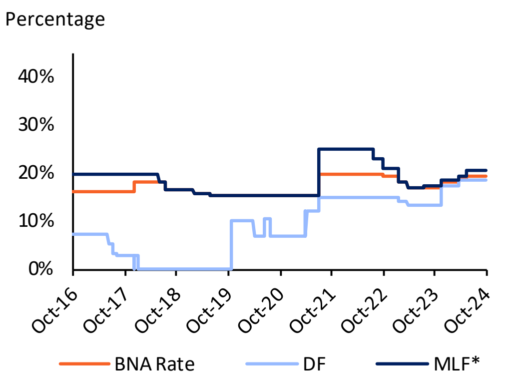
Luibor rates on the various maturities



Liquidity exchange operations

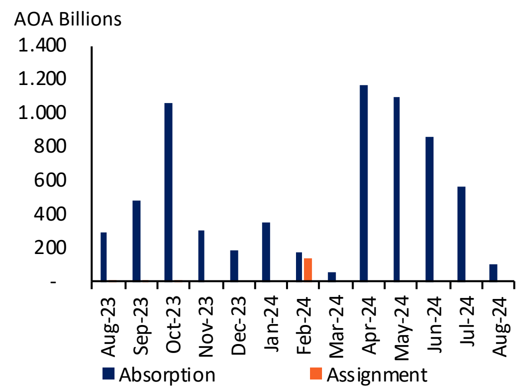


Main monetary policy rates



Marginal Lending Facility*

Open Market Operations - Absorption

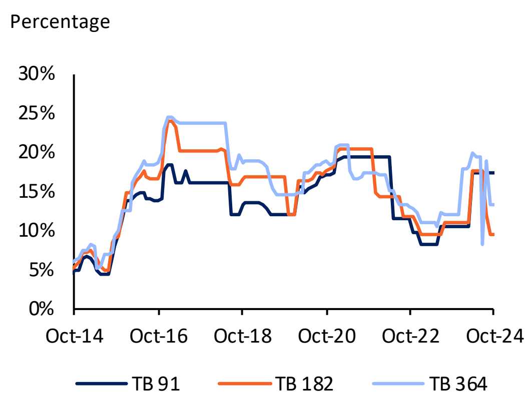


Sources: BNA, BFA Calc.

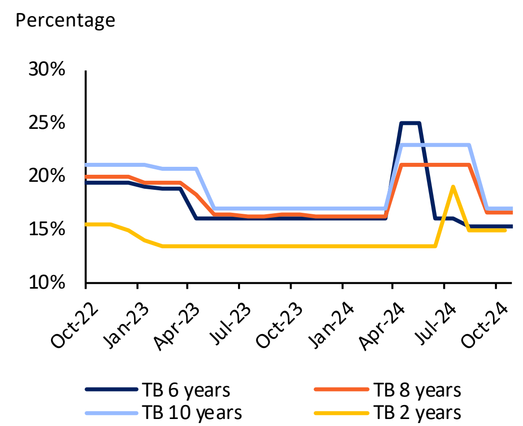
- **Interest rates in the Interbank Monetary Market have shown an upward trend throughout the year, particularly in the Q3 when several events put pressure on rates, especially overnight rates.** On the one hand, some public institutions converted their deposits into debt in favor of the State, which affected the system's liquidity, especially banks that have a greater share of public sector deposits; on the other hand, the situation in the foreign exchange market, with considerable uncertainty about when currency will be available, has made banks always want to have plenty of liquidity available. Overnight reached multi-year highs in September, 32.6%.
- The maturities of 6, 9 and 12 months reached values of 22.4%, 24.0% and 26.1%, respectively, maximums in 2017. The BNA opened the Marginal Lending Facilities and made available to banks around of AOA 179B for terms of 1 and 7 days at a rate of 20.5%. At that time, there was a significant impact on O/N, leading to a drop of 1000bps in a single day. Other maturities also registered reductions, albeit more gradually.

PRIMARY BOND MARKET

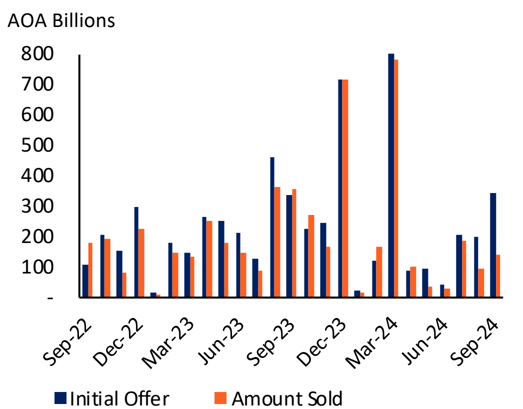
Treasury Bill *Yields*



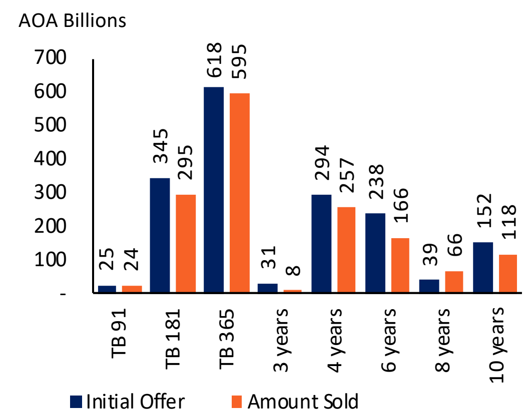
Treasury Bond *Yields*



Debt placements per month



Debt placements by maturity in 2024



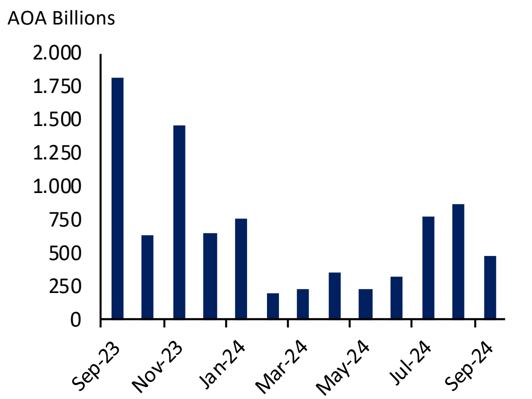
Sources: BNA, BFA Calc.

- **Primary market interest rates for shorter terms are clearly on a downward trend. Longer maturities have fallen over the year but remain stable.** In general, rates are below inflation, which has made these instruments less attractive to investors, especially banks. We have noticed that so far the largest issues are of shorter-term instruments, which is normal in negative real interest rate environments where the opportunity cost for the investor is lower when investing in instruments with shorter maturities. Furthermore, it is clear that MinFin continues to face challenges in raising resources in foreign currency, which at this point must be putting pressure on the treasury, which can no longer count on the same amount of financing that it received from the BNA in the first half of the year. year – according to our calculations, BNA's financing to the Treasury is very close to the limit defined in the Central Bank law.

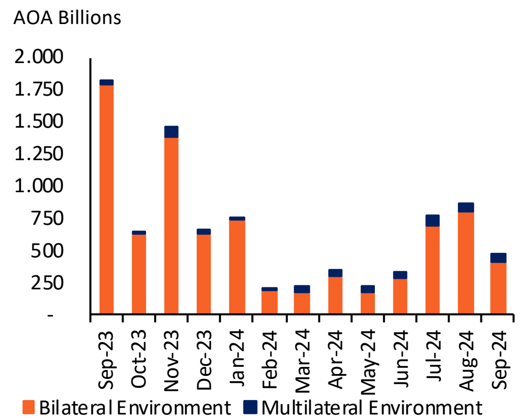
- **There have been no new issues of BTs since the beginning of September and the current rate is around 13.4%.** On the longer term side, there were issues for 2 and 3 year maturities, at a rate of 15%. Rates for 8 and 10 years fell to 16.6% (-440bps) and 19% (-400bps), respectively..

SECONDARY SECURITIES MARKET

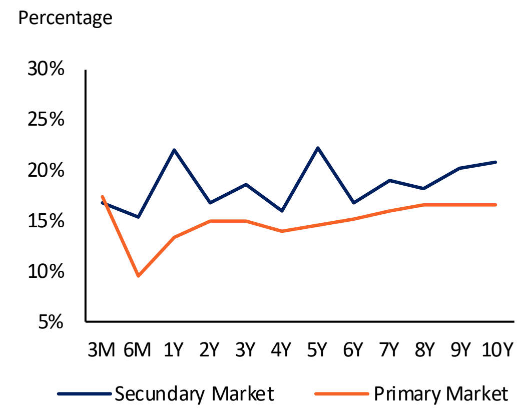
Secondary market transactions



Transactions by trading environment



Kwanza yield curve



- **BODIVA markets transacted around AOA 2.1 trillion (T) in Q3 2024, a significant increase compared to the previous quarter at more than AOA 1.2T. In fact, the Q3 has so far been the period in which there has been the highest volume of negotiations throughout the current year.** The volume of bilateral trades, which represent more than 80% of the entire market, rose by around 145% QoQ and the volume in the multilateral environment rose by 70% QoQ, standing at AOA 1.9T and 0.2T, respectively. Despite the quarterly growth, this is a sharp decrease (42% less) compared to negotiations in the same period of the previous year.

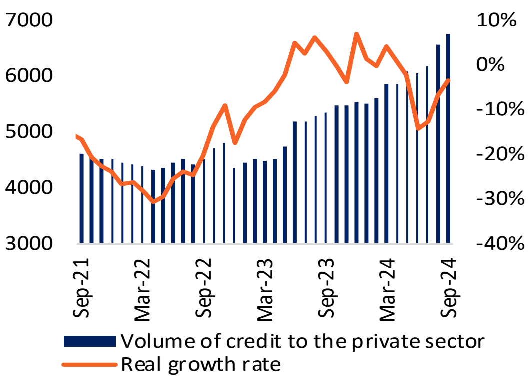
- **Yields in the primary market are below those in the secondary market at all maturities.** Instruments of up to 1 year and 5 years are those with the greatest difference between rates, and in the first case, the yield on the primary is 13.4% while on the secondary it is 22.1%, in the second case, the yield on primary is 14.6% and on secondary 22.1%. Rates for 3, 7 and 9 years have a 3pp difference between primary and secondary.

