Q22025 ECONOMIC REPORT

BFA

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EDITORIAL

A WORLD WHERE UNPREDICTABILITY IS THE ONLY CERTAINTY

We are living in times when the global economic compass appears to have lost its direction. With the United States mired in political turbulence and led by an unpredictable and confrontational President, the likelihood of a recession both in the U.S. and Europe is rising. Financial markets are declining, trade tensions are intensifying, and unpredictability has become the only certainty.

The most visible impact stems from rising tariffs and their consequences for global trade, but the uncertainty surrounding global economic policy and financial rules has multiple sources. Particularly concerning is President Trump's willingness to take unprecedented actions: obstructing international financing by withdrawing capital from institutions like the IMF and World Bank, conditioning foreign aid on political interests, and even seeking to exert political control over the Federal Reserve - something once unthinkable, but now openly signaled. Under Trump, the boundaries of the possible have undeniably shifted.

Projections have now become more vulnerable, and revision scenarios are no longer just possible but increasingly likely. The near-term outlook - at least until the midterm elections in November 2026, where there is a possibility that Trump will lose control of Congress - promises more questions than answers. For African countries, the impact is already evident. According to Bloomberg, many are beginning to consider turning to the IMF as an anchor amid the storm. Angola, for example, is facing renewed external pressure due to the fall in oil prices - its primary source of fiscal revenue.

This is, without doubt, a time that demands prudence. It is essential to strengthen domestic institutions, consolidate macroeconomic resilience, and prepare the country for a global environment in which economic certainties have vanished. All indications suggest that the headwinds we now face are here to stay - and Angola must navigate these turbulent waters with caution.

CHRONOLOGY

October

- Publication of the national accounts for Q2;
- The Financial Action Task Force (FATF) has announced the inclusion of Angola on the list of countries subject to enhanced monitoring, often called the "grey list“;
- IMF forecasts world growth to remain at 3.2% in 2024.

November

- BNA keeps the instruments for conducting Monetary Policy unchanged;
- Authorisation of the conclusion of an amendment between Angola and Luminar Finance, Limited.

December

- Visit of former US President Joe Biden to Angola;
- Approval of the State Budget for the 2025 financial year;
- Publication of the results of the Public Sales Offering (IPO) of 30% of Bodiva's share capital;
- A Financing Agreement between Angola and JP Morgan was approved.

January

- Inauguration of the U.S. President;
- World Economic Forum in Davos;
- IMF forecasts world growth of around 3.3% in 2025.

February

- Approval of the Annual Indebtedness Plan;
- Authorisation to issue Eurobonds in the amount of up to USD 3.0 MM;
- Authorization of an individual financing agreement between Angola and China National Aero-Technology & Export Co. – CATIC.

March

- Reduction of the interest rate of the Permanent Liquidity Absorption Facility to 17.5%;
- Approval of Angola's Accession to the SADC Employment and Labour Protocol.

AGENDA

April

02: Announcement of new tariffs on US imports;

07 and 09: Economic Forum Senegal-Angola;

17: ECB Monetary Policy Meeting ;

29 and 30: Joint Conference on Spillover of the BIS, BoE, ECB and IMF in Frankfurt;

May

06 and 07: Fed Monetary Policy Meeting;

19: EU-UK summit;

20 and 21: BNA Monetary Policy Meeting;

21 and 22: ECB Monetary Policy Meeting;

27 and 30: Web Summit Vancouver;

June

05 : ECB Monetary Policy Meeting;

17 and 18: Fed Monetary Policy Meeting;

22 and 25: U.S./Africa Business Summit;

26 and 27: European Council meeting.

HIGHLIGHTS

Angola

- Impact of Trump's tariffs on Angola will be mainly indirect;
- Angolan foreign exchange market has been relatively stable in recent months;
- CPM gradually eases monetary policy;
- Interest rates in the debt market have fallen significantly in 2024;
- Angolan public debt valued in dollars stood at around USD 62.6B in 2024;
- Angolan economy recorded growth of around 4.4% in 2024;
- Current account closes 2024 set at USD 6.3B, a year-on-year increase of around 50.0%.

International

- DRC tests its influence on the Cobalt market by suspending its own production;
- Post-election tensions affect the performance of the Mozambican economy;
- Protectionism resurfaces in the United States;
- Bear markets after "Liberation Day" in the United States;
- JPMorgan sets recession risk estimate in the US economy at 60%;
- Dollar falling amid trade tensions and uncertainties on the Fed's side.

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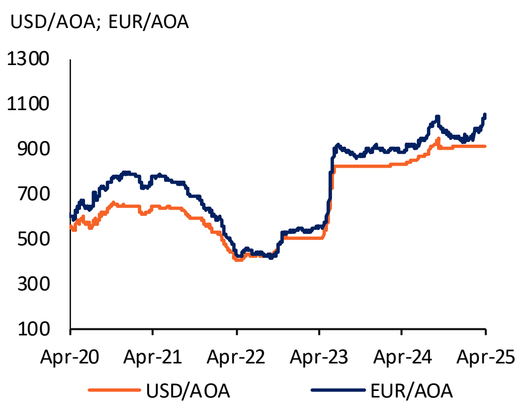
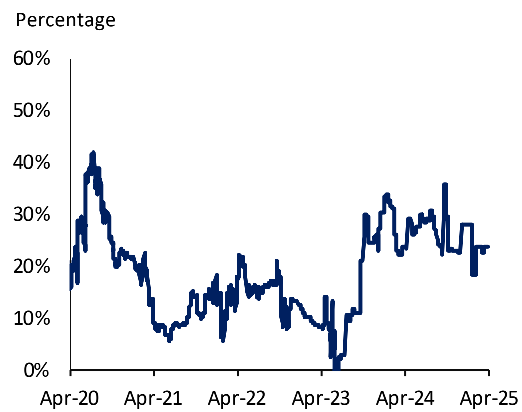
FINANCIAL MARKETS

FOREIGN EXCHANGE MARKET

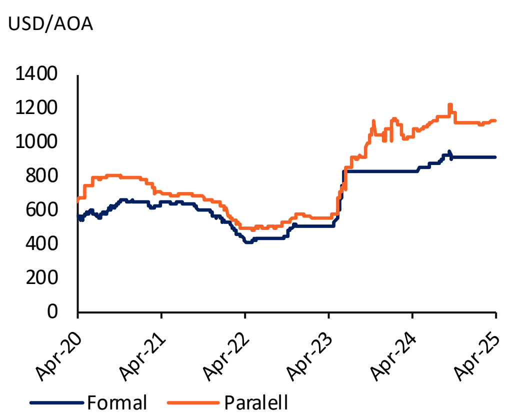
Exchange rate of the Kwanza against the Dollar and Euro



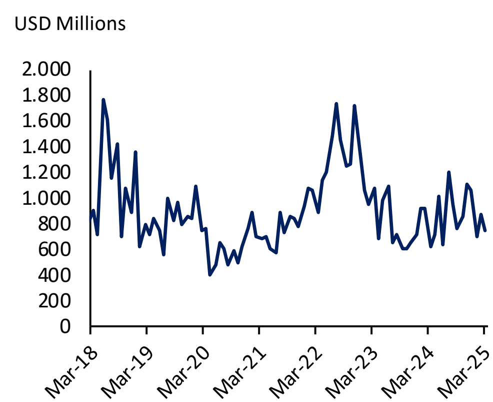
Gap between official and parallel USD/AOA exchange rate



USD/AOA exchange rate in the official and parallel market



Monthly sales of foreign exchange to banks



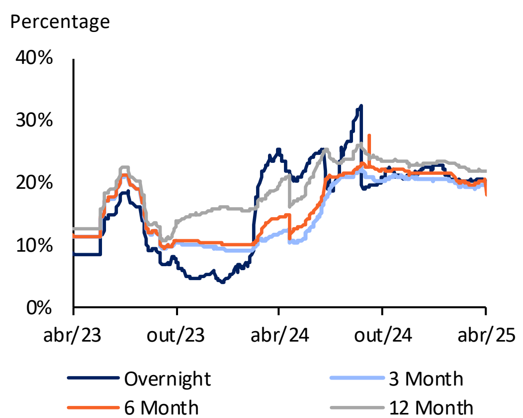
Sources: BNA, BFA Calc.

- **The Angolan foreign exchange market has been relatively stable in recent months, with the Kwanza trading at around 912 per dollar for several months.** However, there is still a significant difference between the official exchange rate and that of the parallel market, with the spread fluctuating between 18% and 23%, according to the data available to us.
- In the first quarter of 2025, the supply of foreign exchange contracted slightly, both in quarterly terms (-5%) and year-on-year (-23%). Even so, the outlook for the coming months seemed more positive until recently. We remain somewhat optimistic about a possible revision with the recent drop in oil prices in response to Trump's tariffs. Oil production and exports - the country's main source of foreign exchange - are expected to grow, supported by an operational recovery in some blocs. It remains to be seen whether, in a scenario of greater risk, the Ministry of Finance will be able to obtain more external financing, increasing the availability of foreign currency.
- The system's backlog of foreign exchange purchase orders has slowed slightly, however, despite this, it remains significant, at around USD 600 to 800 million, which contributes to imbalances between demand and supply.

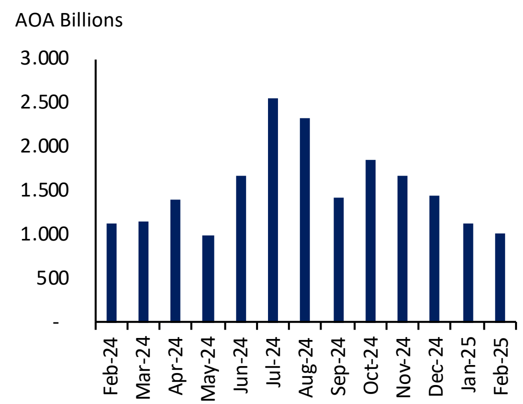
* * Bottom right chart legend: Data as of January 2024 are BFA estimates

MONEY MARKET

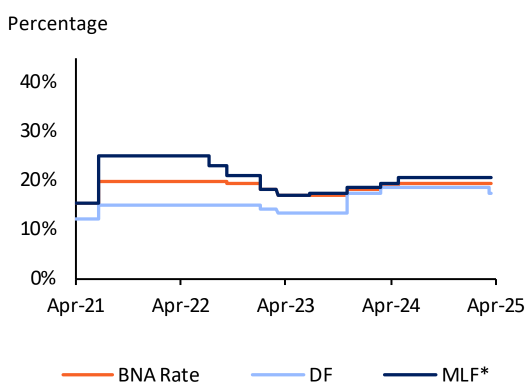
Luibor rates on the various maturities



Liquidity exchange operations



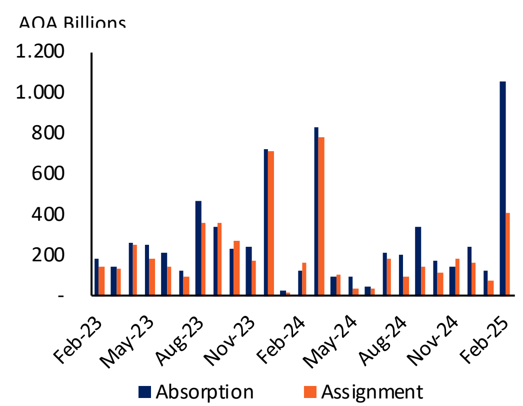
Main monetary policy rates



Marginal Lending Facility*

Sources: BNA, BFA Calc.

