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FLASH NOTE

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Non-oil growth boosts economy in Q1

Diamonds and communications offset the difficulties in the oil sector

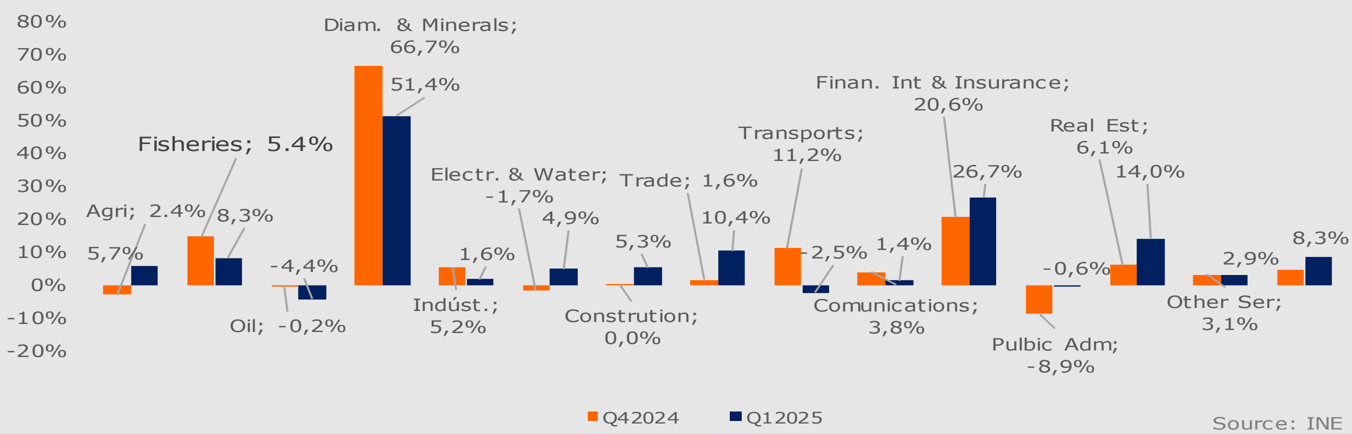
A. DESCRIPTION

1|In the first quarter of 2025, the Angolan economy's GDP expanded by 3.5% compared to the same quarter in 2024. The non-oil economy grew by 5.7%, up from 3.3% in Q4 last year. The oil economy recorded its largest contraction since Q1 2023 and shaved -1.0 percentage points (pp) of the economy's overall growth rate.

2| The non-oil economy continues to grow consistently in almost all sectors. Diamonds and Minerals (+51.4% yoy), Communications (+26.7% yoy) and Public Administration (+14.0 yoy) are the sectors that grew the most, together contributing to adding 2.6pp to the overall growth rate of economic activity. On the other hand, Accommodation, and catering (-2.5% yoy) and Financial Intermediation and Insurance (-0.6% yoy) were the only sectors to record contractions.

The performance of the general level of non-oil activity was positive again, with the exception of two sectors that recorded declines

Year-on-year change in percentage



Source: INE

B. ANALYSIS

1| Angolan economic growth has been driven by the Diamonds & Minerals sector in recent quarters, and Q125 was no exception. This sector returned to growth in the 50% range, driven by the consolidation of the Luele mine, which has been the main driver of average growth of around 57% since Q224, placing the sector at the forefront of the main drivers of economic growth. In the same period, diamond exports reached 4.0 million carats, representing an increase of 14.8% compared to the same quarter of 2024, although still below the recorded production volume.

The differential between production and exports is partly due to several factors: In recent quarters, companies have chosen to withhold part of their production, waiting for better prices in the international market, which has been facing a decline in average export prices, also pressured by the growth of synthetic diamonds; the average export price of Angolan diamonds fell by 26.4% year-on-year in Q125. At the same time, the presence of the Russian company Alrosa in Sociedade Mineira de Catoca created

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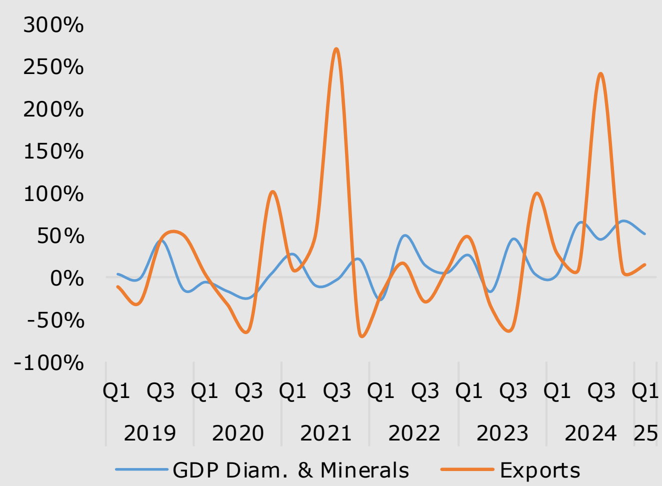
obstacles to marketing due to sanctions imposed by the war in Ukraine - the sale of Alrosa's stake to Taaden International Investment, from Oman, aimed to circumvent these restrictions and facilitate exports.