Sources: BODIVA,BFA Calc.

CREDIT MARKET

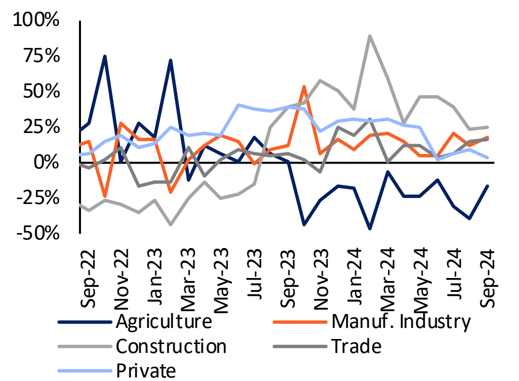
Credit volume and evolution

AOA Billions; Real year-on-year change



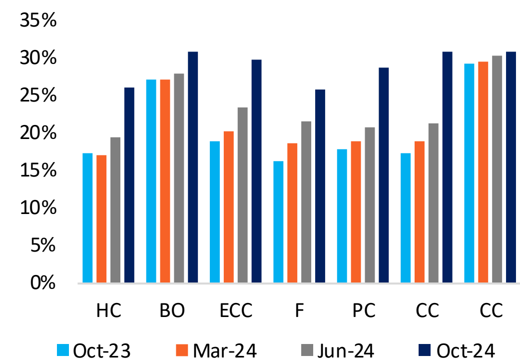
Evolution of credit by sector

Year-on-year change



Interest rates by type of credit

Percentage



- **In August, credit to the private sector stood at around AOA 6.5T, illustrating a nominal increase of around 24.1% yoy, equivalent to over AOA 1.3T.** According to our calculations, based on data released by the BNA, in real terms, credit contracted by around 6.4%. Credit to the public sector grew 47.6% yoy, which represents a real increase of 17.1%. Looking at credit by activity sector, credit in real terms has grown significantly on the transport and real estate sector activities. Credit to the agriculture sector continues to contract significantly and now represents just 3.3% of the total loan value.

- **Assessing the beginning of October, interest rates rose by an average of 552bps to 29.1%, according to our recent price analysis.** We noticed that most banks did not change the spread, which indicates that changes in interest rates for different types of credit occurred essentially because of the variation in Luibor, especially in terms of 1 month, 6 months and 12 months. The future of interest rates will depend on the behavior of inflation and how well the BNA will be able to manage exchange rate and monetary policy – greater inflows of currency generate pressure on liquidity in local currency, which if not accompanied by the opening of liquidity provision facilities, press the Luibors upwards. In this context, the future of rates appears uncertain.

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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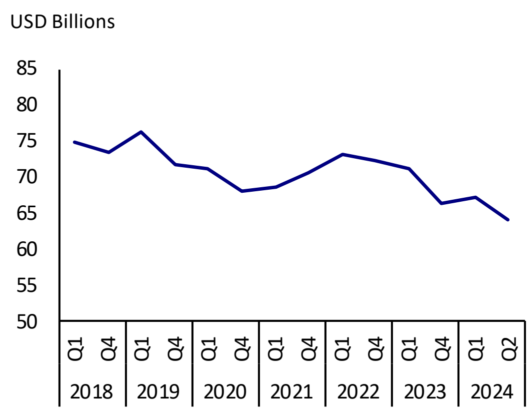
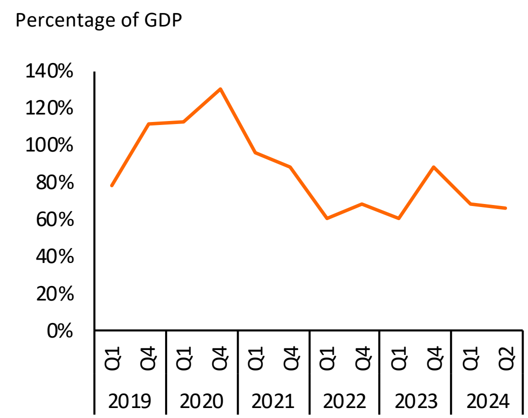
PUBLIC FINANCE

PUBLIC DEBT

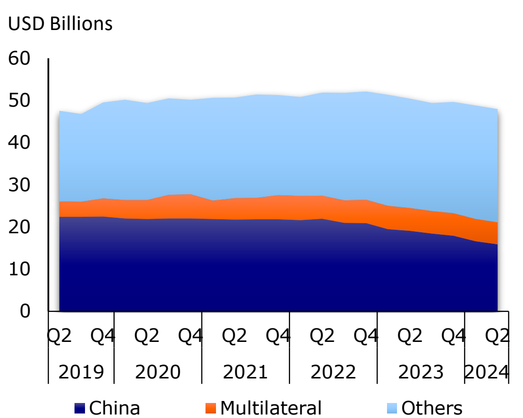
Total public debt



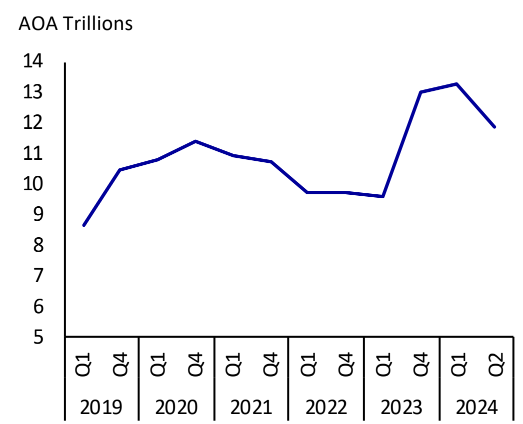
Government debt as a percentage of GDP



External public life by type of creditor



Domestic bond debt



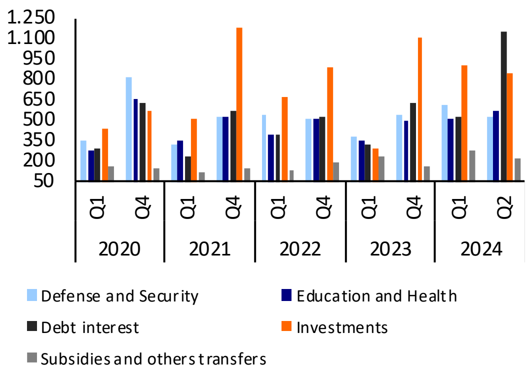
Sources: MinFin, BNA, BFA calc.

- **Angolan public debt, valued in dollars, reduced slightly compared to the previous quarter, standing at USD 64,0B.** According to our calculations, this value could represent around 68.8% of GDP. When converted into Kwanzas, the debt is AOA 54.6T, which represents a decrease of AOA 1.3T compared to the previous quarter. The State's main creditor continues to be the China Development Bank, with a debt stock of USD 8.8B: it is important to highlight that this debt has shown significant reductions and is now close to the levels of the second quarter of 2023.
- **External public debt continues to fall and is now at USD 47.9B, the lowest since Q3 2019.** In contrast, debt to North American creditors has been increasing, rising from USD 4.0B to USD 4.3B (+22.1% yoy) - this movement is in line with the recent strengthening of diplomatic relations between Angola and the United States. On the other hand, the debt with Chinese creditors has been registering significant drops over recent periods, currently standing at USD 15.8B, less USD 3.2B compared to the same quarter of the previous year, however, still well above from the lows of Q1 2016, USD 10.0B.

BUDGET EXECUTION

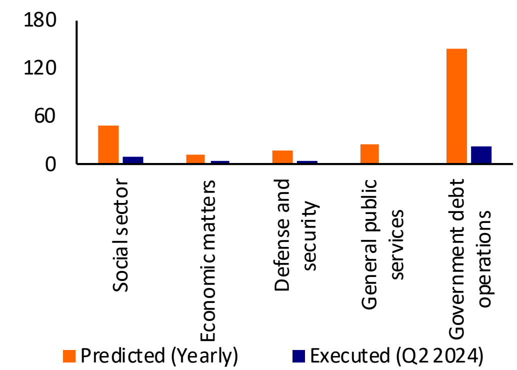
Fiscal weight by sector

AOA Trillions



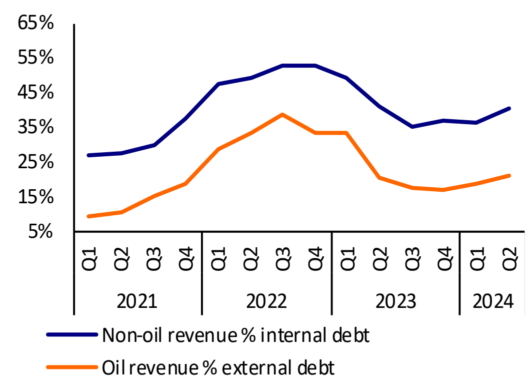
Expenditure planned and implemented by sector

AOA Trillions



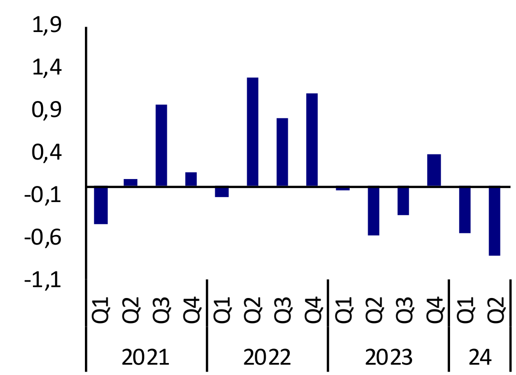
Oil and non-oil revenues as a percentage of debt

Percentage of debt



Budget balances by quarter

AOA Billions



Sources: MinFin, BNA, BFA Cálc.

