Q42025 ECONOMIC REPORT

BFA

INDEX

EDITORIAL

AFTER BFA, THE MARKET SEEMS READY FOR MORE

The successful Initial Public Offering (IPO) of Banco Fomento de Angola (BFA) revealed a new level of maturity in the local capital market and brought unequivocal signs of a strong appetite for domestic assets. The operation made available 4,462,500 shares, corresponding to 29.75% of the share capital, held by Unitel (15%) and BPI (14.75%), with a final price of AOA 49,500 per share, generating a total inflow of AOA 220.9 billion (b). Demand exceeded the offer by more than five times, reaching a coverage ratio of 506.4%, and allowed the entry of 8,488 new shareholders into the bank's structure. Admitted to trading on BODIVA on September 30, 2025, BFA carried out the largest operation of all time in the Angolan market.

According to our calculations, in the first 3 trading days, the shares appreciated by approximately 95%, reflecting both the mismatch between supply and demand and the positive perception of the bank's solidity. It is important to highlight that the shares of other institutions already listed on the stock exchange also appreciated significantly in the initial days of their admission to BODIVA. This collective behavior reinforces the idea that Angolan investors are active, attentive, and willing to diversify, seeking real opportunities to increase the value of their capital. The performance of BFA's IPO and the generalized market reaction send a clear signal: there is room and appetite for more companies. Those who already have a solid financial situation and have good governance should see the stock exchange as a natural avenue for expansion and diversification of financing. On the other hand, those that are not yet ready should see this moment as an incentive to structure and prepare themselves, in order to take advantage of the favorable environment that is consolidating.

The BFA IPO is not just an isolated success story, but a milestone that redefines expectations, establishes new benchmarks for valuation and liquidity, and confirms that the Angolan capital market is truly entering a phase of increasing confidence, depth, and attractiveness.

CHRONOLOGY

April

- Signing of production sharing contracts between ANPG and other companies;
- Imposition of tariffs on exports by the United States;
- Financing Agreement between Angola and Deutch Bank for the equipping of academic infrastructures.

May

- Monetary Fund revises downward global growth forecasts;
- National Treasury makes available to the foreign exchange market about USD 469.1 million in Q1;
- Fitch maintains Angola's rating at B- with a stable outlook.

June

- Issuance of Green and Social Bonds to finance dams in Namibe;
- The Financial System Assessment Program evaluates stability and transformations of the national financial system.

July

- ANPG, Total Energies and partners of Block 17/06 announce the start of production of the Begônia project and the CLOV Phase 3 project;
- Azule Energy announces the discovery of gas in the Gajajeira 01 exploratory well located offshore in the Lower Congo Basin;
- Adjustment in the price of diesel by 33%, as part of the strategy of gradually removing fuel subsidies.

August

- Angola recovers USD 200 million in guarantees from JP Morgan after recovering bonds;
- The S&P credit rating agency maintained Angola's risk rating at B-;
- Oil production hits lowest volume in the last two years, around 0.99 million barrels per day.

September

- The IMF has revised its forecast for Angolan economic growth downwards, now placing it at 2.1%;
- Banco de Fomento Angola has launched its Public Offering of 29.75% of its capital.

AGENDA

October

13 and 18: World Bank Annual Meeting;
23 to 24: European Council;
28 to 29: FED Meeting;

November

3 to 4: African Financial Summit;
16 and 17: Federal Reserve Meeting;

December

04: Meeting of the European Central Bank;
15: Monthly Report of OPEC.

HIGHLIGHTS

Angola

- Will inflation be the sole reason for the interest rate cut?
- The monetary market has registered high activity, with intense liquidity exchange between banks and a strong presence of the Central Bank;
- The yield curve of the secondary market registered a slight shift between June and September 2025;
- Angolan public debt valued in dollars stood at USD 64.1 billion, down USD 0.7 billion compared to the immediately preceding quarter;
- The Angolan economy registered modest growth of 1.1% year-on-year in Q2;
- The current account balance recorded a surplus of USD 294.4 million;

International

- Between interest rates and sacrifices: the suffocating weight of debt;
- Strong performance of African economies marks the second quarter of the year;
- Cutting-edge technology…a new industrial race;
- Global economies remain firm and resilient amid tensions, conflicts and a new era of alliances;
- Is the cobalt market in the spotlight once again?
- Yields on sovereign bonds remain relatively stable.