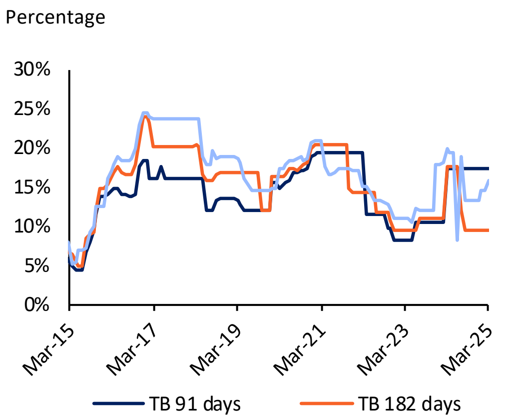
Open Market Operations



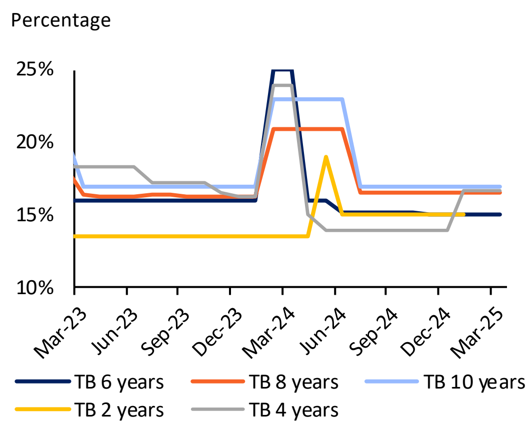
- **The Monetary Policy Committee of the Central Bank of Angola (BNA) decided, at its last meeting, to reduce the mandatory reserve ratio by 1.0 percentage point and to intensify the use of open market operations (OMA) with the aim of releasing AOA 100 Billion (B) in liquidity and aligning the interbank money market (IMM) rates with the reference rate.**
- The liquidity situation in the money market has remained stable. At times, repurchase operation (repo) auctions have even registered demand greater than supply. Data from the BNA show that, up to February of this year, AOA 4.9 Trillion (T) were traded in absorption OMAs, AOA 2.7T in lending OMAs, AOA 2.4T in facilities, while the interbank market moved AOA 2.1T.
- The reduction in mandatory reserves was expected to release AOA 100B, but our calculations indicate an effective injection of AOA 91.7B. Before the decision, the average Luibor was at 21.8%, around 220 basis points (bp) above the BNA rate. It currently stands at 20.4%, with the spread falling to 89bp, indicating that the measures adopted have had the desired effect.

PRIMARY BOND MARKET

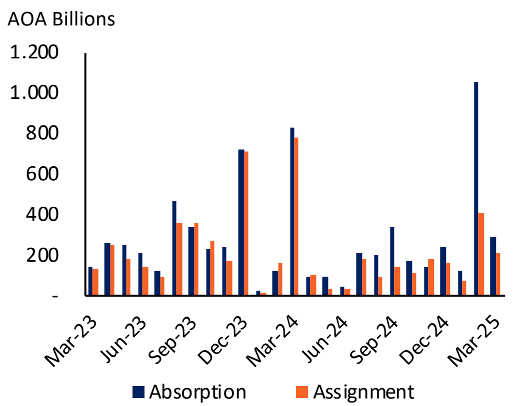
Treasury Bill *Yields*



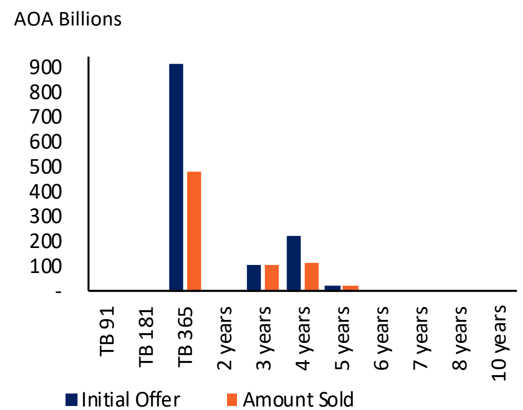
Treasury Bond *Yields*



Debt placements per month



Debt placements by maturity in 2024



Sources: BNA, BFA Calc.

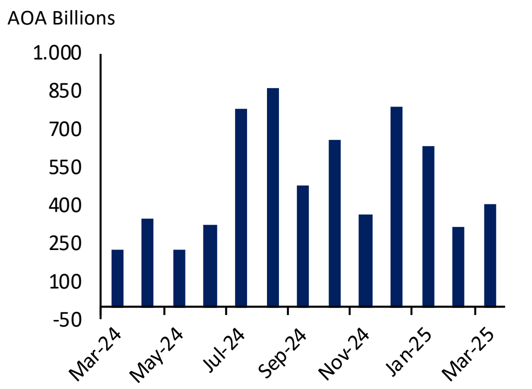
- **In the first quarter of the year, the Angolan Treasury issued around AOA 1.0T in bonds on the domestic market, which represents approximately 21% of the total volume forecast for 2025.** AOA 480B were placed in BTs, exclusively with a 364-day maturity - which corresponds to 27% of the Ministry of Finance's plan for this segment. The yields on these notes are now around 16%, reflecting an increase of more than 250bps compared to the 13.4% observed at the end of 2024.

- In the OTs segment in Kwanzas, AOA 250B were issued, equivalent to only 9% of the annual target. The largest issuances were concentrated in the 3 and 4-year maturities, whose placement rates were set at around 16.75% and 16.8%, respectively. Also noteworthy is the reopening of bonds maturing in 2026, currently trading at around 16.3%.

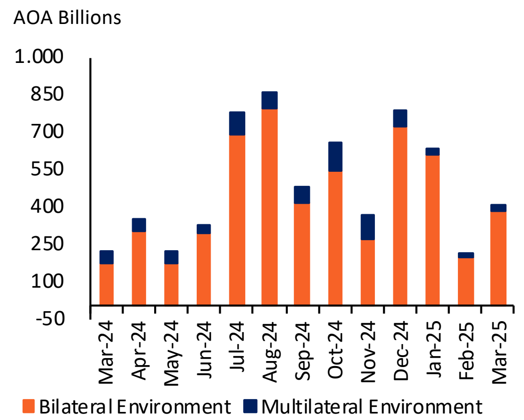
- In addition, OTMEs were issued in an amount close to USD 270 million, which represents around 70% of the annual total forecast. Some upward pressure on yields is expected in the coming months, although they should remain below the inflation rate.

SECONDARY SECURITIES MARKET

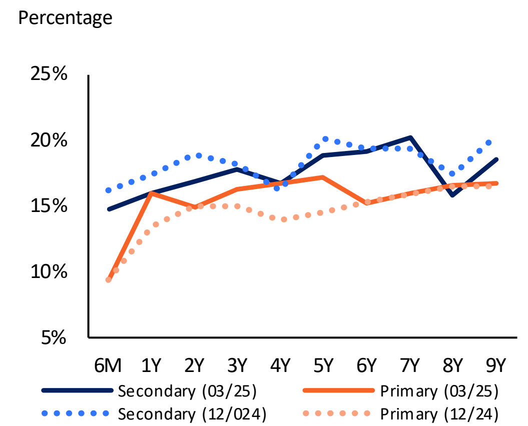
Secondary market transactions



Transactions by trading environment



Kwanza yield curve



- **BODIVA markets have been recording decreases in transaction amounts over the last 2 months, with transactions valued at AOA 1.4T in the 1st quarter of 2025, a 25% drop compared to the trading amounts in the last quarter of last year.** Compared to the 1st quarter of 2024, growth was 13%, well below the average year-on-year inflation for the period. The overwhelming majority of transactions still have public debt as the underlying asset, both in the Treasury Securities Exchange Market and in the Securities Transactions Registration Market. The turnover in a bilateral environment represented 88% of transactions.

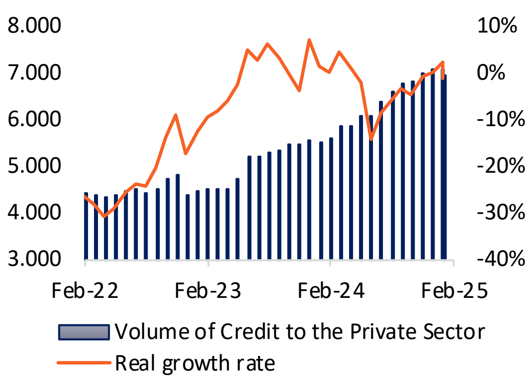
- **Yields in the primary market rose in some maturities, but the market is still below the yields traded in the secondary market in most maturities.** Even so, in the maturities where issues have already taken place this year (1 year, 3 years, 4 years and 5 years), rates in the primary market rose compared to December, approaching yields in the secondary market, which did not move much between December and March. In the case of short-term instruments, the 1-year yield is 16.0%, compared to 16.0% in the secondary market; the 3-year primary yield, at 16.3%, compares with 17.9% at some distance, indicating some pressure for the primary yield to rise; at 4 years, the primary yield of 16.8% compares with a virtually equal rate in the secondary market; and at 5 years, the primary yield is at 17.3%, slightly below the 18.9% seen in the secondary market. It should be noted that, in the longer terms above these maturities, there have been no issuances in the primary market and liquidity and trading volumes in the secondary market will be quite low, giving less weight to the data.

Sources: BODIVA,BFA Calc.

CREDIT MARKET

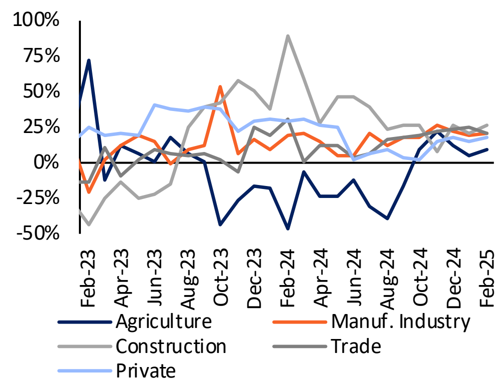
Credit volume and evolution

AOA Billions; Real year-on-year change



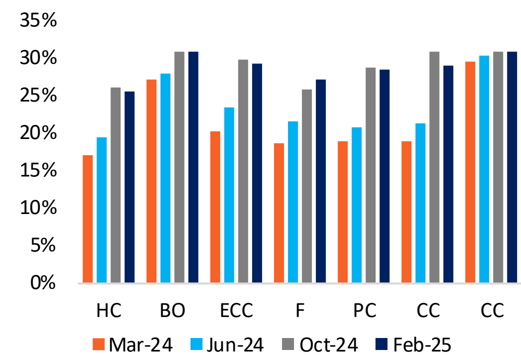
Evolution of credit by sector

Year-on-year change



Interest rates by type of credit

Percentage



- **In February, the volume of credit to the private sector stood at close to AOA 6.9T, registering a nominal increase of 24.1% year-on-year, corresponding to approximately AOA 1.4T.** However, despite this nominal growth, our calculations, based on BNA data, indicate that credit to the private sector registered a real contraction of 1.2% year-on-year. Credit to the public sector also showed a sharper reduction, with a fall of 9.2% year-on-year, standing at AOA 895.5B. In the analysis by sector, “Transport” and “Real Estate Activities” stand out with the highest real growth, both with a variation of +200% year-on-year. Despite this significant growth, the weight of these sectors in total credit remains low, representing 5.6% and 2.1%, respectively. On the other hand, the “Agriculture”, “Trade” and “Private” sectors recorded contractions of 13.7%, 4.9% and 2.5% year-on-year, respectively. Conversely, the “Extractive Industry” and “Trade” again showed growth of 47.9% and 3.0%, respectively.