- **In the second quarter of 2024, there was a significant expansion in expenses related to debt interest, as well as in the education and health sectors.** This is an unusual level of growth, considering that it far exceeded the quarterly execution levels normally observed in these categories in recent years.
- **Revenues grew 60.6% YoY to AOA 5.4T – this growth was strongly influenced by the volume collected in oil taxes which represent more than half of total revenues collected.** Expenditures incurred grew 16.8% yoy to AOA 4.6T. Current expenses grew 31.1% year-on-year to AOA 2.7T.
- **On the Economic Affairs side, the most representative expenses, that is, fuels and energy, as well as the extractive industry and construction, fell slightly to AOA 105.1B (-123.4B QoQ) and AOA 38.4B (-AOA 1,4B QoQ), respectively.**

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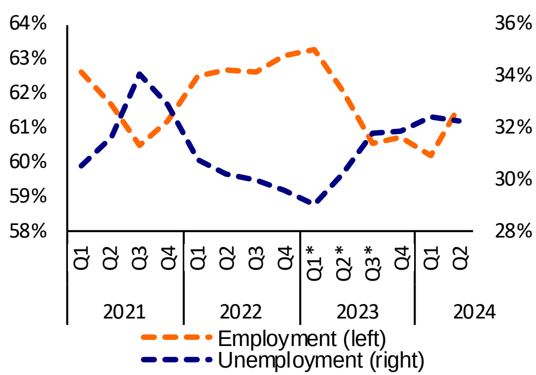
REAL ECONOMY

SPOTLIGHT

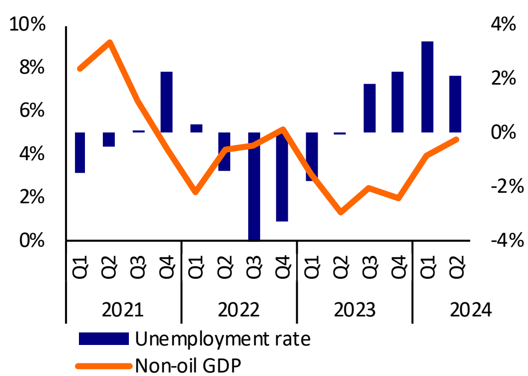
Monthly exports of food manufactures

USD Millions – 6-month moving average



Monthly exports non-food manufacturing

USD Millions – 6-month moving average



Sources: INE, Ministry of Public Administration, Labor and Social Security

UNEMPLOYMENT FALLS, BUT REMAINS AROUND 30%

- **The job market in Angola has been facing several challenges that compromise its development.** The unemployment rate still remains high, resulting in considerable opportunity costs for the economy: According to data from the Employment Survey published by INE, in the second Q2 2024, the unemployment rate fell by 0.2pp to 32.3%, when compared to the previous quarter - this is the lowest rate since the beginning of the year, although it is still above the minimum levels recorded in the last quarter of 2022, 29.6%. The employment rate increased by 1.4pp QoQ to 61.6%, however, there are still serious problems regarding the quality of employment since more than half of the population still works in the informal sector, which represents in absolute terms, according with our calculations, around 9.5 million people.

- **At a time when INE reports the creation of 328 thousand jobs, the Ministry of Labor, with data from Social Security, reveals only 113 thousand.** These differences, resulting from different methodologies, can impact the formulation of public policies related to employment, creating strategies that may not reflect the reality of the Angolan labor market.

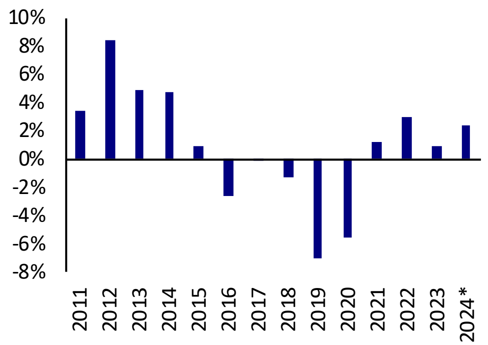
- **The performance of the labor market is in line with the trajectory of the economy, especially on the non-oil side, which plays a fundamental role in generating jobs as it is more labor intensive.** Employment in the agricultural sector (including fishing and livestock farming), which represents the majority of the employed population (currently 44.5% of jobs) has recorded significant declines. Compared to Q1 2024, it was a decrease of 3.0%, but in year-on-year terms we estimate a decrease of over 5%. Wholesale, retail & vehicle repair comes next, accounting for around 22.4% of jobs (+2.7 million jobs). The public sector occupies third position, accounting for 7.4%.

- **Overall, assessing employment trends is still challenging. However, we believe that improvements can occur with the potential to reduce the unemployment rate in the medium term.**

NATIONAL ACCOUNTS

Year-on-year rate of change in GDP

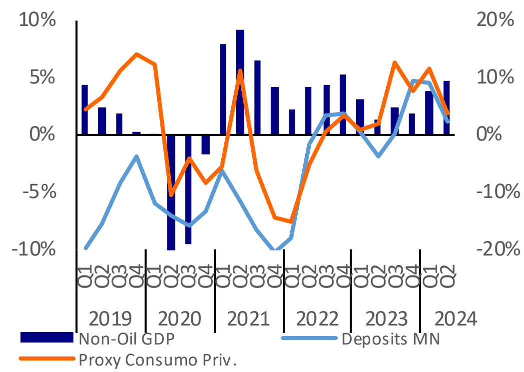
Real year-on-year change



*** Forecast**

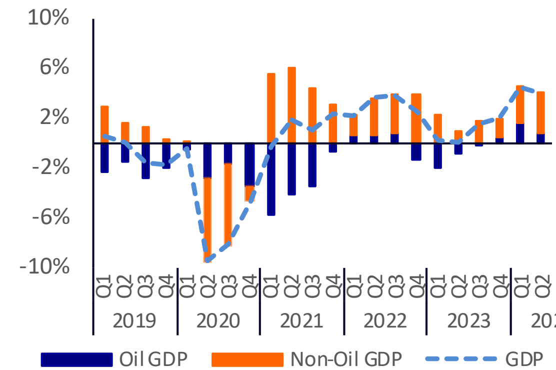
High-frequency indicators and non-oil GDP

Real year-on-year change



Evolution of oil and non-oil GDP

Real year-on-year change



- **In the second quarter of 2024, the Angolan economy's GDP expanded by 4.1% compared to the same quarter in 2023. By growing 2.6% YoY, the oil sector added 0.7pp to the general GDP growth rate.** The non-oil economy grew 4.7% YoY, the highest since Q42022, and added around 3.3pp to the economy's overall growth rate.

- **The high-frequency indicators we monitor indicated a slowdown in domestic demand in this 2nd quarter, which is being reflected in these sectors more dependent on non-tradable goods and services.** For the 3rd quarter, both private sector deposits in national currency and transactions registered in EMIS point to a further deterioration in economic activity in these sectors. However, it is expected that the tradable goods sectors (such as the mining, agricultural and industrial sectors) will continue to experience strong economic growth, even if they do not represent the majority of economic activity. Therefore, the non-oil economy is expected to slow down in general.

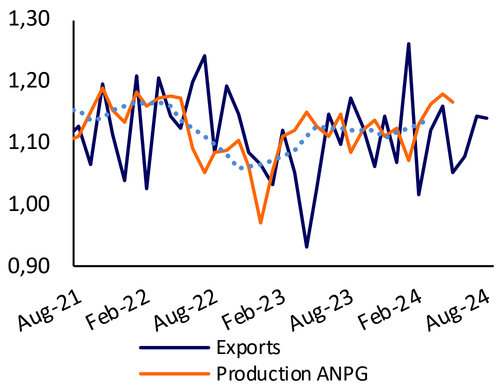
- The cumulative effect of rising prices and corresponding loss of purchasing power continues to be a very relevant factor, with annual inflation above 30%, expected to end the year just below; Furthermore, the difficulty in obtaining foreign currency and delays in payments from the State to companies in some sectors are realities that continue to be relevant constraints. It is possible that the situation will improve in the 2nd semester, mainly because of a greater volume of external financing to the Treasury. It is not a closed point, however.

Sources: INE, OPEC,EMIS

OIL AND NON-OIL ECONOMY

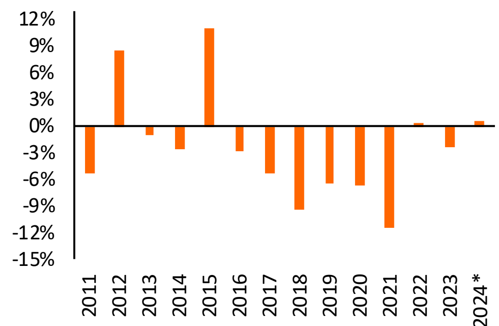
Production and exports of crude oil

Millions of barrels per day



Oil GDP

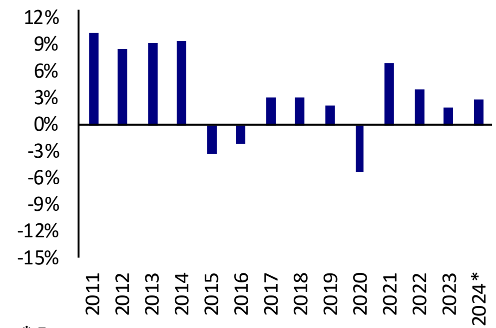
Real year-on-year change



*** Forecast**

Non-oil GDP

Real year-on-year change



*** Forecast**

- **The oil economy grew 2.6% in the Q2 compared to the same period last year, a slowdown compared to the 6.9% growth in the Q1. ANPG data, which showed an increase in crude production of 2.4% YoY, already led to the anticipation of growth in activity in the oil sector of the same order.**

- **Agriculture, industry and the mining sector are tradable goods activities, oriented towards export or import substitution. In this economic environment, they have grown above the rest of the non-oil economy:** compared to the 1st half of 2019, the volume of economic activity grew 16.4%, compared to 12.8% in the remaining non-oil economic activities, also excluding transport and utilities. This quarter, combined, they grew 11.8% YoY. In the case of transport and electricity & water, growth in the same period was 18.7%. Here, the explanation relates to continued investment in the expansion of electricity distribution, and an increase in transport subsidies through the centralized purchase of buses, resold by the State to transport companies. This quarter, combined, they grew 10.1% YoY.