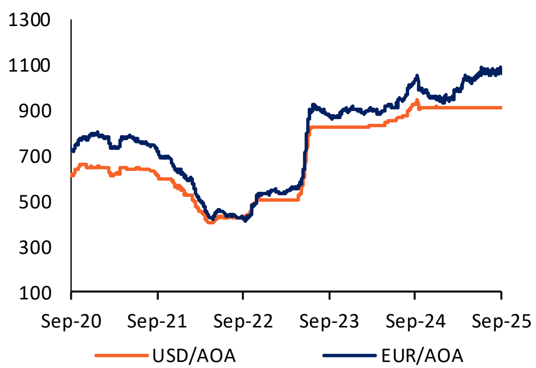
BFA

FINANCIAL MARKETS

FOREIGN EXCHANGE MARKET

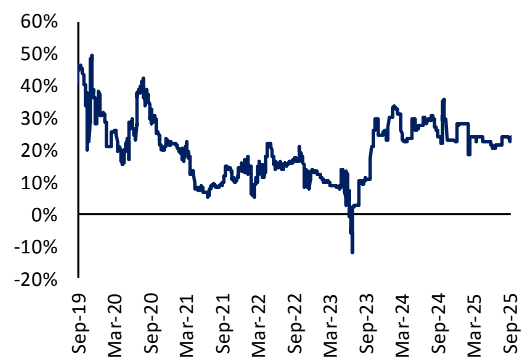
Exchange rate of the Kwanza against the Dollar and Euro

USD/AOA; EUR/AOA



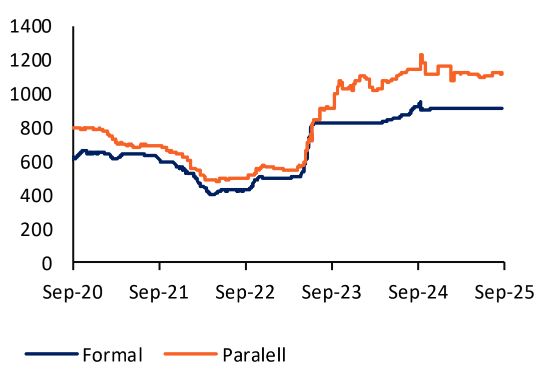
Gap between official and parallel USD/AOA exchange rate

Percentage



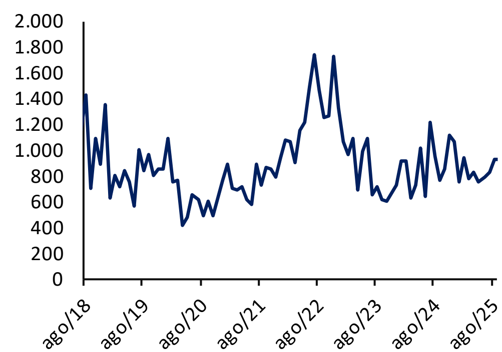
USD/AOA exchange rate in the official and parallel market

USD/AOA



Monthly sales of foreign exchange to banks*

USD Millions



- **Although Kwanza has remained unchanged since the end of last year, trading at around 912 per dollar, we believe this stability is fragile.** The difference between the formal and parallel markets, which reached around 30.0% at the beginning of the year, has receded to around 24.0%. Our estimates indicate a drop of around 6.9% yoy in the supply of foreign currency in the first 10 months of the year. Data on average daily demand in BMATCH reveal still very high demand levels, which does not alleviate pressure. However, when we look at imports (a good proxy for effective foreign currency demand) we see a growth of 12.0% yoy in the first half of the year, a sign that demand has not actually decreased.