- **The cost of credit remains high, reflecting the current monetary policy framework and the behaviour of rates in the IMM.** However, the expectation is that interest rates will gradually decline, albeit moderately, since the BNA has been using monetary policy instruments with the aim of driving a reduction in the Luibor - the main index for most credit rates in the economy. Rates in the IMM are already showing a downward movement, and credit rates are expected to gradually follow this trend.

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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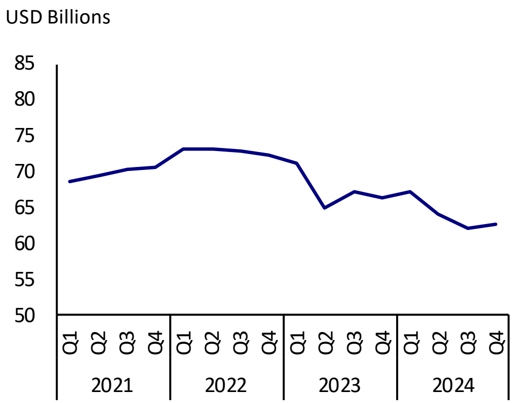
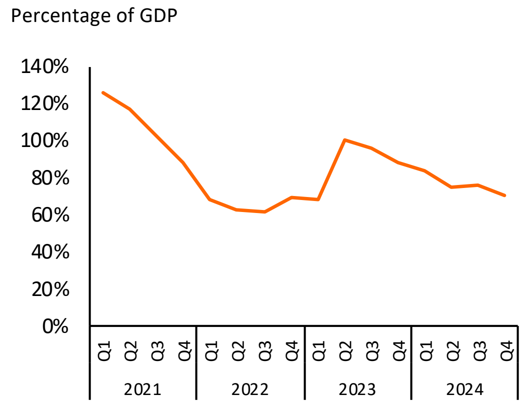
PUBLIC FINANCE

PUBLIC DEBT

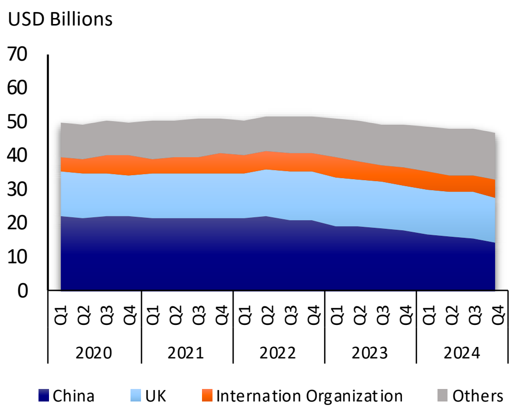
Total public debt



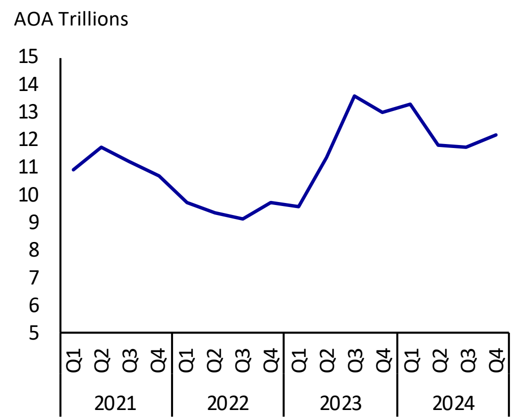
Government debt as a percentage of GDP



External public life by type of creditor



Domestic bond debt

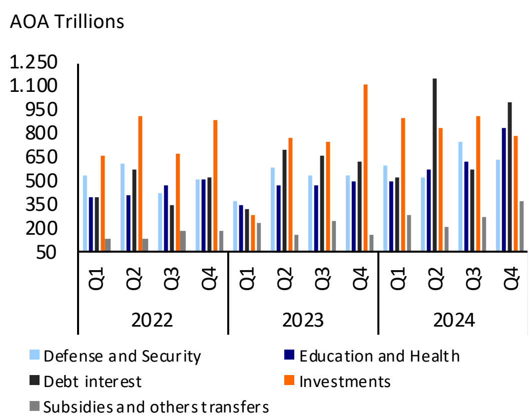


Sources: MinFin, BNA, BFA calc.

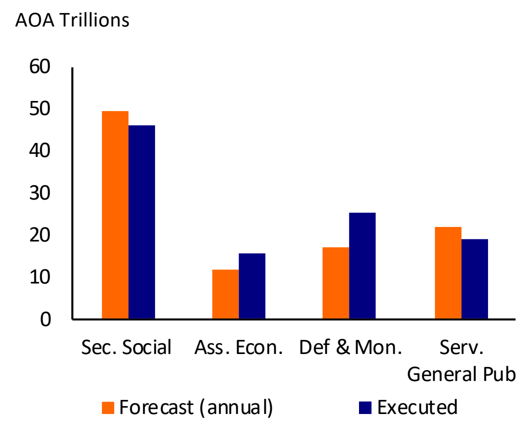
- **Angolan public debt measured in Dollars stood at around USD 62.6B, a decrease of around USD 3.8B compared to the previous year.** External public debt stood at USD 47.9B (-2.2B compared to 2023). Internal public debt stood at AOA 13.4T, having decreased by only AOA 0.1T in nominal terms - the decrease in the amount measured in Dollars is due to the depreciation that occurred. We estimate that debt represents 70.4% of GDP, a drop of 18.4pp since the end of 2023.
- The stock of external public debt stood at USD 46.8B in 2024, a reduction of USD 2.8B compared to the end of 2023. This is the 2nd consecutive year of reduction, and the fall was more pronounced than that seen in 2023.
- Debt to Chinese entities - Angola's largest creditors - stood at USD 14.3B, the lowest value in the last 8 years; debt to the United Kingdom (which is mostly Eurobonds) stood at USD 13.5B. As for the type of creditor, commercial and bilateral debt fell by USD 2.1B and USD 1.1B, respectively; in the opposite direction, multilateral debt rose by USD 0.3B.

BUDGET EXECUTION

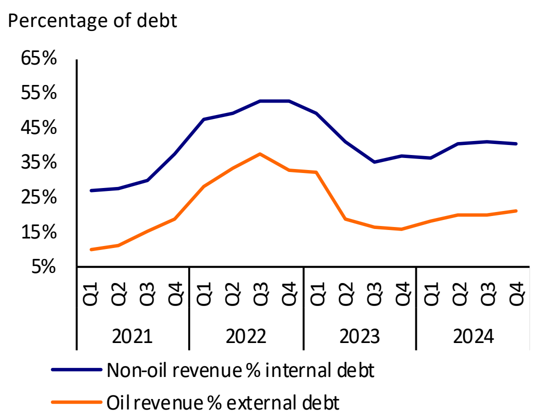
Fiscal weight by sector



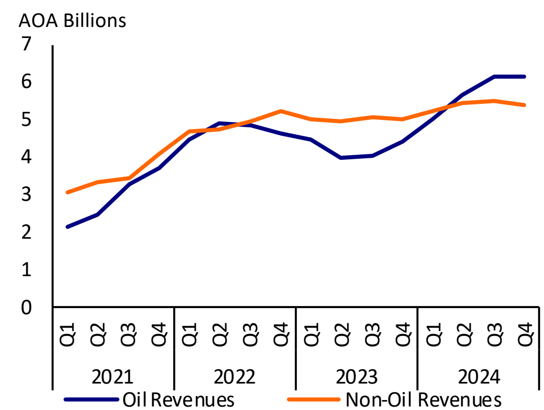
Expenditure planned and implemented by sector



Oil and non-oil revenues as a percentage of debt



Budget balances by quarter



Sources: MinFin, BNA, BFA Cálc.

- **Of the budget revenues forecast in the State Budget - excluding capital operations - amounting to AOA 14.7T, around 99% was actually collected, totaling AOA 14.5T.** The revenue performance is the result of two distinct dynamics: on the oil side, the amount collected exceeded the amount initially budgeted by 16.2% (AOA 7.8T), while non-oil revenues recorded an execution of only 79.1% of what was forecast.

- With regard to primary expenditure - which excludes debt operations - around AOA 10.7T was executed. Expenditure in the social sector was 7.1% below what was planned. More specifically, spending on Education and Health totaled AOA 2.5T, 13.4% below what was budgeted. In contrast, expenditure on Defense and Security significantly exceeded what was forecast, being 44.8% above the amount initially established.

- Oil revenues recorded significant growth in 2024, standing 38.9% above the amount collected in 2023. This performance was driven by a favourable combination between the average price of a barrel of oil, which stood at around USD 80, and a 2.0% yoy increase in oil production.

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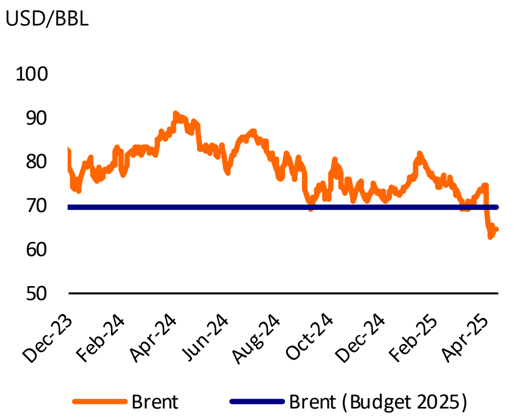
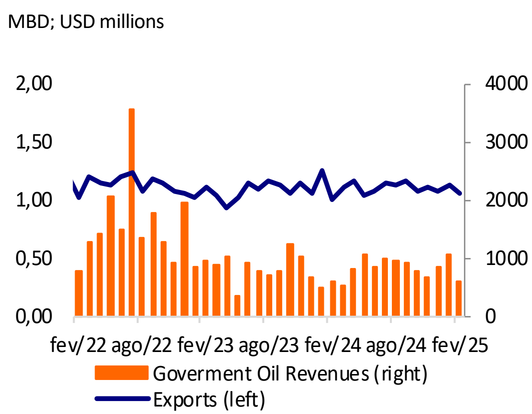
REAL ECONOMY

SPOTLIGHT

Brent prices vs Brent (Budget 2025)



Oil Revenues and Exports



Sources: Ministry of Finance

WHAT DO TRUMP'S TARIFFS MEAN FOR ANGOLA?