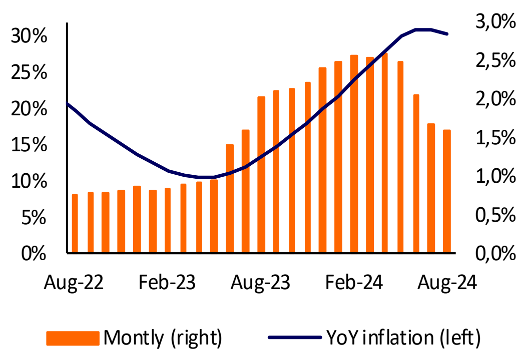
- **However, these sectors in which more than half of the increase in activity occurred this quarter, something that has been recurrent in recent years, represent only 16.5% of the economy.** The remaining non-oil economy, which represents almost 60% of total economic activity, and thus a greater percentage of employment, grew just 2.7% YoY. The large sectors, commerce, construction, real estate, public administration and other services, are highly dependent on the performance of the internal market and, in a related way, on the financial and liquidity situation of the State.

Sources: INE, BFA calc.

CONSUMER PRICES

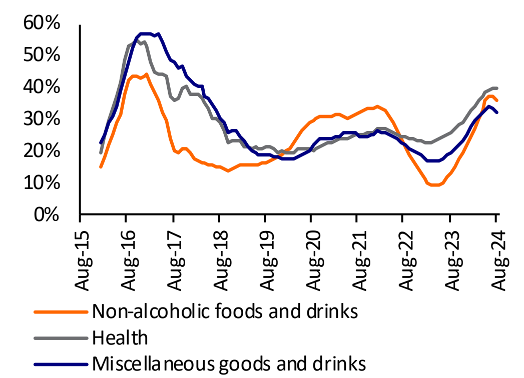
Headline inflation

Percentage



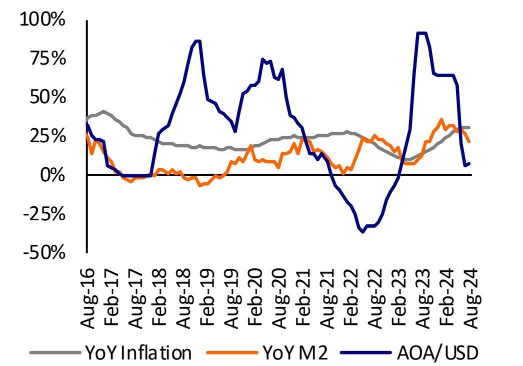
Inflation by classes

Year-on-year change



Inflation, M2 and exchange rate

Percentage



- **Year-on-year inflation slowed for the first time in 14 months to 30.53%. In August, inflation was close to 30.5%, registering a drop of 0.6pp compared to the previous month. Monthly inflation slowed down for the fourth consecutive month, standing at 1.6%, which represents a decrease of 0.1pp when compared to July.** The Education, Health and Hotels, cafes and restaurants categories showed the biggest variations with 8.8%, 2.2% and 1.9%, respectively. Regarding Education category, it was already expected that there would be an increase, driven both by seasonal factors (such as the increase in teaching-related goods, which generally occurs in August and September, such as registrations, registrations and teaching materials) and also as a result of the measures imposed by the executive in Decree nº 187/23. In Luanda, annual inflation stood at 40.6%, which represents the second consecutive decline, approaching the highs of January 2017.

- **Although the increase in prices is losing steam, we believe that there are still inflationary pressures that should continue to demand caution on the monetary policy side.** In education, prices should continue to increase until at least October, while in communications some companies have already started to change prices, in line with instruction no. 4/24 of 25 July published in the republic's gazette, in which INACOM authorizes the adjustment of prices by 25% on the prices of mobile telephone sales services to the public. Furthermore, by depreciating, albeit slowly, the Kwanza adds a new source of uncertainty. Aligning this fact with the normal effect of a tendency for prices to increase towards the end of the year, it is not unlikely that prices in monthly terms will temporarily accelerate again, going against the current trend. However, its counterpart should continue on this deceleration path.

Sources: INE, BNA, BFA calc.

ECONOMIC REPORT
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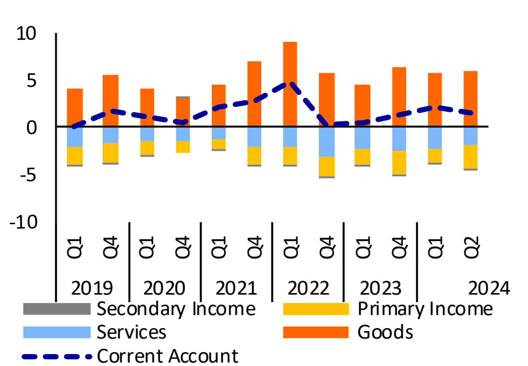
EXTERNAL ACCOUNTS

BALANCE OF PAYMENTS

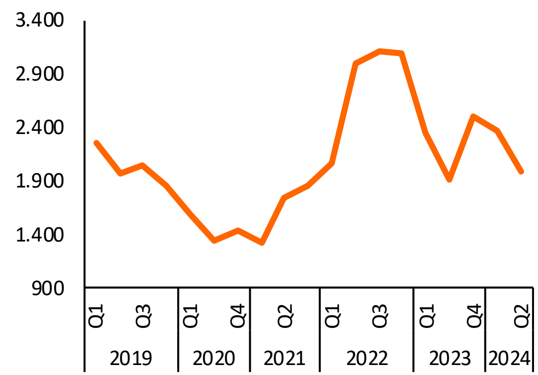
Quarterly balance of payments

USD Billions



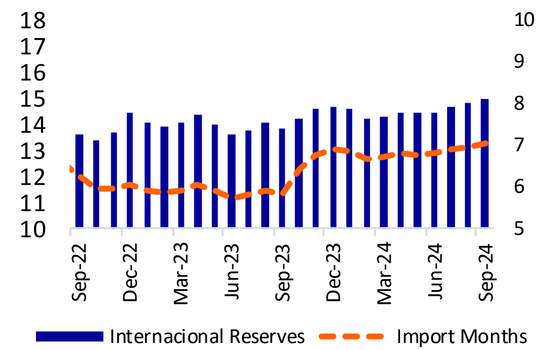
Evolution of exports and imports

Year-on-year change in Dollars



International Reserves

USD Billions; Months



- **The current account balance in the second quarter of 2024 recorded a significant increase compared to the same period last year, rising from USD 122.7 million to USD 1.5 billion. This is, however, a reduction of 24% compared to Q1 2024, which recorded, after review by the BNA, a balance of USD 2.0B. The current account value corresponds to around 6.5% of GDP, 6.0 percentage points (pp) more than the same period of the previous year and 3pp less compared to Q1.**

- **Regarding the services commercial account, in the 2nd quarter of 2024 there was a deficit of USD 1.9B.** This performance is justified by imports of services, around USD 1.9B – even so, these imports registered reductions in almost all types of services, except for “Maintenance and Repair Services”, “Financial Services” and “Transport” , with increases of 23%, 29% and 1%, respectively. Therefore, this deficit was reduced by 16% compared to the previous quarter. Service exports continue at an insignificant value of USD 15.5 million (-25% QoQ).

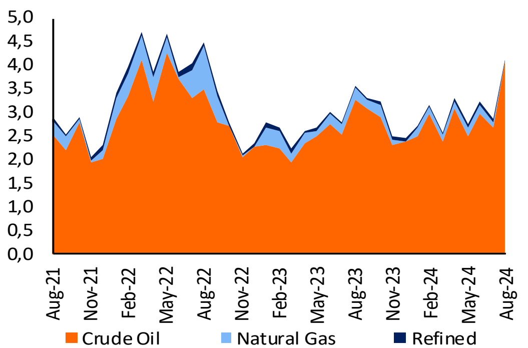
- **International Reserves ended the month of September valued at USD 15.0B, an increase of USD 0.3B compared to the beginning of the year. According to our calculations, reserves cover approximately 7 months of imports of goods and services.**

Sources: BNA, BFA calc.

EXPORTS AND IMPORTS

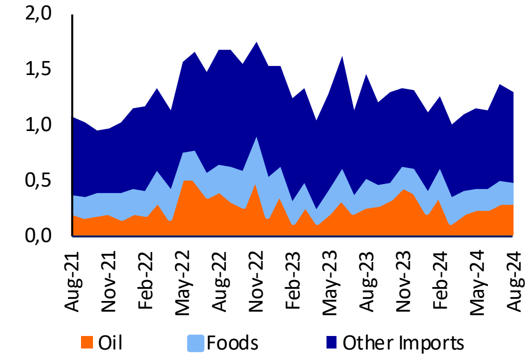
Hydrocarbon exports

USD Billions



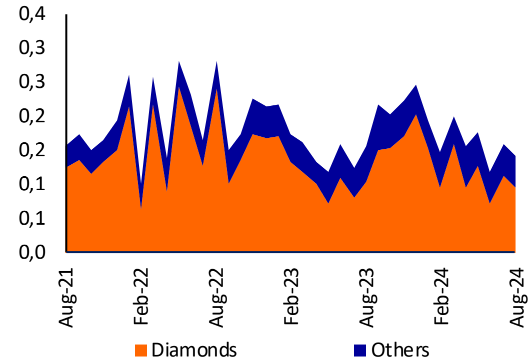
Imports by type

USD Billions



Exports of non-petroleum products

USD Billions



- **According to AGT data, hydrocarbon exports totaled around USD 24.8 million between January and August 2024, a growth of around 10.6% compared to the same period in 2023.** The variation is mainly due to the value exported in crude oil, which increased 16.4% in the period, as sales of natural gas abroad fell 41.4% yoy and exports of other products fell 70.0%.