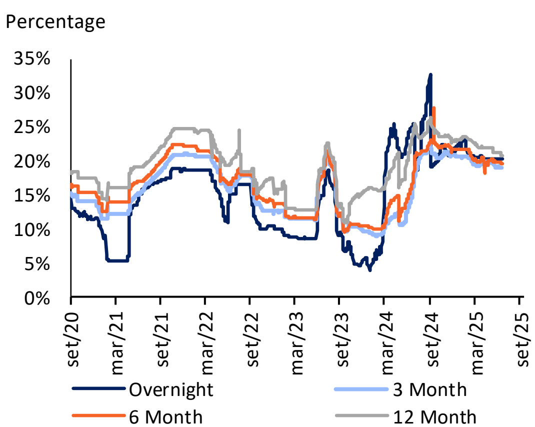
- We have noticed that the system's *backlog* remains quite high, around USD 1.8b. This set of factors reinforces the perception that the exchange rate is under pressure to depreciate, especially considering that both oil production and the price of crude oil are below the forecasts included in the 2025 State Budget. This translates into lower oil tax revenues, which continue to represent a very significant portion of total budgeted revenues.

Sources: BNA, BFA Calc.

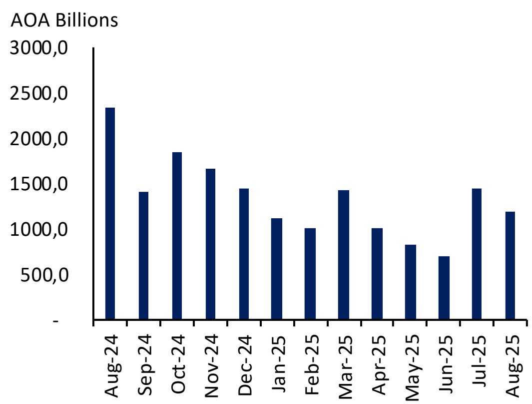
* Bottom right chart legend: Data as of January 2024 are BFA estimates

MONEY MARKET

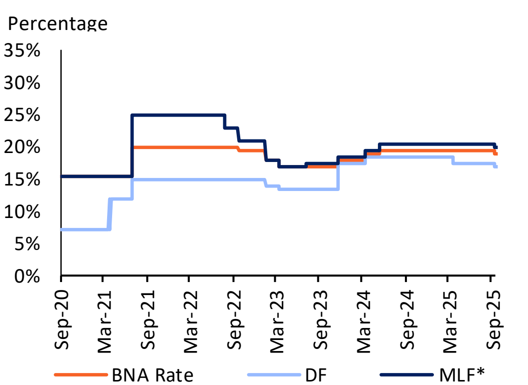
Luibor rates on the various maturities



Liquidity exchange operations

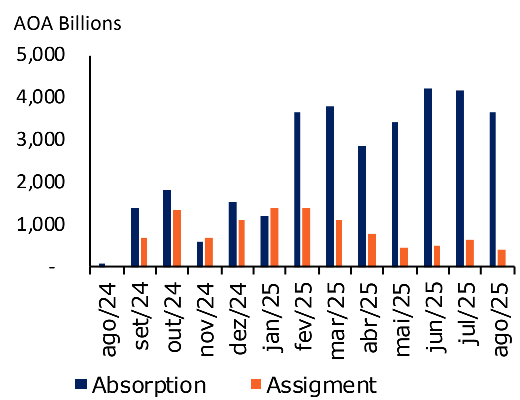


Main monetary policy rates



Marginal Lending Facility*

Open Market Operations

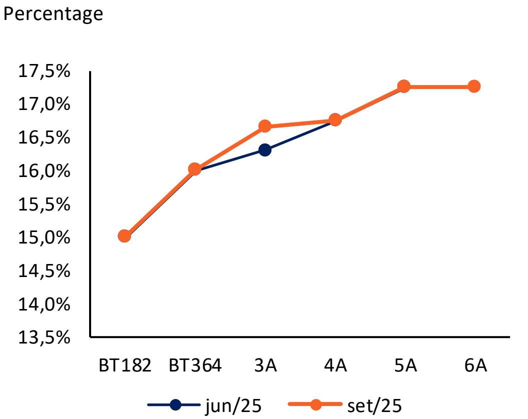


Sources: BNA, BFA Calc.