- **On April 2, US President Donald Trump announced that he would impose tariffs on imports from most countries in the world - including Angola.** The measure was introduced as part of the so-called "Liberation Day" initiative, which promised to apply reciprocal tariffs on trading partners. Trump set minimum tariffs of 10% for many countries, and significantly higher rates for others, such as 50% on Lesotho, 49% on Cambodia, 48% on Laos, 47% on Madagascar and 46% on Vietnam. Angola was targeted with a 32% tariff, based on the claim that it applies 62% tariffs to US products - a simplistic reading of the trade balance. In 2024, Angola imported approximately USD 178 million from the US, 83% of which was chicken imports, subject to a tariff of just 10%. Angolan exports to the US are dominated by crude oil, which is exempt from energy tariffs, which limits the direct impact of the measure. Angola has exported an average of USD 438.8 million in crude oil to the US per year over the past three years. However, the indirect effects are considerable.

- Since the announcement of the tariffs, global markets have suffered sharp declines: the S&P 500 and the European STOXX 600 index have both fallen by more than 10%. The increased uncertainty has increased the probability of a recession in the US: JP Morgan has gone from 40% to 60%, and Goldman Sachs from 35% to 45%.

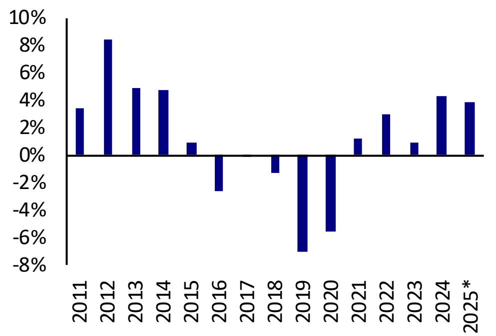
- The price of Brent - the benchmark for Angola - has fallen by more than USD 10, now standing at around USD 63 per barrel, below the USD 70 set in the State Budget for 2025. If this level continues, Angola could record monthly losses of over USD 200 million in export revenues and over USD 100 million in oil tax revenues, which represent around 60% of the total in the State Budget.

- **With the perception of risk heightened, the yield on Eurobonds 2032 rose to 14.8% on Friday - compared to 11.7% the previous week - making new issuances unviable.** In this context, the Government may be forced to cut spending or resort to other sources of concessional financing, in addition to the USD 500 million in annual treasury support from the World Bank; Bloomberg suggests that an IMF program is possible. The year 2025 will undoubtedly be challenging and consumer and producer confidence could decline if these prices continue to remain in the oil market.

NATIONAL ACCOUNTS

Year-on-year rate of change in GDP

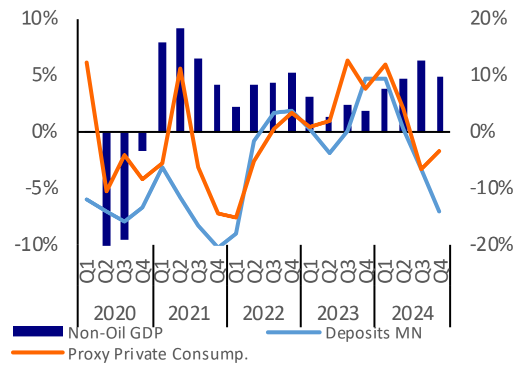
Real year-on-year change



* Forecast

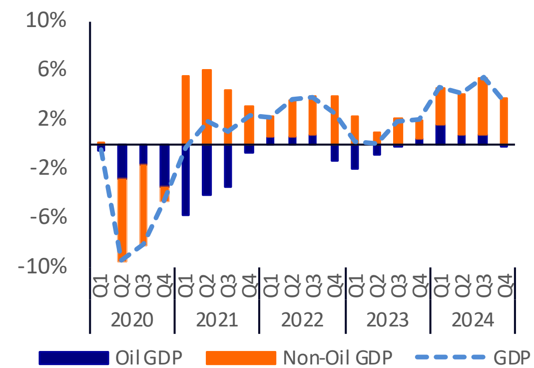
High-frequency indicators and non-oil GDP

Real year-on-year change



Evolution of oil and non-oil GDP

Real year-on-year change



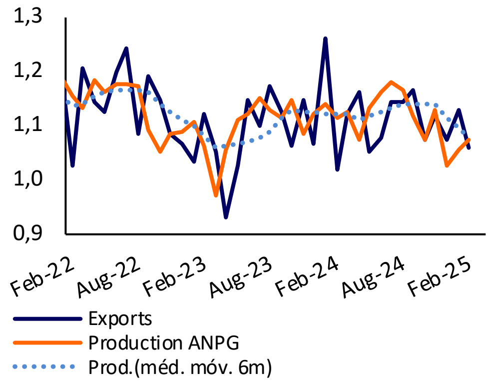
- **In 2024, the Angolan economy recorded a very positive performance, with growth of around 4.4% compared to 2023. The non-oil economy grew by 5.0% yoy and the oil economy by 2.8% yoy.**
- The high-frequency indicators that we monitor, which reflect consumption behaviour, such as private sector deposits in local currency and EMIS transactions, are showing mixed trends, so consumption could remain on the same trajectory, without worsening, in the 1st quarter, consistent with the continued weakening of consumers' purchasing power. This slowdown, in itself, would result in a slower growth rate for the non-oil economy, but it will be offset by the strong performance of the mining sector. During last year, much of the growth was justified by production in the mining, industrial and agricultural sectors, which, despite having expanded significantly, represent only 13% of economic activity.
- For 2025, the economy is expected to grow again, but at a lower level than that seen in the previous year. There are many challenges ahead, mainly due to deep-rooted structural issues. Our expectation is for growth of around 4%, still heavily leveraged by the impact of the increase in diamond production, particularly due to the start-up of the Luele mine at the end of 2023 and the progressive scaling of the operation. The figures will be less positive in terms of private consumption, so sectors such as Commerce are expected to grow below average. Even so, there are positive signs regarding access to external financing, unlike last year's scenario, which ended up limiting the Government's financial maneuverability - the performance of sectors such as Construction will depend greatly on the evolution of this issue.

Sources: INE, OPEC,EMIS

OIL AND NON-OIL ECONOMY

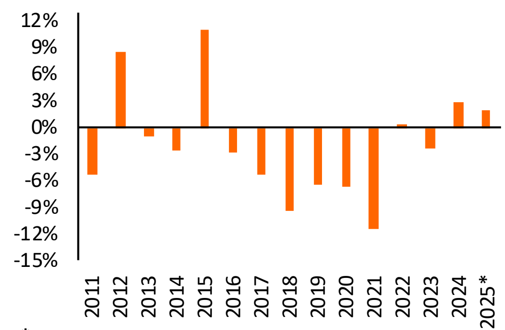
Production and exports of crude oil

Millions of barrels per day



Oil GDP

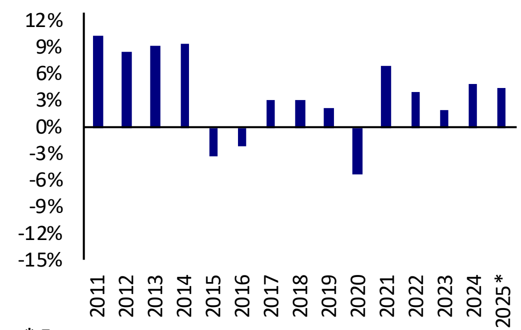
Real year-on-year change



* Forecast

Non-oil GDP

Real year-on-year change



* Forecast

- **In the first two months of 2025, oil production averaged 1.06 mbd, representing growth of 5.5% compared to the same period in the previous year. Exports fell to an average of 1.09 mbd (-4.1% YoY), influenced by the fall in export prices. Between Nov/24 and Feb/25, gas production remained stable at 2.7 mpc. Despite expectations of positive developments throughout the year, these will be monitored closely, although there is no guarantee of a favorable impact.**

- In general, the performance of the general level of non-oil activity was positive last year, except for the Financial Intermediation and Insurance sector. The sectors that grew the most in 2024 were Diamonds and Minerals, with 44.3%, Fishing, with 12.2%, and Transport, with 10.4%. The diamond sector has reached its highest level of growth on record; the Luele mine coming into operation in November 2023 is likely to have had a major impact. According to reports, production from this mine will have reached 1.8 million carats in the first half of 2024, more than 1/3 of what was exported in the period. In the case of Fisheries, we continue to monitor developments, and the language adopted by the INE points to a possible temporary effect of improved data collection that may be temporarily overestimating the sector's growth.

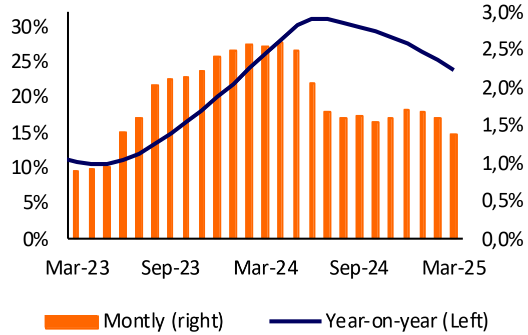
- On the oil side, the performance was justified by the increase in the extraction of oil, condensates and LNG. For 2025, our projections indicate growth in the oil economy of around 1.7%-2.2% and in the non-oil economy of between 4.4% and 4.9.

Sources: INE, BFA calc.

CONSUMER PRICES

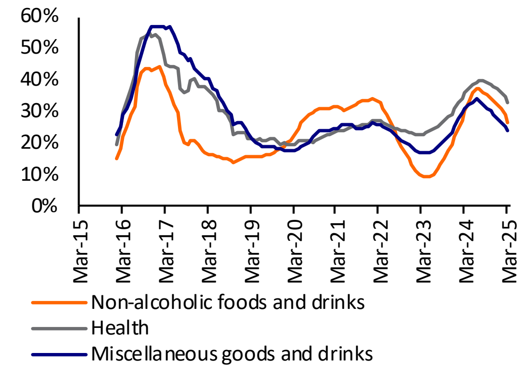
Headline inflation

Percentage



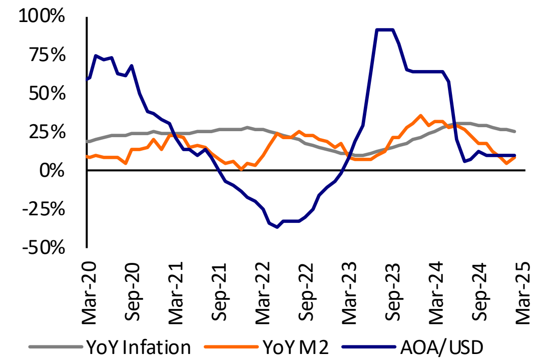
Inflation by classes

Year-on-year change



Inflation, M2 and exchange rate

Percentage



- **The year-on-year inflation stood at 23.9% in March, the eighth consecutive month of declines. In monthly terms, prices accelerated by 1.4%, slightly below the 1.6% in February.** The categories that contributed most to the increase in price levels were Food and non-alcoholic beverages, Miscellaneous goods and services and Transport with 0.84pp, 0.11pp and 0.09pp, respectively. Year-on-year inflation in Luanda has been decelerating since July 2024 and stood at 24.8% in March, the lowest level since the end of 2023.

