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FLASH NOTE

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Economic growth slows down in Q2

Significant growth in Diamonds and Minerals may have come to an end

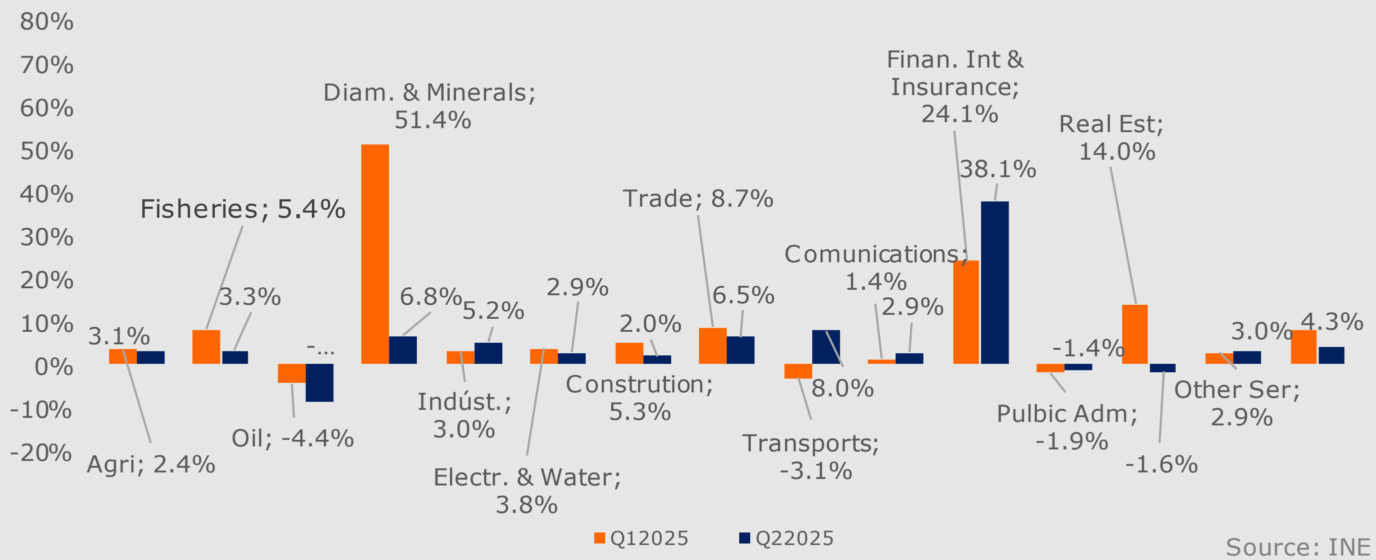
A. DESCRIPTION

1| In the second quarter of 2025, the GDP of the angolan economy grew by 1.1% compared to the same quarter in 2024. The non-oil economy grew by 3.5% year-on-year (yoy), below the 5.8% yoy in Q2. The oil economy recorded the largest contraction since Q3 2021 and subtracted 1.7 percentage points (pp) from the overall growth rate of the economy.

2| The non-oil economy continues to grow consistently in almost all sectors. Communications (+38.1% yoy), Accommodation and Restoration (+8.0%), and Diamonds and Minerals (+6.5% yoy) are the ones that have grown the most, together contributing to add 0.8pp to the overall growth rate of economic activity. In contrast, Public Administration (-1.6% yoy) and Financial and Insurance Institutions (-1.4% yoy) were the only non-oil 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| The non-oil economy grew again in the second quarter of 2025, although with signs of deceleration in some sectors that had been maintaining high rates in recent quarters. The highlights of the period were Communications (+38.1% yoy), Accommodation and Restoration (+8.0% yoy), and Diamonds & Minerals (+6.8% yoy). The Diamonds & Minerals sector deserves particular attention, as it is one of the few that has managed to grow continuously over the last eight quarters, having not recorded any contraction since Q3 2023. Historically, its trajectory is marked by cycles of strong expansion followed by abrupt downturns. In this quarter, however, the expansion was significantly

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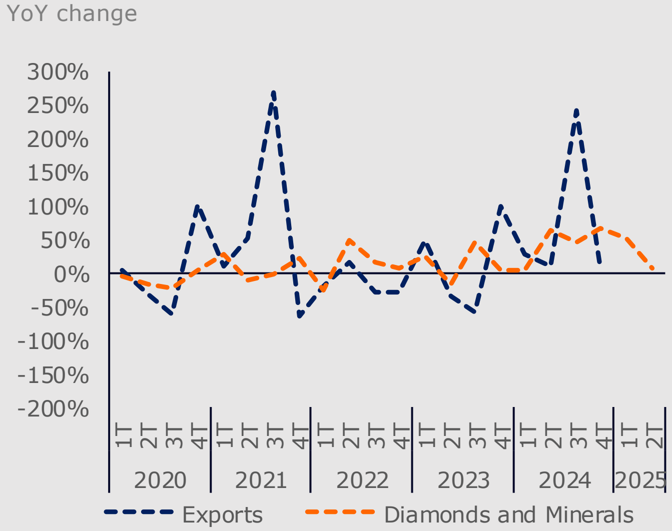
more modest - only 6.8% yoy, which represents a slowdown of 44.6pp compared to the recent average. The loss of momentum resulted from two main factors: the quarterly contraction of 9.1% and the disappearance of the base effect that had been boosting the results. As anticipated in the previous note, the exceptional growth was associated with both the commencement of operations at the Luele mine and the statistical effect of the low comparative base. From a quarterly perspective, the sector contracted 23.5% qoq in Q1 and 9.1% qoq in Q2, setting up a technical recession. According to our estimates, for the sector to grow again in year-on-year terms in Q3, a quarterly expansion of about 23% would be necessary, something unlikely given the current pace of activity. Thus, we project the first yoy decline after eight quarters, close to 18% yoy already in Q3.