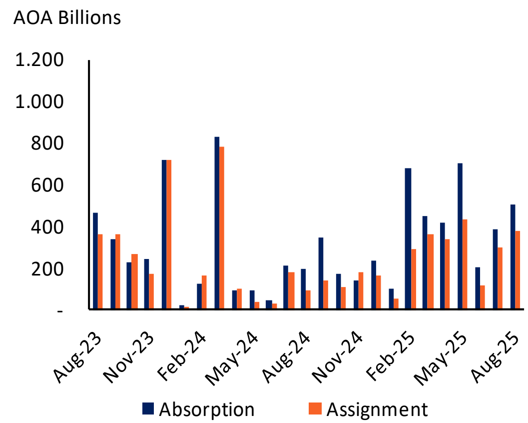
- **The money market has been experiencing high activity, with intense liquidity exchange between banks and a strong presence of the BNA.** In the interbank money market (IMM), liquidity exchange operations reached the peak of the year in July and remained above AOA 1.0t in August. In parallel, monetary policy has been marked by active actions by the BNA to manage the excess liquidity in the system, mainly using open market operations (OMAs) and Deposit Facility (DF). OMAs reached the year's maximum in June, with AOA 4.2t, and have averaged around AOA 3.4t. DF reached around AOA 3.0t in August.
- This increase in transaction volumes, coupled with a more flexible approach to monetary policy, has contributed to a more liquid environment in the system. As a result, interbank interest rates have been decreasing: since the beginning of the year, the overnight Luibor has already accumulated a reduction of 371 basis points (bp), accompanied by a drop in other maturities. This evolution signals that the cost of credit is becoming more accessible, reinforcing the transmission of monetary policy to the real economy.

PRIMARY BOND MARKET

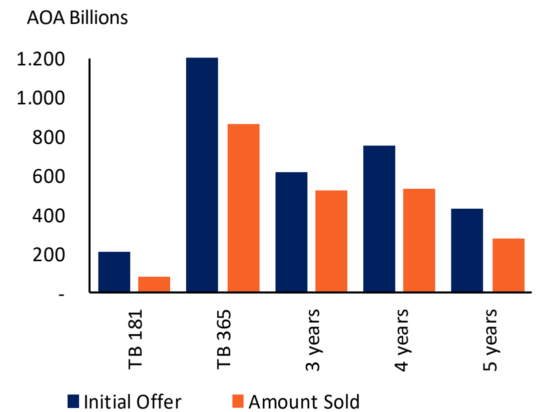
Kwanza Curve *yields*



Debt placements per month



Debt placements by maturity in 2025



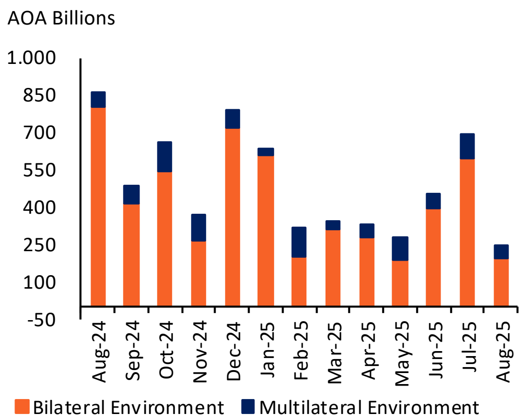
- **So far, the National Treasury has issued approximately AOA 2.3t in bonds in the domestic primary market this year, representing approximately 54.0% of the amount foreseen in the Annual Debt Plan 2025 for bonded debt**. Of this total, approximately 41.0% correspond to short-term issues (BTs), while the remaining 59.0% refer to OTs. In terms of volume, 364-day BTs have been the most sought after, with accumulated placements of around AOA 870b, standing out from other instruments. Regarding OTNRs, the 4-year term stands out with the largest issues, at around AOA 537b.

- **The Kwanza yield curve in the primary market remains almost unchanged compared to June. The only relevant change is concentrated in the 3-year maturity, whose rate rose from 16.30% to 16.65% - an increase of 35 basis points. In the other maturities, the difference between the two observations is marginal, so the curve maintains its slope.** This stability suggests that, in the primary market, there has not been a widespread reassessment of sovereign risk, despite the supply of bonds exceeding demand.