Despite the significant and consistent growth of the mining sector, we believe that this performance will be temporary, resulting from a high base effect. The Luele mine, located in Lunda Sul province, is the largest diamond mine in Angola and one of the largest in the world in terms of potential resources. Since the start of operations in 2023, the mine's production has soared, accounting for around 40% of the country's rough diamond production in 2024. This means that almost half of the sector's growth in 2025 could be concentrated in the performance of this single mine. Thus, the strong increase in sectoral GDP is likely to stabilize as production capacity consolidates. In addition, the sector faces vulnerabilities arising from the fall in international prices and geopolitical uncertainties. In the medium term, growth will depend on the stability of production, the dynamics of prices in the international market and investments in new deposits.

Diamond & Minerals sector grew 57% on average since Q22024

Real year-on-year variation



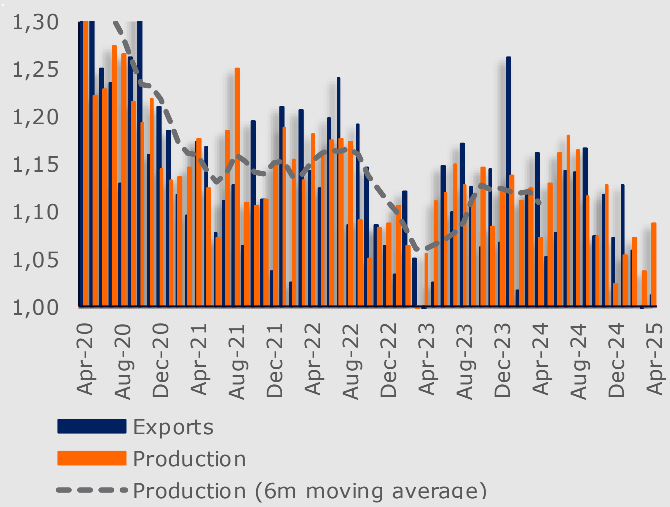
Source: INE

2| The GDP of the oil sector contracted again, by around 4.4% year-on-year, reflecting the difficulties faced by the sector, namely operational constraints and fluctuations in production.

In the first quarter, oil production stood at around 1.0 million barrels per day (mbd), a drop of 6.3% yoy. On the other hand, gas production grew by 3.3% yoy, reaching 2.7 million cubic feet (mpc). However, as can be seen in the graph, the six-month moving average shows a clear downward trend in oil production, while gas shows an upward trend that, naturally, does not offset the drop in crude oil, since the latter represents almost 90% of the value of the oil sector.

Oil production in clear downward trend

Millions of barrels per day



Sources: MINFIN; ANGP

According to data from the Ministry of Finance, the average price of Angolan oil stood at USD 74.30 per barrel, a drop of 7.8% yoy. This drop in international prices had a negative impact on export revenues, which fell by around 16.9% to USD 2.8 billion (B). On the other hand, in terms of tax revenues, the State collected USD 3.4B in the first four months of the year, an increase of 9.5% compared to the same period of the previous year.

Since April, as a result of tariffs and the dynamics of the international market, the price of Brent - the benchmark for Angolan exports - has been trading at around USD 66 per barrel. Even so, the impacts of this drop in prices are only expected to be fully reflected in exports in the coming months, given the gap between negotiation and the effective application of prices. This situation may therefore also impact the non-oil sector in the near future.

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C. CONCLUSION

1| The performance of the Angolan economy in Q125 reflects sustained growth in the non-oil sector, driven by areas such as Communications, Public Administration and mainly Diamonds & Minerals. This diversification is positive, as it indicates a trajectory of strengthening of the non-oil bases of the economy, although this has not yet translated into significant changes in the export structure, where oil has absolute dominance. On the other hand, the oil sector continues to face operational difficulties and volatility in production, which limits its contribution to the overall growth of the economy. The negative impact of the upcoming decline in oil prices highlights the vulnerability of the economy to international dynamics. Given this scenario, it is increasingly necessary to strengthen policies to encourage non-oil production and invest in the resilience of the national economy, mitigating the risks associated with fluctuations in the global commodities market.

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 Figures are expressed using the comma as thousands separator and the point as decimal separator and using the term "billion" to signify 10^9.