Diamonds and Minerals in technical recession and may contract year-on-year in Q3



Sources: INE; BFA Calculations

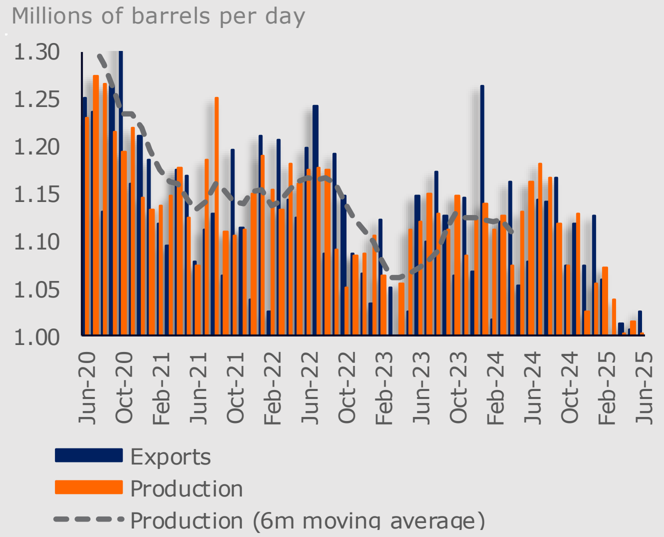
In aggregate terms, the sectors that contributed most to the GDP growth rate were Trade and Agriculture, which together accounted for 30.2% of the total. Trade grew by 6.5% yoy, while Agriculture advanced by 3.1% yoy, adding approximately 1.3 percentage points to the overall growth rate. In the case of Agriculture, the quarterly reading shows high volatility: the sector's GDP increased by 107% quarter-on-quarter, reflecting typical seasonal effects of the second quarter. For this reason, a decline is expected in Q3 in quarter-on-quarter terms, but still with year-on-year expansion of around 4%.

For the upcoming quarters, we anticipate a differentiated evolution among sectors. Construction, Transport, Financial Institutions & Insurance, and Public Administration are expected to lead more in quarterly terms. In contrast, sectors like Agriculture, Accommodation & Restoration, and Electricity & Water are expected to slow down, primarily reflecting seasonal effects.

In summary, the non-oil economy continues to grow, but with clear signs of normalization in sectors that were previously benefited by extraordinary effects, making the growth rate closer to the more organic dynamics of the economy, and opening up space for services and sectors related to infrastructure to take on a more prominent role in the next cycle.

2| The GDP of the oil sector contracted again, by about 8.7% yoy, and the most recent figures we have indicate that total oil production in July was set at 30.9 million barrels, which corresponds to a daily average of 0.998 million barrels per day (mbd) – a level close to the minimum recorded in March 2023, when the Dália field was shut down for maintenance. This is only the second time since 2009 that average daily production has fallen below the one million barrels per day mark. In year-on-year terms, production has been gradually declining since the beginning of the fourth quarter of last year, with a worsening in the second quarter of this year, when it decreased by

Oil production in clear downward trend



Sources: MINFIN and ANGP

about 10% yoy. Natural gas production is also on a downward trajectory, having recorded a contraction of around 7% yoy in the second quarter. In July, production stood at 82.3 million cubic feet (mpc), corresponding to a daily average of 2,655 mpc. The drop in oil production as well as gas reflects the structural problems Angola faces in the oil sector. There are signs that this decline may be temporary: the entry into production of CLOV Phase 3 in Block 17 and Begónia in Block 17/06, which together should add almost 60,000 barrels per day to oil production. In addition to these two, the new FPSO vessel at the Agogo field will also come into operation.

In the international market, Brent has been trading, since the beginning of the year, at an average of USD 69.9, while Angola's Brent has been around USD 71.7, slightly above the value stated in the OGE. Bloomberg's consensus suggests that Brent will end the year close to USD 66.4. Considering the average differential between Angola's Brent and the international benchmark, it is estimated that Angola's Brent will finish the year around USD 68.2, below the USD 70 forecasted in the budget. This deviation already implies a negative impact on oil revenues, which account for about 60% of the projected current revenues in the OGE. This dynamic is expected to also affect the non-oil economy in the coming years.

C. CONCLUSION

1| The Angolan economy showed mixed performance signs in the second quarter of 2025, reflecting the structural duality between the oil and non-oil sectors. On one hand, the non-oil component maintained a positive trajectory, growing by 3.5% yoy, albeit at a more moderate pace than in previous quarters. Sectors such as Communications, Accommodation and Catering, as well as Diamonds and Minerals, were the main drivers, although some are already showing signs of slowdown after periods of extraordinary growth. Agriculture and Trade also made significant contributions, reinforcing the role of these sectors in diversifying the economy and sustaining growth in scenarios of greater external volatility.

On the other hand, the oil sector registered another contraction, worsened by declines in oil and gas production. Recently, daily production fell to historically low levels, below 1 million barrels, revealing structural weaknesses and the need for new investments to sustain production capacity. With the average price of Brent Angola being below the budget projections, oil revenues are expected to be revised downwards, creating additional pressure on public accounts and, by extension, on the dynamics of non-oil growth.

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