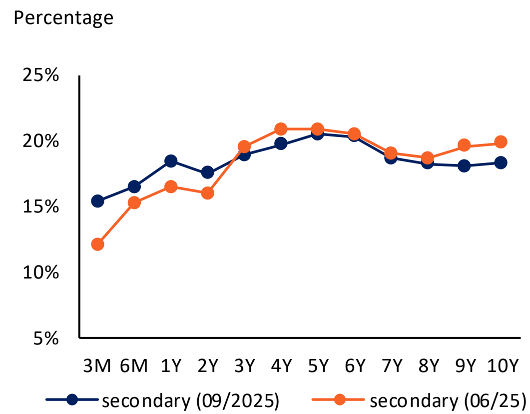
Sources: BODIVA,BFA Calc.

SECONDARY SECURITIES MARKET

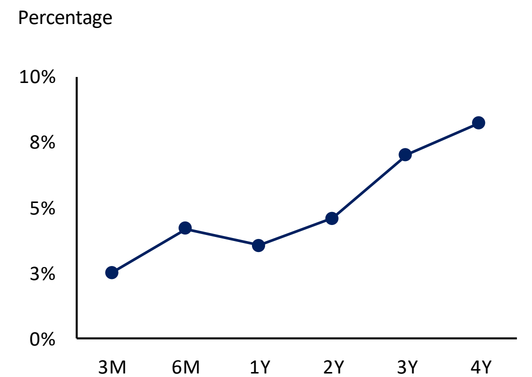
Transactions by trading environment



Kwanza yield curve



Kwanza yield curve OT-TX



- **Trading on the BODIVA markets fell sharply in August, after reaching the year's peak in July**. In August, the transaction volume was AOA 247b, well below the AOA 694.4b recorded in July, and also represents the lowest level since May of last year. Globally, since the beginning of the year, the market has traded approximately AOA 3.6t, and compared to the same period of the previous year, there was a decrease of 12.0%. With the BFA IPO, we expect the trading volume in the markets to grow significantly in September, compared to August, and that this growth will extend into October and November.

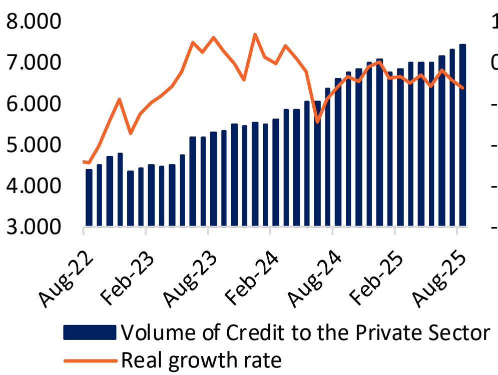
- **The yield curve of the secondary market registered a slight shift between June and September 2025**. It is observed that, in short maturities (up to 1 year), rates rose by an average of 216 basis points, reflecting a greater demand for risk premiums from investors in the short term. In medium-term maturities (2 to 5 years), the curve remained practically stable, with rates fluctuating around 19.1%. In long-term maturities (over 6 years), rates receded slightly compared to the previous quarter, signaling that long-term risk expectations did not deteriorate, despite the context of exchange rate and fiscal pressures. Overall, the curve maintained a positive slope, but less pronounced than in June, indicating some normalization in the sovereign financing cost.

Sources: BODIVA,BFA Calc.