- **Conversely, imports of goods in the same period totaled USD 9.4B, a drop of 11.7% yoy. While fuel imports increased slightly (+2.0% yoy), food purchases abroad fell 2.8% yoy. The remaining imports fell 17.6% yoy.**

- **According to data from the tax authority, between January and August 2024, exports of non-oil products stood at USD 1.3B, an increase of 5.7% yoy. Diamond exports grew 2.8% YoY (from USD 889 million to USD 913 million).** Although they are not very significant, exports of other products grew more significantly: they stood at USD 376 million in the period, an increase of 13.6% yoy compared to the USD 331 million exported in the same period of 2023.

Sources: AGT, BFA calc.

MAIN EXTERNAL INDICATORS

DESCRIPTION	Q2 2023	Q1 2024	Q2 2024	QoQ	Yoy
GDP (USD Millions)	21.993,1	22.090,0	23.737,5	7,5%	7,9%
Exports of goods and services (USD Millions)	8.369,4	9.004,8	9.246,9	2,7%	10,5%
Imports of goods and services (USD Millions)	5.655,8	5.578,7	5.249,5	-5,9%	-7,2%
Service Account (USD Millions)	(1.911,8)	(2.363,3)	(1.975,6)	-16,4%	3,3%
International Reserves (USD Millions)	13.680,9	14.316,2	14.450,7	0,9%	5,6%
Total External Debt Stock (USD Millions)	56.426,5	55.269,2	54.995,8	-0,5%	-2,5%
Stock of Short-Term External Debt (USD Millions)	4.637,0	4.922,9	5.507,5	11,9%	18,8%
Average Exchange Rate (USD/AOA)	590,1	829,7	842,8	1,6%	42,8%
Current Account/GDP (%)	0,6	9,2	6,5	-2,7	6,0
Goods Account/GDP	21,0	26,2	25,2	-1,0	4,1
Services Account/GDP	(8,7)	(10,7)	(8,3)	2,4	0,4
Exports of goods and services/GDP	38,1	40,8	39,0	-1,8	0,9
Imports of goods and services/GDP	25,7	25,3	22,1	-3,1	-3,6
Capital and Financial Account / GDP	2,1	(6,9)	(5,1)	1,7	-7,2
Foreign Direct Investment (net)/GDP	(2,0)	(0,2)	2,1	2,2	4,0
Total External Debt Stock/ GDP	64,1	62,5	57,9	-4,6	-6,2
International Reserves / Imports of Goods and Services (Months)	7,3	7,7	8,3	0,6	1,0
International Reserves/Total External Debt Stock (%)	24,2	25,9	26,3	0,4	2,0
International Reserves/Stock of Short-Term External Debt (%)	295,0	290,8	262,4	-28,4	-32,7

Sources: BNA

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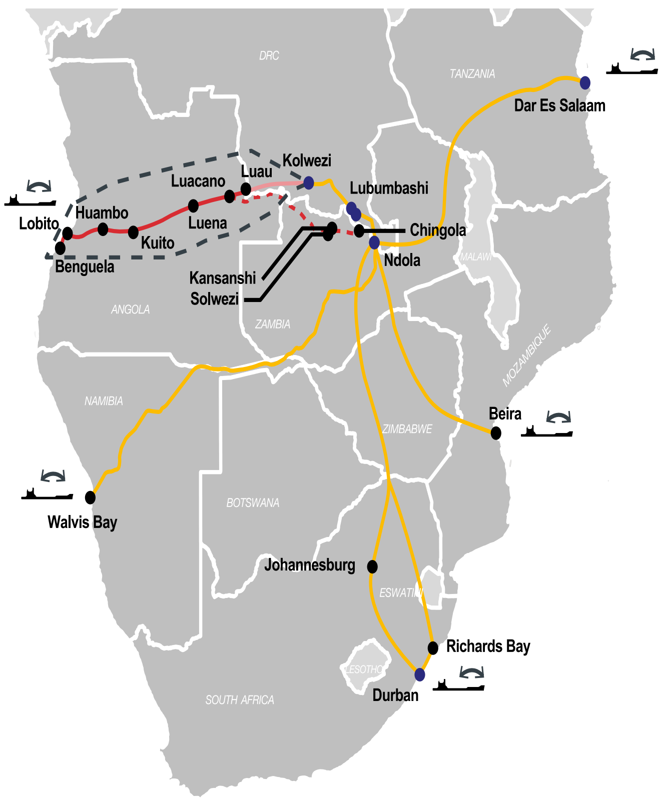
AFRICAN ECONOMIES

SPOTLIGHT

Maps of the Lobito Corridor



LOBITO CORRIDOR, BENEFITS FOR DRC AND ZAMBIA

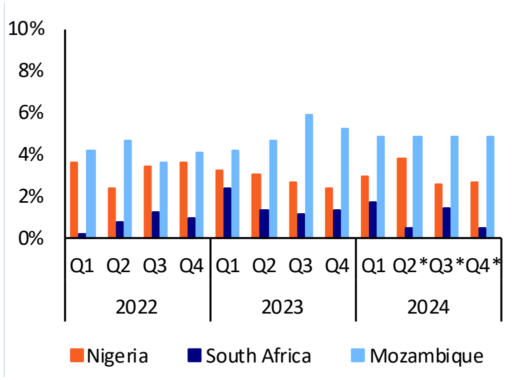
- **The Lobito corridor is understood as an economic development project around the railway freight transport line that runs from the Port of Lobito to the DRC, in the Kolwezi area, where copper is mined, with a possibility of another branch to the south in Zambia, as can be seen on the map alongside.**
- **The main component of the corridor will be the railway line between Lobito and Luau, and then between Luau and Kolwezi, a region in the Democratic Republic of Congo where several copper mines operate.** This line, now on a concession to Lobito Atlantic Railway, with large investments planned for its repair and optimization, and financing already committed by the American Development Finance Corporation (USD 553 million) and the South African Development Bank of Southern Africa (USD 200 million) , already transports some copper for export from Lobito. The line, which involves a transport duration of less than a week, is a clear alternative for transporting cargo to the Atlantic, competing with the road alternative to Walvis Bay, in Namibia, where goods take around 30 days to arrive . Even for transporting cargo to Asia, a more distant port by sea is still closer than many of the ports in the east of the continent, when transport from the mine to the sea is taken into account.
- To give some context, figures from 2021 position refined copper as the largest export from the DRC by volume (USD 10.5 billion), followed by cobalt, another ore, with USD 3.3 billion. There are, in addition, exports of unrefined copper, slightly above USD 800 million this year. Adding both forms of copper, copper exports represent almost half of DRC product sales abroad. In this sense, it is easy to understand the enormous benefit that a faster transport route can have in increasing the revenue appropriated by mining companies, which could in turn increase their activity and boost the local economy in the Kolwezi area. On the other hand, the possibility of a branch line from Luacano to Zambia, reaching Chingola, would be a huge benefit for the copper-rich region a little further south, where Zambian producers are currently very poorly served with options of cargo transport.

*Map legend: dark red – Lobito-Luau railway line; light red: Luau-Kolwezi railway line; dashed red – proposed route of the line between Luacano and Zambia; yellow – alternative transport routes

MACROECONOMIC INDICATORS

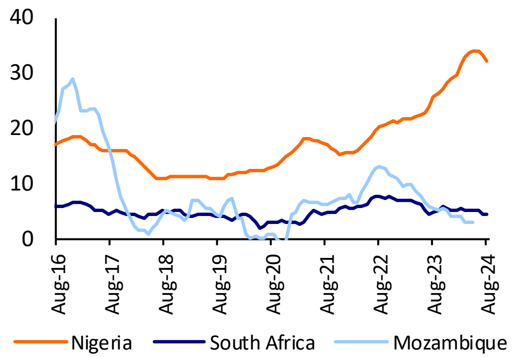
Annual GDP growth

Year-on-year change



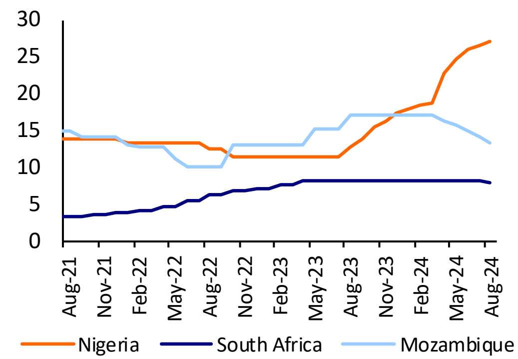
Year-on-year inflation

Year-on-year change



Interest Rate of African Economies

Percentage



- **Despite facing multiple and overlapping shocks, African economies remain resilient and their growth prospects in 2024-25 are quite heterogeneous across regions.** In Nigeria, GDP grew by 3.2% in Q2 2024, compared to 3.0% recorded in Q1 2024. According to data from the National Bureau of Statistics, growth was mainly driven by the services sector, which increased by 3.8%. National accounts released by the Department Statistics of South Africa (DSSA) reveal that the economy grew 0.4% YoY in Q2, which represents a recovery compared to growth revised to minus 0.1% in Q1 2024. The Mozambican economy grew 4.5% YoY, an acceleration of 0.8pp compared to the 3.2% recorded in the first quarter of the year.