- **Our projection indicates a slight acceleration in inflation in Q2, driven by the increase in the price of diesel (in the context of the gradual removal of fuel subsidies), the effects of wage adjustments in the public sector and the evolution of food prices at international level.** However, we expect inflation to slow down again in the following quarters, reaching between 21% and 22% by the end of the year. Even so, some factors may contribute to changing this trajectory, such as a possible greater-than-expected depreciation of the Kwanza and a further move to remove fuel subsidies.

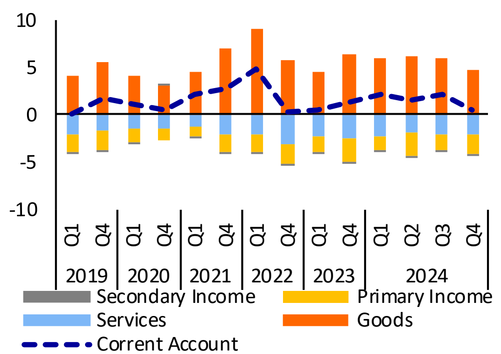
Sources: INE, BNA, BFA calc.

EXTERNAL ACCOUNTS

BALANCE OF PAYMENTS

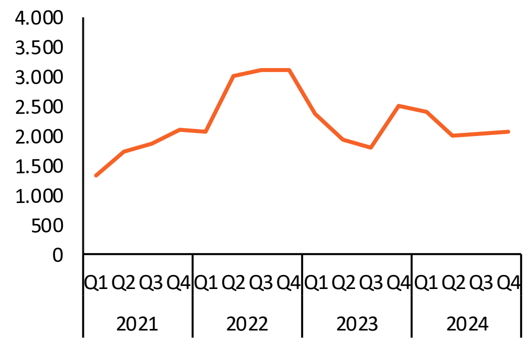
Quarterly balance of payments

USD Billions



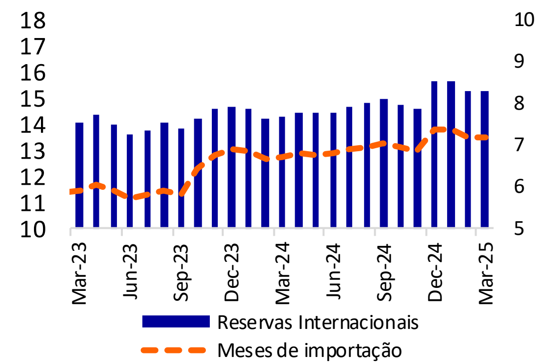
Evolution of imports of services

USD Millions



International Reserves

USD Billions; Months

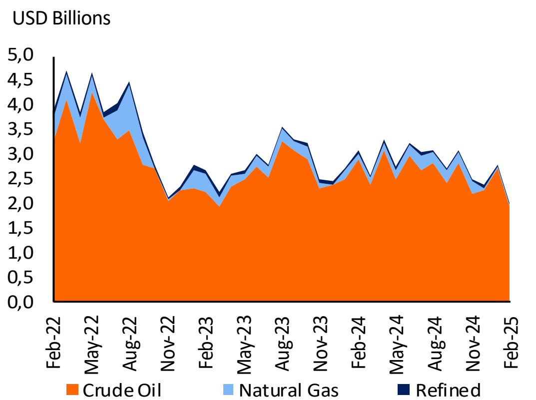


- **The current account balance closed 2024 at USD 6.3B, a year-on-year increase of around 50.0% (+USD 2.1B). According to BNA data, the current account value represents approximately 6.7% of GDP.** The goods account continues to support the positive results of the current account. In 2024, the goods account recorded a balance of USD 22.6B, which represents a growth of 3.7% compared to 2023, influenced by a decrease in imports of around 5.9% yoy. Oil exports (which include crude oil, refined oil and gas) stood at USD 34.6B, which represents a decrease of 0.1% yoy. Non-oil exports fell by 2.9% yoy: the diamond sector fell by 2.3%, with exports falling from USD 1.6B to USD 1.5B, mainly affected by a 7.8% drop in prices. Imports of goods fell to USD 14.2B, -5.9% yoy: imports of current consumer goods and imports of capital fell to USD 8.3B and USD 3.6B (-12.8% yoy and -2.3% yoy) respectively. Regarding the services account, in 2024, the deficit fell to USD 8.4B. Imports of services stood at USD 8.5B, a reduction of 1.3% yoy.
- The financial account deficit stood at 4.2B, slightly less negative than the 4.5B in 2023. In particular, there was an improvement in Foreign Direct Investment flows: in 2024, the balance between new foreign direct investment inflows and outflows continued to be negative, at USD -136 million, but was the closest to balance since 2016. International Reserves closed the month of March at USD 15.3B, just USD 0.3B below the end of 2024, representing almost 7 months of imports of goods and services.

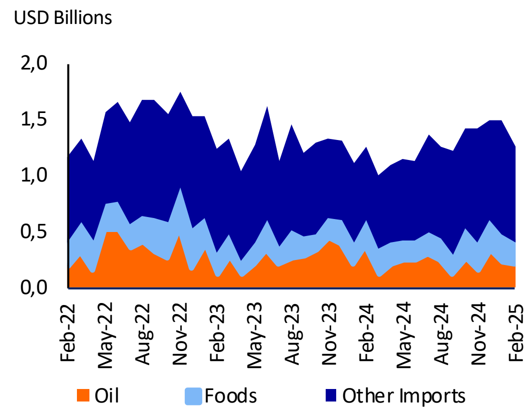
Sources: BNA, BFA calc.

EXPORTS AND IMPORTS

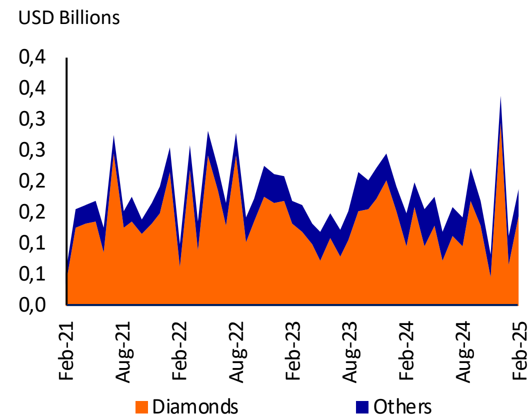
Hydrocarbon exports



Imports by type



Exports of non-petroleum products



- **According to preliminary data from AGT, hydrocarbon exports totalled around USD 4.8B in January and February this year, a drop of 16.8% compared to the same period last year. It should be noted that natural gas exports are usually updated and the data for January and February are well below normal, contrary to other sources; correcting for this effect, the year-on-year drop for these two months will be closer to 8-9%.**

- In contrast, imports of goods in January and February rose by 16.4% yoy. The biggest increase was recorded in Other Imports (which exclude fuels and food), which rose by 36.9% yoy in the period. Imports of food products rose by 13.3%, to a monthly average of USD 230 million. Fuel imports fell by 28.0% yoy, to a monthly average of USD 215 million.

- **Also according to data from the tax authority, between January and February, exports of non-oil products stood at USD 302 million, a decrease of 11.5% yoy. The decrease was due to a drop in diamond exports, of 14.4% yoy.** It should also be noted that, according to data from AGT, diamond sales abroad reached a historic high of USD 294 million in December 2024. Still not very significant, exports of other products registered a decrease in the first 2 months of the year: they stood at an average of USD 45 million per month, a decrease of 3.4% compared to the same period last year. However, there was a positive highlight for exports of customs code 72, Iron and Steel, which totaled USD 20.1 million in the first 2 months of this year, compared to USD 3.4 million in the same period in 2024. In January, USD 16 million of these products were exported, a historic high.

Sources: AGT, BFA calc.

MAIN EXTERNAL INDICATORS

DESCRIPTION	Q4 2023	Q3 2024	Q4 2024	QoQ	Yoy
GDP (USD Millions)	22.333,6	23.502,6	25.255,8	7,5%	13,1%
Exports of goods and services (USD Millions)	10.113,5	9.600,0	8.890,5	-7,4%	-12,1%
Imports of goods and services (USD Millions)	6.238,5	5.706,0	6.132,6	7,5%	-1,7%
Service Account (USD Millions)	(2.486,9)	(2.020,6)	(2.030,0)	0,5%	-18,4%
International Reserves (USD Millions)	14.726,6	14.903,9	15.767,6	5,8%	7,1%
Total External Debt Stock (USD Millions)	55.995,9	55.022,0	54.153,4	-1,6%	-3,3%
Stock of Short-Term External Debt (USD Millions)	4.915,2	5.251,6	5.638,1	7,4%	14,7%
Average Exchange Rate (USD/AOA)	827,4	895,2	911,7	1,8%	10,2%
Current Account/GDP (%)	5,7	9,0	2,1	-76,9%	-63,5%
Goods Account/GDP	28,5	25,2	19,0	-24,7%	-33,4%
Services Account/GDP	(11,1)	(8,6)	(8,0)	-6,5%	-27,8%
Exports of goods and services/GDP	45,3	40,8	35,2	-13,8%	-22,3%
Imports of goods and services/GDP	27,9	24,3	24,3	0,0%	-13,1%
Capital and Financial Account / GDP	(3,1)	(9,3)	1,6	-117,5%	-153,0%
Foreign Direct Investment (net)/GDP	(1,8)	(2,9)	2,1	-172,6%	-218,7%
Total External Debt Stock/ GDP	62,7	58,5	53,6	-8,4%	-14,5%
International Reserves / Imports of Goods and Services (Months)	7,1	7,8	7,7	-1,6%	8,9%
International Reserves/Total External Debt Stock (%)	26,3	27,1	29,1	7,5%	10,7%
International Reserves/Stock of Short-Term External Debt (%)	299,6	283,8	279,7	-1,5%	-6,7%

Sources: BNA

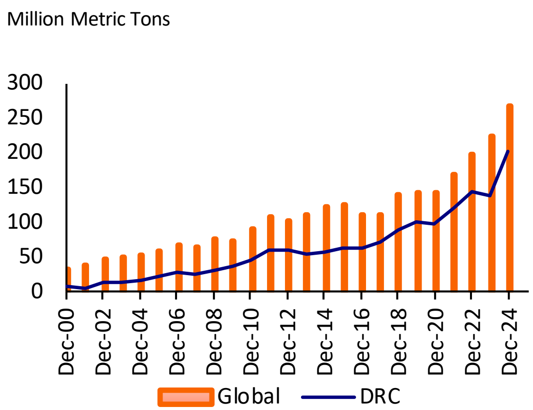
ECONOMIC REPORT
Q2 2025
Economic Research Unit

BFA

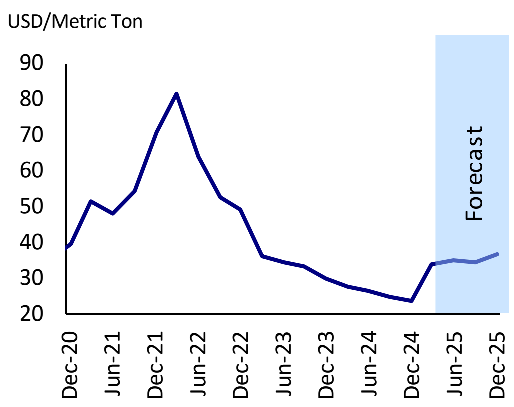
AFRICAN ECONOMIES

SPOTLIGHT

Natural Gas Trading



Price evolution



Sources: Bloomberg, United States Geological Survey, Shanghai Metal Market, TradingEconomic

DRC TESTS ITS INFLUENCE ON THE COBALT MARKET

- **The Democratic Republic of Congo (DRC), the world's largest exporter of cobalt, has announced a four-month suspension of cobalt exports in response to the continued decline in prices driven by an oversupply in the international market.** The policy came into effect on February 22 and is scheduled for review after three months to assess its impact and determine potential adjustments.