CREDIT MARKET

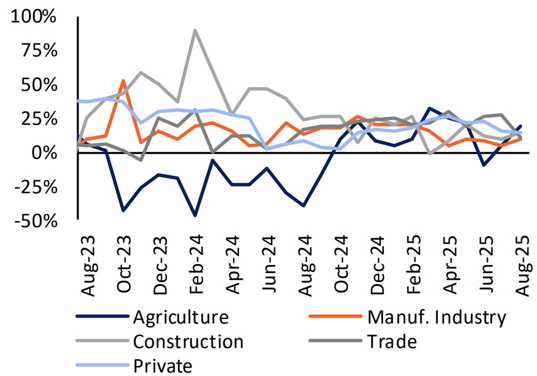
Credit volume and evolution

AOA Billions; Real year-on-year change



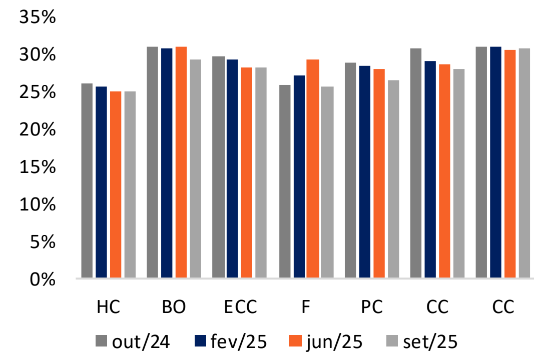
Evolution of credit by sector

Year-on-year change



Interest rates by type of credit

Percentage



- **In August, the volume of credit to the private sector in local currency was set at approximately AOA 7.5t, which corresponds to nominal growth of 22.5% year-on-year, equivalent to approximately an additional AOA 0.1t.** Credit to the public sector expanded slightly more sharply, growing 27.5% yoy and reaching AOA 1.1t. In the analysis by sector, significant increases stood out in credit to the Extractive Industry (+40.9% yoy), Transportation (+25.1% yoy) and Agriculture (+19.7% yoyr). In contrast, there were significant declines in financing for Real Estate Activities (-75.4% yoy), Other Services (-40.4% yoy) and Hospitality (-3.7% yoy).

- In September, the average interest rate on credit to the economy registered a slight decrease compared to June, standing at 27.68% (-1.0 pb). Analysis of bank pricing shows that the largest correction occurred in investment credit, whose rate fell 3.68 basis points to 25.7%, followed by consumer credit, which decreased 1.58 basis points to 26.5%. During the same period, Luibor rates (used as an index) decreased by an average of 34 basis points, reflecting the easing of the central bank's monetary policy. However, the overall reduction of only 1.0 basis point in interest rates in a context of falling Luibor rates suggests an upward revision of bank spreads, signaling a greater perception of risk on the part of banks, in line with the trend of slowing economic activity.

Sources: BNA, BFA Calc.

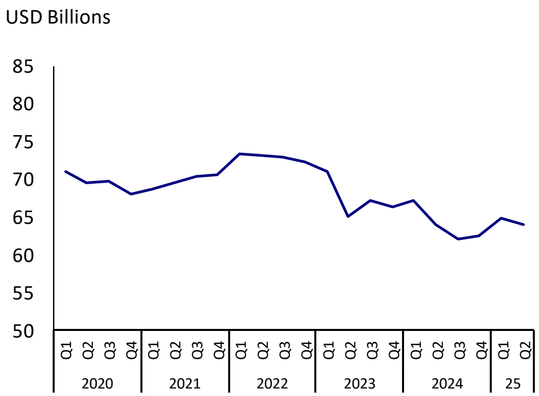
Graph to the right's legend: Housing credit (HC); Bank overdrafts (BO); Escrow Current Account (ECC); Financing (F); Personal credit (PC); Car credit (CC); Credit Cards (CC)