- **Year-on-year inflation has shown a downward trend in the African economies analyzed:** after a period of rapid acceleration mainly due to the removal of fuel subsidies, in Nigeria, year-on-year inflation began to fall from May onwards and settled in August around of 32.2%, a value that is still quite high compared to SADC's objective of maintaining the rate between 3-7%. In Mozambique, annual inflation continues at a downward pace, having stood at 2.8% in August, decelerating compared to the 3% recorded in the previous month. In South Africa, annual inflation fell to 4.4%, leaving the 5% range after 13 months. Due to different levels of inflation in these economies, central banks have moved interest rates in different directions. In Nigeria, since March 2022, the Central Bank has continued to raise interest rates, this time it was to 27.25%, that is, +100bps. In Mozambique, the Central Bank once again cut the MIMO rate by 75bps to 13.5%, a move that began at the beginning of this year. On the South African side, this time the Central Bank chose to cut 25bps to 8%, in line with the recent slowdown in inflation.

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

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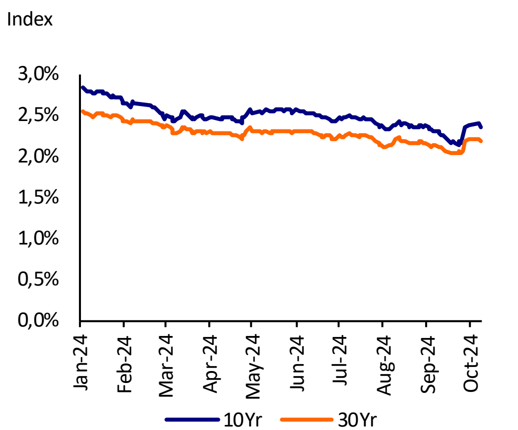
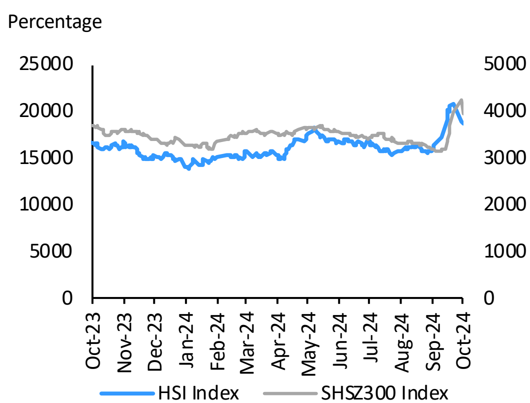
GLOBAL ECONOMIES

SPOTLIGHT

10-year and 30-year bonds



China Stock Index



Sources: Bloomberg, FMI, CMO

WILL CHINA REALLY BE ABLE TO BOOST ACTIONS?

- **The Politburo of the Communist Party of China recently announced an economic stimulus package to boost long-weak stock markets.** Due to factors such as the crisis in the real estate sector, low consumption growth and concerns about unemployment, especially among young people, shares have been performing below expectations. The People's Bank of China (PBOC) announced a US 114 billion loan fund to help asset managers, insurers and brokers buy more shares and help companies make share buybacks. This stimulus package includes several measures: cutting interest rates to make credit cheaper, reducing bank reserve requirements to increase liquidity and direct support for the stock market. These measures had some immediate effects: the stock market registered a significant increase after the announcement – according to our calculations based on Bloomberg data, from the day the stimulus package was announced until the first week of October the index SHSZ300 appreciated 20%, while HSI rose 9%.

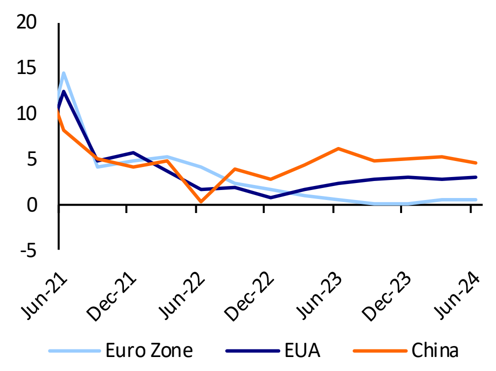
- **Will these measures have the intended effect in the medium to long term?** There are fears not. At that time, the largest domestic asset in China (the real estate market) is still in trouble, which generates little investor appetite. Shares of major real estate companies such as KE Holdings Inc and China Vanke Co. Ltd have reacted well, but it is already clear that this momentum could fade faster than thought because the absence of a detailed plan on how fiscal stimulus will be carried out is worrying investors – the gains of the CSI 300, SHSZ300 and the HSI are being limited now because of this. According to the Financial Times, Beijing has postponed fiscal stimulus and at the time of writing many stocks are trading in the red as you can see in the chart.

- **Equities are also compromised because the loosening of banking regulations and the 30bps cuts in the one-year loan interest rate are now driving more bond buying than equity investment.** There has already been a rush to buy bonds that the PBOC called "irrational exuberance," ASIATIMES reported. On the one hand, we believe that if the interest rate cut on September 24/2024 is not the last, then bonds will become more attractive. On the other hand, injecting liquidity into the banking system when demand for loans is weak can drive banks into the bond market equally. Yields on 10-year Treasury bonds, as seen in the chart, have already started to rise as well, albeit slightly.

MAJOR ECONOMIES: REAL ECONOMY

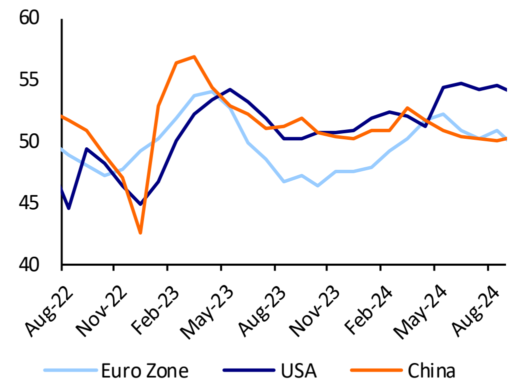
GDP in major economies

Real year-on-year change



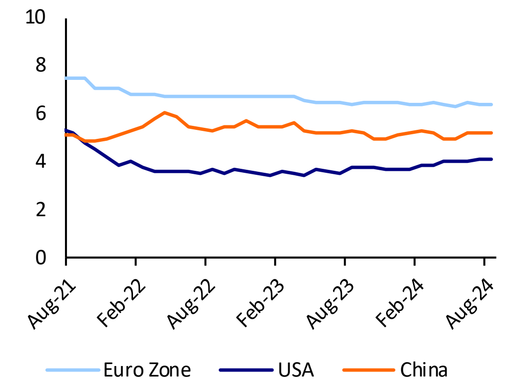
PMI indices in major economies

Index



Unemployment in major economies

Percentage



- **The US economy in Q2 2024 grew 3.0% YoY, well above the market projection of around 2.1%.** According to national accounts released by the Bureau of Economic Analysis, consumer spending once again played a fundamental role, contributing 1.90pp to the GDP growth rate. Furthermore, private investment also contributed significantly with 1.47pp. In the Euro Zone, GDP grew 0.6% yoy in Q2, driven mainly by government spending, which was the main driver, while household consumption grew 0.5% according to EuroStat. In China, the economy grew 4.7%, which represents a slowdown of 0.6pp compared to the 5.3% recorded in the Q1. The slowdown was essentially caused by a weaker performance in domestic consumption and by the real estate sector, which continues to face immense difficulties.

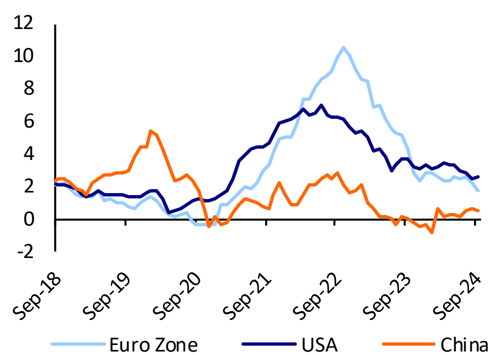
- **Markit PMI indices in the US, Eurozone and China are suggesting a slight slowdown in services and manufacturing activities.** In China, the manufacturing PMI contracted slightly compared to the previous month and remains in the contraction range. The services PMI fell to 50.0, which suggests stagnation when compared to 50.3 in August - this reflects weak growth in domestic demand, which incidentally had an impact on GDP in the Q2 and could have a return in the Q3. In the US, the manufacturing PMI remained at 47.2, indicating a contraction for the sixth consecutive month. In contrast, the services PMI rose to 54.9, which points to the robustness of the sector, which is being supported by domestic consumption that is still quite strong, reflected in the Q2 GDP data. In the Euro Zone, the manufacturing PMI remains in contractionary territory. In services, the PMI fell to 51.4 compared to 52.9.