- The global shift in preference toward green energy over fossil fuels has triggered demand for new resources that are less environmentally harmful, more cost-effective, and capable of fostering technological advancement, with cobalt emerging as one of the key contenders. Over the past six years, global cobalt production has increased by 86%, rising from 144,000 metric tons in 2019 to 268,000 metric tons in 2024, with the DRC accounting for approximately 70% of that output - increasing its own production from 100,000 to 202,000 metric tons over the same period. Amid this surge in supply, cobalt prices have come under downward pressure - particularly since mid-2022 - reaching their lowest trading level by the end of 2024, at approximately USD 23,800 per metric ton, a 71% decline from the peak recorded in Q1 2022.

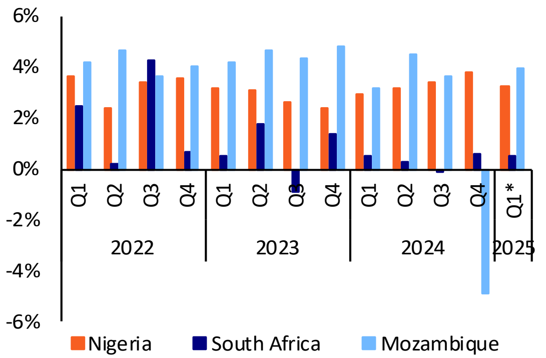
- The four-month production halt aims to contribute to the stabilization of the international cobalt market and, at least in the short term, appears to be yielding results. With the temporary reduction in supply, cobalt trading prices in Q1 stabilized at around USD 34,700 per metric ton, reflecting a 43% quarter-on-quarter increase. A closer look at daily data reveals an almost immediate market reaction: prices rose from USD 22,600 per metric ton on February 22 to USD 25,100 just three days later. Despite the short- and medium-term benefits, the suspension also poses a currency risk, as cobalt exports constitute one of the DRC’s primary sources of foreign exchange. The halt could constrain foreign currency inflows, potentially hamper the import of essential goods and services and jeopardizing the stability of the Congolese franc.

- The decision taken by the Congolese government presents a duality: on one hand, it offers a strategic opportunity to strengthen the domestic industry and consolidate the country’s leadership role in cobalt price-setting; on the other hand, it introduces challenges, particularly in managing foreign exchange reserves, preserving macroeconomic stability, and maintaining relations with strategic partners.

MACROECONOMIC INDICATORS

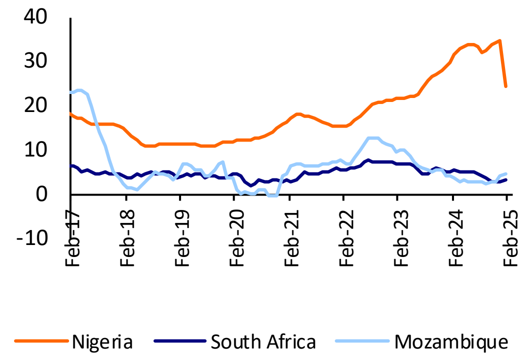
Annual GDP growth

Year-on-year change



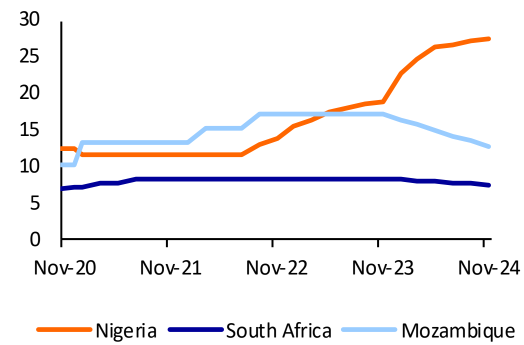
Year-on-year inflation

Year-on-year change



Interest Rate of African Economies

Percentage



- **Mozambique's GDP grew by approximately 1.9% in 2024 - well below the initial forecast of 5.5% - as a result of post-election tensions that emerged in the last quarter of the year. The wave of social unrest that began in October, following the announcement of election results, led to the suspension of several services, destruction of businesses, and disruption of supply chains. Consequently, Mozambique's GDP contracted by around 4.9% year-on-year in Q4, dragging the annual growth figure below the recent two-year average of 4.3**%. In contrast, Nigeria's economy expanded by 3.9% in Q4 - the highest quarterly growth in the past 12 quarters - driven by an increase in oil production of 0.06 mbd, from 1.47 mbd in Q4 2023, and the robust performance of the services sector, which grew by 5.4%. Overall, the Nigerian economy grew by 3.4% in 2024, a one-percentage-point improvement compared to 2023. Meanwhile, South Africa experienced modest economic growth of 0.6%, slightly down by 0.1 percentage points year-on-year. Projections for 2025 are more optimistic, particularly for Nigeria and South Africa. According to the IMF, GDP growth is expected to reach 1.5% in South Africa, 4.3% in Mozambique, and 3.2% in Nigeria.

- Year-on-year inflation continues to follow divergent paths across these countries. After four consecutive increases in 2024, Nigeria saw a more favorable start to the year, with inflation settling at 24.5% in January and 23.2% in February. The Bank of Mozambique decided to lower its MIMO rate from 12.75% to 12.25%, justified by the maintenance of medium-term single-digit inflation projections. Nevertheless, Mozambique continues to face a significant backlog in foreign currency availability, exerting pressure on the metical and potentially leading to upward price pressures in the near future.

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

ECONOMIC REPORT
Q2 2025
Economic Research Unit

BFA

GLOBAL ECONOMIES

SPOTLIGHT

Tariffs implemented by country, in Europe, Africa, Asia and Oceania

Sources: Reuters, Boomberg, Commerzbank, USMCA

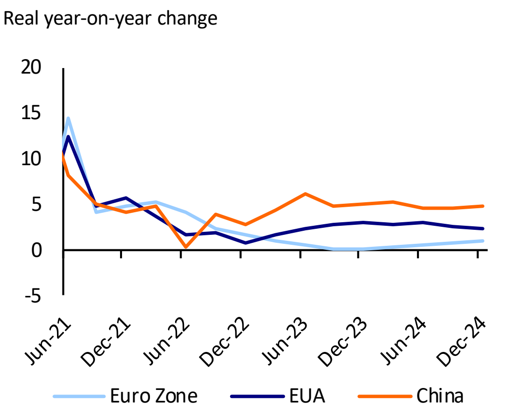
Legenda:

THE RESURRECTION OF NORTH AMERICAN PROTECTIONISM

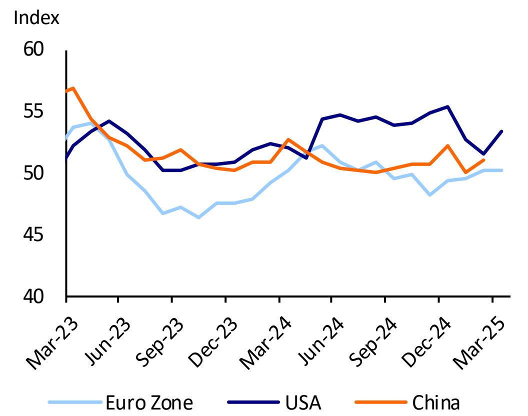
- **In early April, U.S. President Donald Trump announced his latest policy move: the imposition of import tariffs on a wide range of countries.** This decision comes amid a broader intensification of the United States' protectionist trade policies. The main goal of the tariffs is to address the U.S. current account deficit and to prioritize American economic interests under the "America First" agenda, while also aiming to weaken strategic rivals. The tariffs, set at over 10%, have been suspended for 90 days for all regions except China, though the threat remains. Specifically, the measure includes:
    - A flat 10% tariff on all U.S. imports.
    - For countries deemed by the U.S. to be engaging in "unfair" trade practices, an additional country-specific tariff will apply. This provision directly affects 57 countries, including the United States' largest trading partners - although it has been suspended for all but China.
    - For countries with which the U.S. has free trade agreements, such as Mexico and Canada, imports complying with USMCA (United States-Mexico-Canada Agreement) rules will be exempt from the additional tariffs. However, other imports from these countries will be subject to a reduced rate of just 12%.
    - Additional tariffs will not apply to many pharmaceutical products, fossil fuels, chemicals, semiconductors, minerals, and timber.
- Despite the exemption for energy products (such as fossil fuels), the indirect effects of the policy have created a troubling outlook for commodity exporters. Brent crude oil prices have come under pressure since the announcement and are now hovering around USD 64—well below the USD 76 observed at the start of the year. In the minerals market, both gold and copper have also experienced significant losses.
- These recent developments have prompted a revision of forecasts for several key economic indicators. Regarding inflation, the latest projections from JPMorgan and Fitch Ratings suggest that the target of 2% remains out of reach: JPMorgan forecasts inflation at 3.8% for 2025, while Fitch projects 3.1%.

MAJOR ECONOMIES: REAL ECONOMY

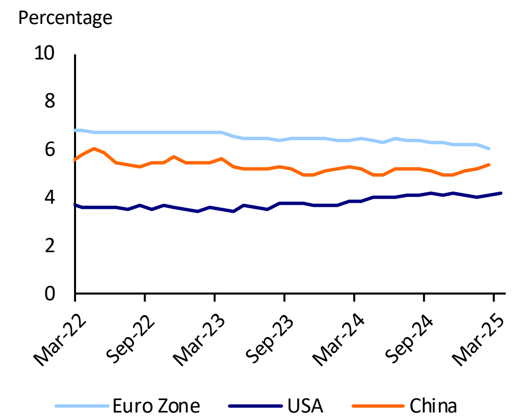
GDP in major economies



PMI indices in major economies



Unemployment in major economies



- **The U.S. economy grew by 2.5% YoY in the fourth quarter of 2024, slightly below the 2.7% recorded in the previous quarter, continuing a gradual slowdown trend despite strong consumer growth during the period.** In the Eurozone, growth remained weak, with GDP rising by 1.2%, a slight acceleration from 1.0% in the third quarter. Notably, fixed investment fell sharply by 2.1%. In China, GDP expanded by 5.4% YoY, the strongest quarterly growth of the year, exceeding expectations. This performance was driven by economic stimulus and rising exports.