Sources: Bloomberg, FRED

INFLATION AND REAL INTEREST RATE

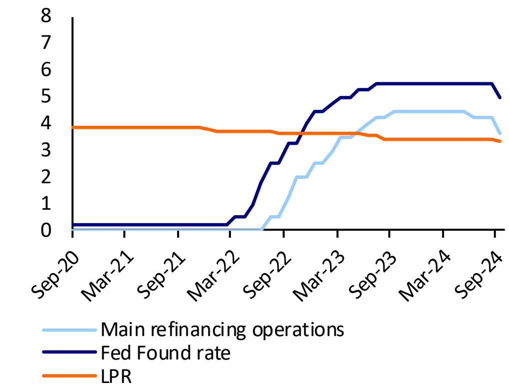
Inflation in major economies

Year-on-year change



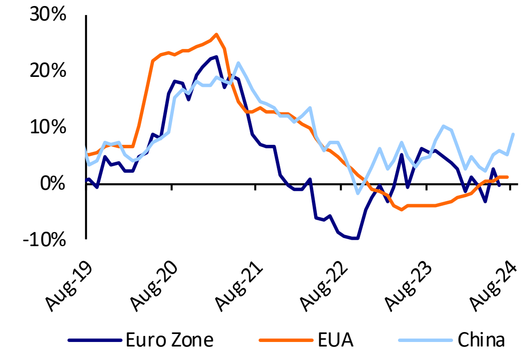
Benchmark interest rates in major economies

Percentage



Year-on-year change in M2

Year-on-year change



- **Year-on-year inflation in the USA fell from 2.5% to 2.4% in September. Core inflation, which is the most important rate, which excludes volatile energy and food prices, rose 0.3% in monthly terms, whereas in year-on-year terms it stood at 3.3%, which represents a very slight acceleration against the 3.2% recorded in August.** In the Euro Zone, annual inflation in September was below the ECB's target, at 1.8%, which represents a relevant reduction compared to the 2.2% recorded in August. According to the ECB, this reduction was mainly driven by the drop in energy prices, which fell by close to 6% in the month under review. However, EuroStat data reveals that inflation in services in general remains high (4%) due to increases in wages.

- **The Federal Reserve and the ECB reduced interest rates for the first time many months after the start of tightening monetary policy.** Both the FED and the ECB are now much more relieved with the easing of inflationary pressures and, by the way, already consider the fight against inflation won, with the only thing left to do is ensure a smooth landing for the economy, which then justifies the recent cut in interest rates. interest. The Federal Reserve decided to cut interest rates by 50bps putting the federal funds rate in the range of 4.75% - 5.00%. The ECB decided to lower all interest rates by 25bps. The Central Bank of China reduced the Loan Prime Rate to 3.25% (-100bps) as part of the economic stimulus package, at a time when many sectors are still experiencing problems, especially real estate.

Sources: Bloomberg, FRED

GLOBAL PERSPECTIVES

Recession Probability 30%

EUA	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Real GDP (yoy)	3,2%	2,9%	3,0%	2,4%	2,0%	2,0%	1,8%	1,8%	1,9%
Industrial Production (yoy)	-0,1%	-0,5%	0,1%	0,1%	0,8%	1,4%	1,0%	1,4%	1,6%
Inflation (yoy)	3,2%	3,3%	3,2%	2,6%	2,5%	2,1%	2,1%	2,2%	2,3%
Unemployment Rate	3,7%	3,8%	4,0%	4,2%	4,4%	4,4%	4,4%	4,4%	4,4%
Current Account (%GDP)	-3,2%	-3,2%	-3,3%	-3,5%	-3,4%	-3,5%	-3,5%	-3,4%	-3,4%
Central Bank Interest Rate	5,50%	5,50%	5,50%	5,00%	4,50%	4,05%	3,70%	3,45%	3,30%
EUR/USD	1,10	1,08	1,07	1,11	1,11	1,12	1,12	1,13	1,13

Recession Probability 15%

CHINA	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Real GDP (yoy)	5,2%	5,3%	4,7%	4,5%	4,6%	4,1%	4,5%	4,5%	4,5%
Industrial Production (yoy)	6,0%	4,5%	5,9%	4,8%	4,5%	4,5%	4,7%	4,8%	4,6%
Inflation (yoy)	-0,3%	0,0%	0,3%	0,5%	1,0%	1,2%	1,2%	1,1%	1,2%
Unemployment Rate	5,0%	5,2%	5,0%	5,3%	5,1%	5,1%	5,0%	5,0%	4,9%
Current Account (%GDP)	1,5%	1,2%	1,2%	1,6%	1,4%	1,4%	1,5%	1,5%	1,5%
Central Bank Interest Rate	3,45%	3,45%	3,45%	3,35%	3,35%	3,35%	3,35%	3,35%	3,35%
USD/CNY	7,10	7,22	7,27	7,02	7,10	7,05	7,00	6,98	6,95

Recession Probability 20%

EUROZONE	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Real GDP (yoy)	0,2%	0,5%	0,6%	0,8%	1,0%	1,0%	1,1%	1,1%	1,5%
Industrial Production (yoy)	-4,4%	-3,6%	-2,6%	-1,4%	-0,9%	0,6%	1,5%	1,8%	2,2%
Inflation (yoy)	2,7%	2,6%	2,5%	2,2%	2,1%	2,0%	1,9%	1,9%	2,0%
Unemployment Rate	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,4%
Current Account (%GDP)	1,7%	2,1%	2,6%	2,4%	2,5%	2,8%	2,8%	2,6%	2,7%
Central Bank Interest Rate	4,50%	4,50%	4,25%	3,65%	3,40%	3,15%	2,90%	2,65%	2,40%
EUR/USD	1,10	1,08	1,07	1,11	1,11	1,12	1,12	1,13	1,13

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

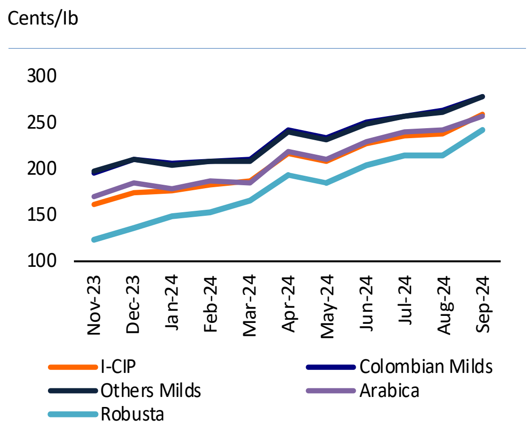
ECONOMIC REPORT
Q4 2024
Economic Research Unit

BFA

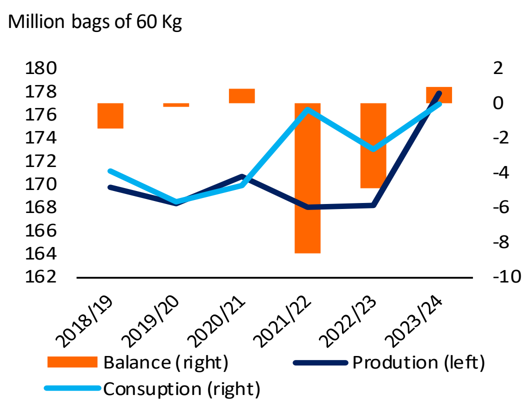
INTERNATIONAL FINANCIAL MARKETS

SPOTLIGHT

Coffee index and its varieties



Coffee market balance



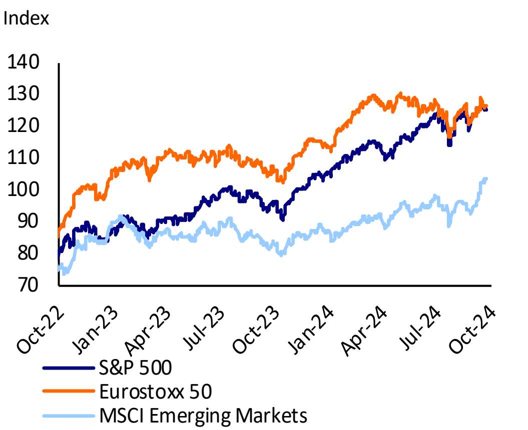
Sources: International Coffee Organization ;Bloomberg

PRESSURE ON THE SUPPLY SIDE RAISES COFFEE PRICES

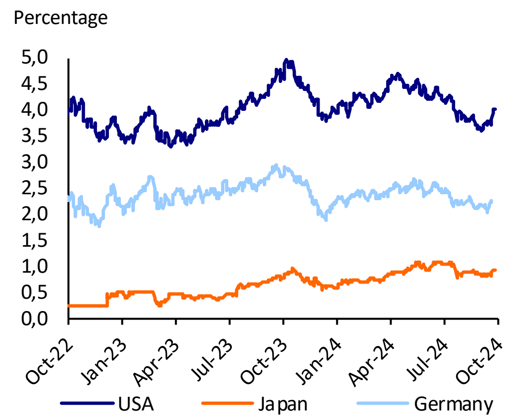
- **The price of coffee on the international market has been reaching highs over the last year as supply-side pressures generated by climate change, disruptions in shipping and new European Union regulations increase costs for roasters.**
- All over the world, climate change has brought serious consequences and concern and in the case of coffee, its main producers have been faced with this issue in a major way – in Brazil, several growing areas were flooded during heavy rains in Minas Gerais. Gerais, at the beginning of the year, followed by a period of almost drought and severe fires; Similarly, in Vietnam, hot weather and lack of rain have significantly damaged the harvest in recent years. Added to this, demand has increased steadily, and currently, in particular, buyers have been purchasing large quantities of coffee to build up stock, in response to the upcoming European anti-deforestation regulation, which will prohibit buyers in Europe from importing commodities produced on deforested land from 2025 onwards, which will redefine the terms and deadlines for purchasing these goods.
- As a result, there is a disruption in supply capacity and an increase in coffee prices, in all its varieties: until September, the I-CIP (composite coffee price indicator) recorded an average variation of 48% ytd, rising from 175 cents /lb to 258cents/lb, with the Arabica variety - typical of the regions of Minas Gerais and São Paulo, in Brazil, seeing its price increase 39% ytd, going from 184.73 cents/lb to 257.24 cents/lb ; The Robusta variety – produced on a large scale in Vietnam – grew even more, 79% ytd from 135.09 cents/lb to 242.08 cents/lb.
- **Despite the unfavorable reality, the prospects for the coffee market are positive.** According to ICO, demand for coffee beans in 2024 will stand at 177 million bags and supply at 178 million, making a positive balance of 1 million bags and the market is expected to generate USD 132.1 Billions (+5% yoy). In relation to price, the current "climate chaos" continues to be the main obstacle to development; however, it is expected that consumers' speculative tendencies will cease, allowing the market to balance.

EQUITIES AND DEBT

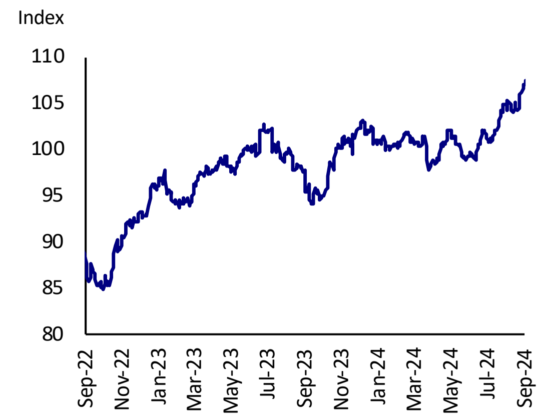
Main stock indices



10-year sovereign debt *yields* of major economies



Emerging economies bond index

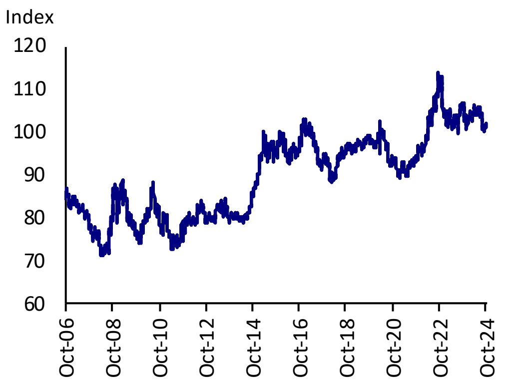


- **Stock indices continue to accumulate gains, but tensions in the Middle East make investors increasingly apprehensive.** The S&P 500 has had a positive result in recent months: it retracted slightly after a statement from the president of the FED, where he stated that there was no rush for a new cut, however the index stabilized again, mainly due to the prospects presented by the North American job market. American. The MSCI Emerging Markets Index had a strong jump, reaching its best performance in the last year, driven by the positive performance of the Chinese economy; Eurostoxx 50 continues to grow, albeit in a contained manner.
- **The profitability of sovereign bonds in the main economies fell throughout the Q3. Until September, the 10-year reference fell 10 bps in the USA; on the European and Japanese side, the drop was 12 pbs.** However, the Q4 started more favorable, with rates now rising due to more favorable growth prospects in the main economies. On the emerging bonds side, the prospect of improvement has been clear in recent months, as a result of the beginning of the decline in monetary policy rates in Europe and the USA.

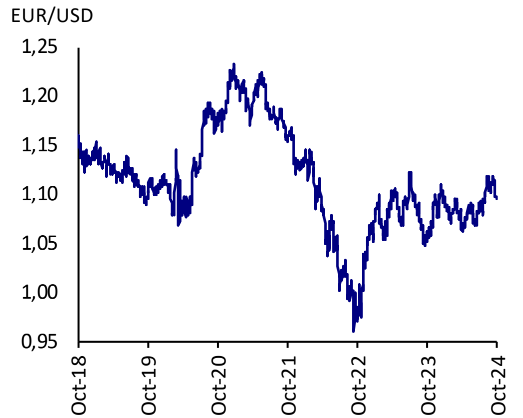
Sources: Bloomberg, Lazard Asset Management

FOREIGN EXCHANGE AND MONETARY MARKET

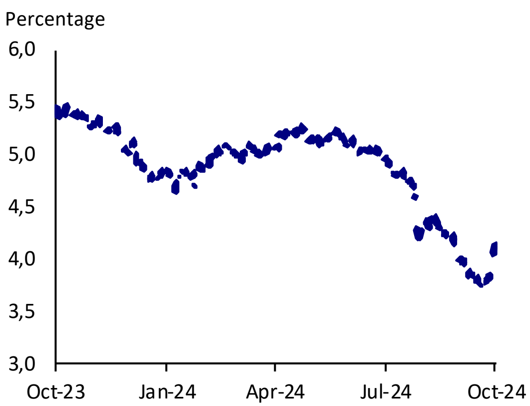
Dollar Index



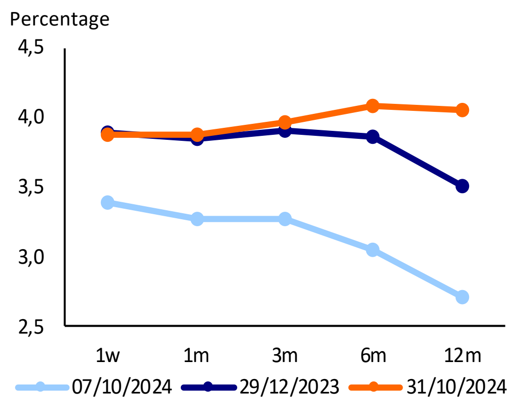
Exchange rate of the Dollar against the Euro



Money Market Interest Rate Dollar (SOFR 12M)



Money market interest rates Euro (Euribor)



Sources: Bloomberg

- **The Dollar remains relatively strong compared to other currencies.** The prospect of a broad war in the Middle East generates a series of political and economic uncertainties and has caused risk aversion in global markets, moving investors away from riskier assets and towards the American currency as it is safer and more stable. In the EUR/USD exchange rate, the euro appreciated by around 4% throughout the Q3, reaching a peak of EUR/USD 1.11, January highs. However, this appreciation stopped after it was announced that the unemployment rate fell in September to 4.1% in the United States, against 4.2% in August, with job creation rising and exceeding market expectations.
- The 12-month SOFR reached the lowest values seen in the last year, however, it already shows a reversal of the trend. SOFR, which has been slowing down since mid-May, and reached its lowest value in August, 3.7%; however, it opened the month of October on a high note.
- Euribor rates continue to fall, reflecting investors' expectations that the ECB will once again reduce interest rates.

MARKETS OUTLOOK

FOREIGN EXCHANGE MARKET	Dec-23	Jun-24	Sep-24	YTD	YOY	QOQ	Q4 2024	Q1 2025	Q2 2025	Dec-25	Dec-26	Dec-27
EUR/USD	1,10	1,07	1,11	1,2%	1,3%	4,0%	1,11	1,11	1,12	1,13	1,14	1,15
GBP/USD	1,27	1,26	1,34	5,1%	5,3%	5,8%	1,32	1,32	1,33	1,35	1,35	1,37
USD/JPY	141,04	151,35	143,63	1,8%	-0,5%	-5,1%	142,00	140,00	139,00	135,00	131,00	124,00
Dólar Index (DXY)	101,33	105,87	100,78	-0,5%	-2,1%	-4,8%	101,40	100,00	99,80	98,40	96,80	96,80

MONEY MARKET	Dec-23	Jun-24	Sep-24	YTD	YOY	QOQ	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Euribor 3M	3,9%	3,7%	3,3%	-0,6	-0,3	-0,4	2,9%	2,6%	2,3%	2,3%	2,2%	2,1%
SOFR 3M	5,3%	5,3%	4,6%	-0,7	-0,7	-0,7	4,3%	3,9%	3,5%	3,3%	3,1%	3,0%
FED rate upper limit	5,5%	5,5%	5,0%	-0,5	-0,3	-0,5	4,5%	4,1%	3,7%	3,5%	3,3%	3,2%
FED rate lower limit	5,3%	5,3%	4,8%	-0,5	-0,3	-0,5	4,2%	3,8%	3,4%	3,2%	3,1%	2,9%
ECB - Main refinancing rate	4,5%	4,3%	3,7%	-0,9	-0,4	-0,6	3,2%	2,8%	2,5%	2,4%	2,3%	2,4%
ECB - Deposite rate	4,0%	3,8%	3,5%	-0,5	0,0	-0,3	3,0%	2,6%	2,3%	2,2%	2,1%	2,1%
BOE rate	5,3%	5,3%	5,0%	-0,3	0,0	-0,3	4,7%	4,4%	4,1%	3,9%	3,7%	3,4%

SOVEREIGN DEBT	Dec-23	Jun-24	Sep-24	YTD	YOY	QOQ	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
USA 10-Year	3,9%	3,4%	3,8%	-0,1	0,3	0,4	3,7%	3,7%	3,7%	3,7%	3,7%	3,6%
Germany 10-Year	2,0%	2,5%	2,1%	0,1	-0,2	-0,4	2,1%	2,1%	2,1%	2,2%	2,2%	2,2%
Japan 10-Year	0,6%	1,1%	0,9%	0,2	0,5	-0,2	1,0%	1,1%	1,2%	1,3%	1,3%	1,3%
UK 10-Year	3,5%	4,2%	4,0%	0,5	-0,4	-0,2	3,8%	3,8%	3,7%	3,7%	3,7%	3,6%
China 10-Year	2,6%	2,2%	2,2%	-0,3	-0,4	0,0	2,1%	2,1%	2,1%	2,0%	2,1%	2,1%

COMMODITIES	Dec-23	Jun-24	Sep-24	YTD	YOY	QOQ	Q4 2024	Q1 2025	Q2 2025	Dec-25	Dec-26	Dec-27
Brent	77,0	86,4	71,8	-6,8%	-10,0%	-16,9%	77,2	76,2	75,4	75,3	73,8	72,8
WTI	71,7	81,5	68,2	-4,9%	-3,5%	-16,4%	73,4	72,1	71,3	71,2	69,1	67,8
Natural Gas	103,0	102,8	128,5	24,8%	-30,9%	25,0%	101,7	101,4	94,0	98,4	85,7	75,1
Gold	2078,4	2326,8	2634,6	26,8%	37,8%	13,2%	2659,0	2697,0	2724,0	2744,0	2856,0	2954,0

Sources: Bloomberg

DISCLAIMER