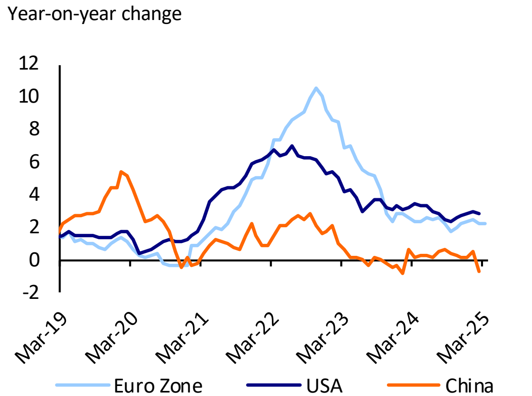
- In the labor market, the unemployment rate in the Eurozone fell to a historic low of 6.1% in February, continuing its gradual downward trend. In the U.S., the rate rose to 4.2% in March but has hovered around 4% since the end of 2021. In China, unemployment has been rising, reaching 5.4% in February - the highest level since the same month in 2023.

- The Eurozone PMI remained above the 50-point mark for the third consecutive month, standing at 50.9 in March, signaling some optimism about economic recovery. The services sector accelerated, while the manufacturing PMI indicated a less pronounced contraction. In the U.S., the index rose to 53.5 in March, pointing to a temporary improvement despite a previously pessimistic outlook. April data will be necessary to assess the impact of the recently imposed tariffs and the associated uncertainty. In China, although the data has fluctuated, the composite PMI rose to 51.8 in March.

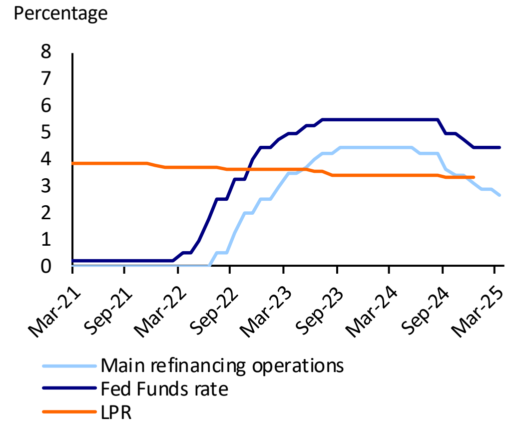
Sources: Bloomberg, FRED

INFLATION AND REAL INTEREST RATE

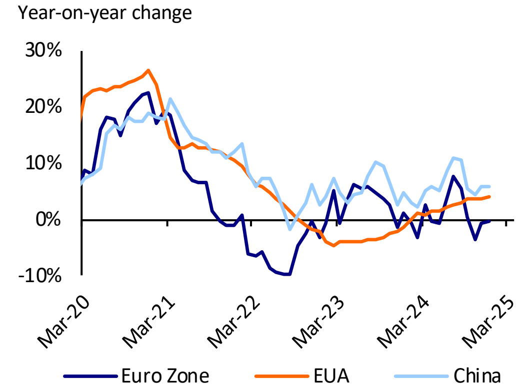
Inflation in major economies



Benchmark interest rates in major economies



Year-on-year change in M2



- **In the United States, year-on-year inflation slowed to 2.4% in March 2025, down from 2.8% in February. Core inflation - which excludes volatile energy and food prices - remained stable at 2.8%, indicating moderate underlying price pressures.** In the Eurozone, annual inflation stood at 2.2% in March, slightly down from 2.3% the previous month. Service inflation decelerated to 3.4%, while energy prices continued to decline (-0.7%). Core inflation fell to 2.4%, marking the lowest level since January 2022. According to Eurostat, the November inflation reading was driven by a sharp rise in service sector prices and a smaller-than-expected decline in energy prices.

- In China, year-on-year inflation remained in negative territory, registering a 0.1% decline in March 2025. However, the pace of deflation was milder than in February (-0.7%), reflecting a partial recovery in food prices and a slight increase in non-food prices (+0.2%).

- On the monetary policy front, the U.S. Federal Reserve kept interest rates unchanged at the 4.25% - 4.50% range during its March 2025 meeting. This decision marks a pause in the rate-cutting cycle initiated in January and reflects revised inflation expectations, anticipated economic slowdown, and concerns over the effects of recently introduced tariffs. As for the European Central Bank (ECB), market expectations at the time of writing point to a further 25 basis point rate cut at the upcoming meeting on April 17. The current deposit rate stands at 2.5%. Meanwhile, the People's Bank of China (PBoC) left its Loan Prime Rate (LPR) unchanged in March 2025, maintaining the one-year rate at 3.10% and the five-year rate at 3.60%. This marks the fifth consecutive month without changes to policy rates.

Sources: Bloomberg, FRED

BFA

GLOBAL PERSPECTIVES

Recession Probability 30%

EUA	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Real GDP (yoy)	2,9%	3,0%	2,7%	2,5%	2,4%	2,0%	1,7%	1,6%	1,8%
Industrial Production (yoy)	-0,5%	0,0%	-0,4%	-0,2%	1,1%	0,7%	1,0%	1,5%	1,3%
Inflation (yoy)	3,3%	3,2%	2,6%	2,7%	2,8%	2,8%	3,1%	3,1%	2,8%
Unemployment Rate	3,8%	4,0%	4,2%	4,1%	4,1%	4,2%	4,3%	4,4%	4,4%
Current Account (%GDP)	-3,2%	-3,3%	-3,6%	-3,8%	-4,3%	-3,9%	-3,8%	-3,8%	-3,7%
Central Bank Interest Rate	5,50%	5,50%	5,00%	4,50%	4,50%	4,40%	4,20%	4,05%	3,90%
EUR/USD	1,08	1,07	1,11	1,04	1,08	1,06	1,07	1,08	1,10

Recession Probability 15%

CHINA	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Real GDP (yoy)	5,3%	4,7%	4,6%	5,4%	5,0%	4,8%	4,6%	4,2%	4,1%
Industrial Production (yoy)	4,5%	5,9%	5,0%	5,6%	5,6%	5,2%	4,9%	4,3%	4,1%
Inflation (yoy)	0,0%	0,3%	0,5%	0,2%	-0,1%	0,2%	0,4%	0,9%	1,1%
Unemployment Rate	5,2%	5,0%	5,2%	5,0%	5,4%	5,1%	5,2%	5,2%	5,1%
Current Account (%GDP)	1,2%	1,3%	1,7%	2,3%	1,9%	1,3%	1,9%	1,8%	1,0%
Central Bank Interest Rate	3,45%	3,45%	3,35%	3,10%	3,10%	2,90%	2,85%	2,75%	2,70%
USD/CNY	7,22	7,27	7,02	7,30	7,26	7,35	7,34	7,35	7,35

Recession Probability 30%

EUROZONE	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Real GDP (yoy)	0,4%	0,5%	1,0%	1,2%	1,0%	0,9%	0,7%	0,7%	1,0%
Industrial Production (yoy)	-3,6%	-2,6%	-1,6%	-1,7%	-0,7%	-0,4%	-0,1%	0,7%	1,0%
Inflation (yoy)	2,6%	2,5%	2,2%	2,2%	2,3%	2,2%	2,1%	2,1%	1,9%
Unemployment Rate	6,5%	6,4%	6,3%	6,2%	6,2%	6,4%	6,5%	6,5%	6,4%
Current Account (%GDP)	2,1%	2,6%	2,8%	2,8%	2,2%	2,5%	2,3%	2,3%	2,0%
Central Bank Interest Rate	4,50%	4,25%	3,65%	3,15%	2,65%	2,15%	2,15%	2,15%	2,15%
EUR/USD	1,08	1,07	1,11	1,04	1,08	1,08	1,10	1,10	1,10

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

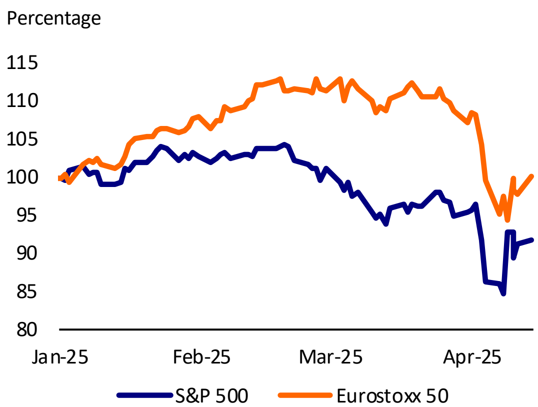
ECONOMIC REPORT
Q2 2025
Economic Research Unit

BFA

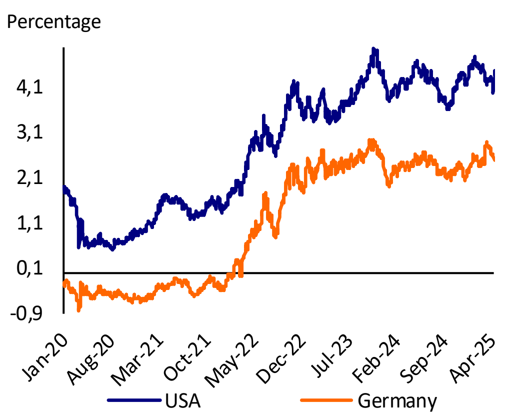
INTERNATIONAL FINANCIAL MARKETS

SPOTLIGHT

Main stock indices



10-year sovereign debt yields of U.S and Germany



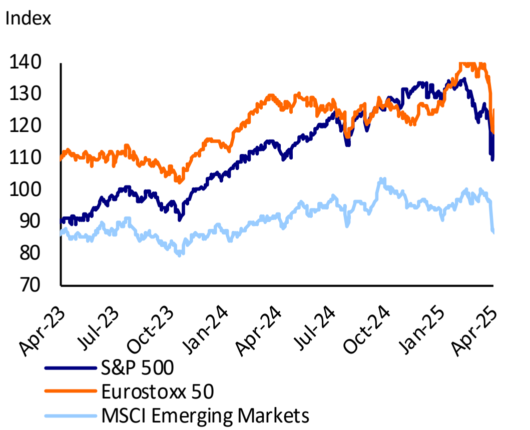
Sources: Bloomberg

A START OF ASSET REBALANCING?

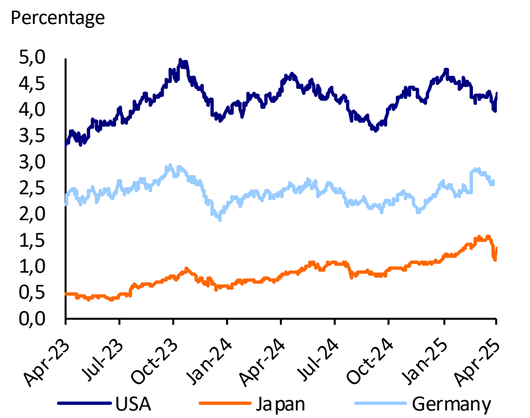
- **After Years of U.S. Outperformance, Investors Rotate Towards Europe. Following many years of significantly stronger performance by the U.S. economy - particularly in equity markets - compared to other regions such as Europe, investors now appear to believe that this trend has reversed, prompting a reallocation of capital across the Atlantic.** As early as March, a Bank of America fund manager survey revealed a substantial rotation from U.S. to European assets. According to the bank, this shift represents the most pronounced rebalancing since records began in 1999. The survey indicated that global investors held a 39% overweight position in European equities, a sharp increase from 12% the previous month. Additionally, the allocation to cash in portfolios rose from 3.5% to 4.1%.
- More recently, the instability triggered by Donald Trump's imposition of tariffs - followed by repeated policy reversals - has had a clear impact: the U.S. dollar weakened, while yields on U.S. sovereign debt rose. This type of market response is typically observed in emerging market crises, where investor confidence in a country's debt sustainability falters, leading to bond selloffs. A comparable event among developed economies occurred in September 2022, when then-UK Prime Minister Liz Truss's fiscal announcements led to a loss of investor confidence and capital flight. The Bank of England was forced to intervene, and Truss ultimately reversed the measures and resigned.
- In the current case, investors are primarily citing two key factors: a loss of confidence in U.S. economic leadership and growing optimism about a renewed dynamism in European markets. Notably, 69% of fund managers surveyed (even before the announcement of the new tariffs) stated their belief that the era of "American exceptionalism" has come to an end. On the European side, optimism is largely driven by expectations of increased defense spending. Consistently, German assets and the industrial sector have been identified as having the highest potential for appreciation in the current environment.

EQUITIES AND DEBT

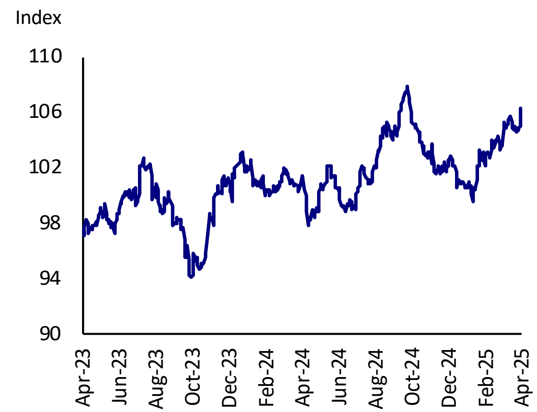
Main stock indices



10-year sovereign debt *yields* of major economies



Emerging economies bond index

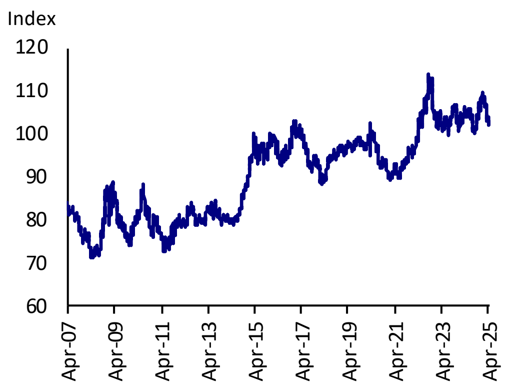


- **After a year of consecutive gains, U.S. equity markets are now experiencing significant declines in response to the government's decision to impose tariffs on a range of countries and products.** As of the first week of April, the S&P 500 had recorded a year-to-date (YTD) cumulative loss of approximately 14%, having entered correction territory twice - defined as a decline of 10% or more from the most recent peak, which occurred in February 2025. U.S. equities also suffered substantial losses following China's retaliatory move to introduce new tariffs on American goods, fueling concerns that the escalating trade dispute could tip the global economy into recession.
- In Europe, the downturn was more modest, with markets posting a YTD decline of 4%, effectively erasing the gains accumulated prior to the announcement. Meanwhile, the MSCI Index has appreciated by 1% YTD, supported by the strong performance of the Chinese economy. Overall, the U.S. government's trade policies are generating considerable uncertainty, raising investor concerns over potential disruptions in global supply chains and inflationary risks that could threaten economic growth not only in the United States but also worldwide. JPMorgan has revised its U.S. recession risk estimate for this year upward to 60%, from a previous 40%.
- Trade tensions have also impacted sovereign bond yields. In fixed income markets, investors have adopted a more cautious stance, shifting toward safe-haven assets such as U.S. Treasuries and German bunds. This flight to safety has led to a decline in the yields of these instruments, reflecting increased risk aversion in global financial markets. Notably, there has been a recent reversal of this trend in the case of U.S. Treasury yields.

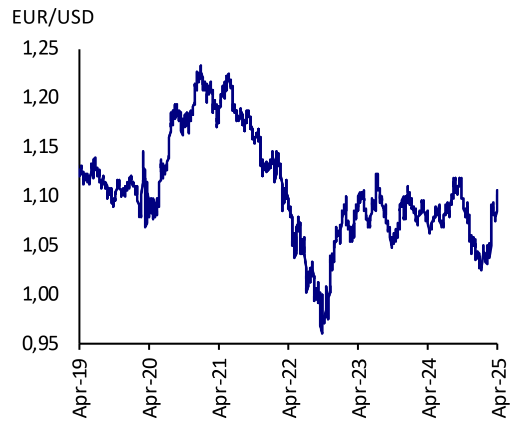
Sources: Bloomberg, Lazard Asset Management

FOREIGN EXCHANGE AND MONETARY MARKET

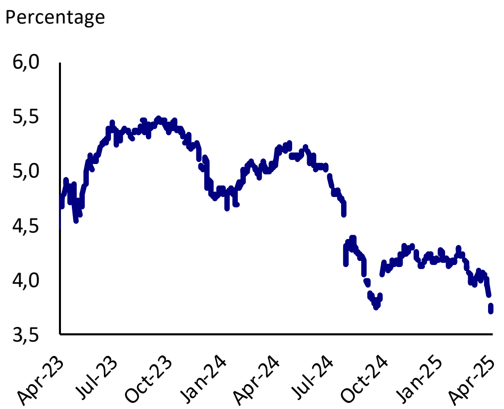
Dollar Index



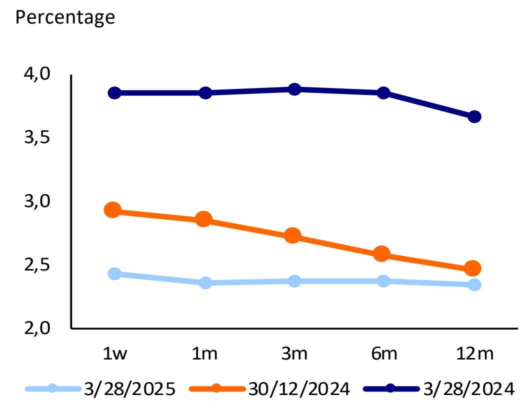
Exchange rate of the Dollar against the Euro



Money Market Interest Rate Dollar (SOFR 12M)



Money market interest rates Euro (Euribor)



Sources: Bloomberg

- **In recent days, the U.S. dollar has experienced a sharp depreciation, reflecting the growing macroeconomic and political uncertainty in the United States.** The Dollar Index (DXY) - which measures the performance of the currency against a weighted basket of six major currencies - fell to 98.32 on April 21, reaching its lowest level in the past three years. The downward trajectory of the U.S. dollar has been driven mainly by the rise in trade protectionism, which has resulted in widespread tariffs.
- In the foreign exchange market, the euro has appreciated against the dollar, with the EUR/USD pair reaching 1.1523 - the highest level so far this year. Additionally, the divergence in monetary policy expectations between the Fed and the ECB has further supported this trend.
- The outlook for the dollar remains uncertain, with markets closely monitoring the unfolding of U.S. economic and monetary policies in the coming months.

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MARKETS OUTLOOK

FOREIGN EXCHANGE MARKET	Sep-24	Dec-24	Mar-25	YTD	YOY	QOQ	Q2 2025	Q3 2025	Dec-25	Dec-26	Dec-27
EUR/USD	1,11	1,04	1,08	4,5%	0,2%	4,5%	1,08	1,08	1,10	1,12	1,15
GBP/USD	1,34	1,25	1,29	3,2%	2,3%	3,2%	1,28	1,30	1,30	1,33	1,35
USD/JPY	143,63	157,20	149,96	-4,6%	-0,9%	-4,6%	148,00	146,00	144,00	156,00	155,00
Dólar Index (DXY)	100,78	108,49	104,21	-3,9%	-0,3%	-3,9%	105,00	103,40	102,20	100,10	96,90

MONEY MARKET	Sep-24	Dec-24	Mar-25	YTD	YOY	QOQ	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Euribor 3M	3,3%	2,7%	2,3%	-0,4	-1,6	-0,4	2,1%	2,0%	2,0%	2,0%	1,9%
SOFR 3M	4,6%	4,3%	4,3%	0,0	-1,0	0,0	4,2%	4,1%	3,9%	3,8%	3,6%
FED rate upper limit	5,0%	5,0%	4,5%	-0,5	-1,0	-0,5	4,4%	4,2%	4,0%	3,9%	3,8%
FED rate lower limit	4,8%	4,3%	4,3%	0,0	-1,0	0,0	4,1%	3,9%	3,8%	3,6%	3,5%
ECB - Main refinancing rate	4,3%	3,7%	3,2%	-0,5	-0,9	-0,5	2,3%	2,2%	2,2%	2,1%	2,1%
ECB - Deposite rate	3,7%	3,2%	2,7%	-0,5	-1,9	-0,5	2,1%	2,0%	1,9%	1,9%	1,9%
BOE rate	5,0%	4,8%	4,5%	-0,3	-0,8	-0,3	4,2%	4,0%	3,8%	3,6%	3,5%

SOVEREIGN DEBT	Sep-24	Dec-24	Mar-25	YTD	YOY	QOQ	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
USA 10-Year	3,8%	4,6%	4,2%	-0,4	0,0	-0,4	4,3%	4,3%	4,3%	4,2%	4,2%
Germany 10-Year	2,1%	2,4%	2,7%	0,4	0,4	0,4	2,7%	2,7%	2,7%	2,8%	2,8%
Japan 10-Year	0,9%	1,1%	1,5%	0,4	0,8	0,4	1,4%	1,5%	1,5%	1,6%	1,6%
UK 10-Year	4,0%	4,6%	4,7%	0,1	0,7	0,1	4,4%	4,2%	4,2%	4,1%	4,1%
China 10-Year	2,2%	1,7%	1,8%	0,1	-0,5	0,1	1,7%	1,7%	1,7%	1,7%	1,7%

COMMODITIES	Sep-24	Dec-24	Mar-25	YTD	YOY	QOQ	Q2 2025	Q3 2025	Dec-25	Dec-26	Dec-27
Brent	71,8	74,6	74,6	0,0%	-14,7%	0,0%	64,9	63,8	66,7	63,4	64,4
WTI	68,2	71,7	71,5	-0,3%	-14,1%	-0,3%	62,2	60,8	63,4	59,8	60,3
Natural Gas	77,0	77,0	102,0	32,5%	-45,2%	32,5%	83,5	85,8	93,4	84,3	75,5
Gold	2634,6	2624,5	3123,6	19,0%	40,1%	19,0%	3086,0	3118,0	3072,0	3231,0	3364,0

Sources: Bloomberg

DISCLAIMER