ECONOMIC REPORT
Q4 2025
Economic Research Unit

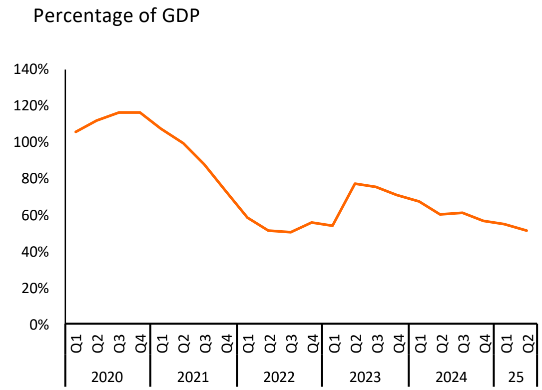
PUBLIC FINANCE

PUBLIC DEBT

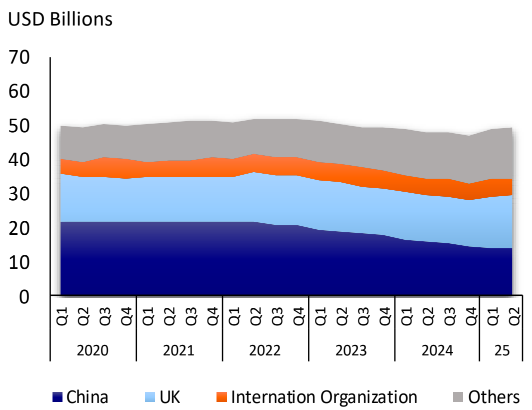
Total public debt



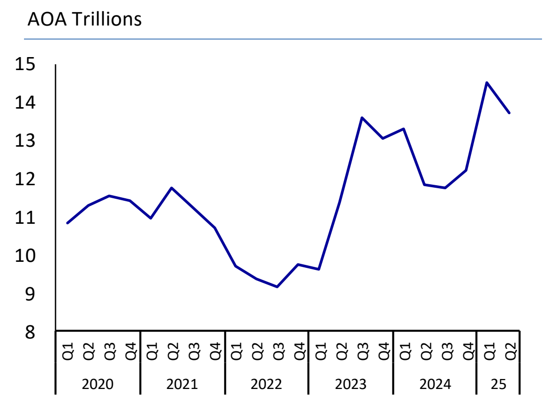
Government debt as a percentage of GDP



External public life by type of creditor



Domestic bond debt

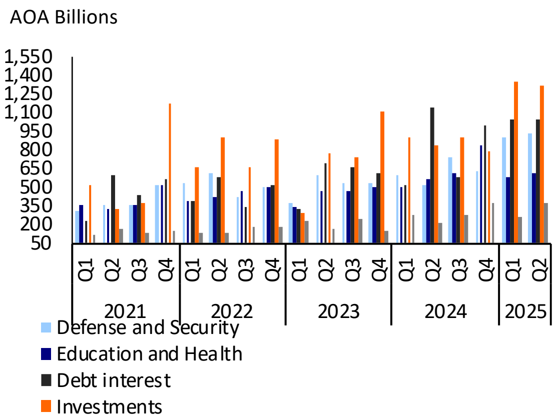


Sources: MinFin, BNA, BFA calc.

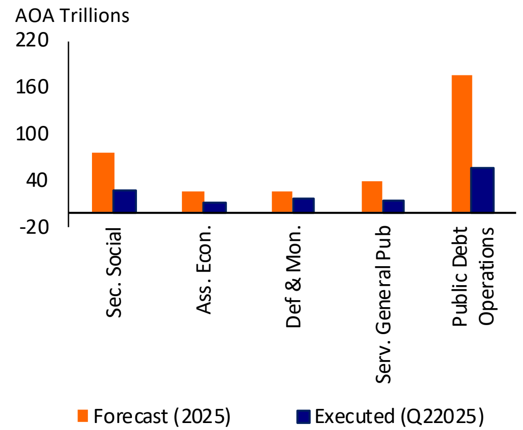
- **In the second quarter, Angola's public debt valued in dollars stood at USD 64.1b, down USD 0.7b compared to the immediately preceding quarter**. Despite slight increases in certain periods, the debt trajectory is one of decline.
- **According to our calculations based on data from the Ministry of Finance, debt as a percentage of GDP decreased for the third consecutive quarter, now representing 50.8% of GDP.** However, we reiterate that, despite the declining debt trajectory, the reduction in its weight relative to GDP was influenced by the new GDP calculation methodology, which now considers 2015 as the base year, resulting in a slightly higher GDP.
- **In Q2 2025, the external debt stock stood at USD 49.6b, an increase of USD 0.9b compared to the first quarter**. In terms of profile and structure, debt with Chinese entities (despite still representing more than 20% of the total) continues to decrease, settling at USD 13.8B. Debt in London markets (comprising essentially Eurobonds and other instruments) grew again, settling at USD 15.4b, consolidating itself as the main source of external financing, representing 31.0% of the total.

BUDGET EXECUTION

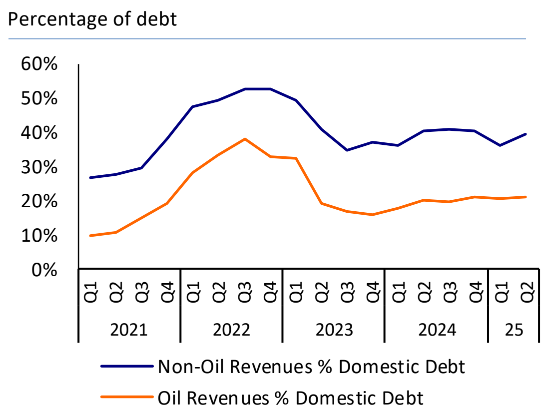
Fiscal weight by sector



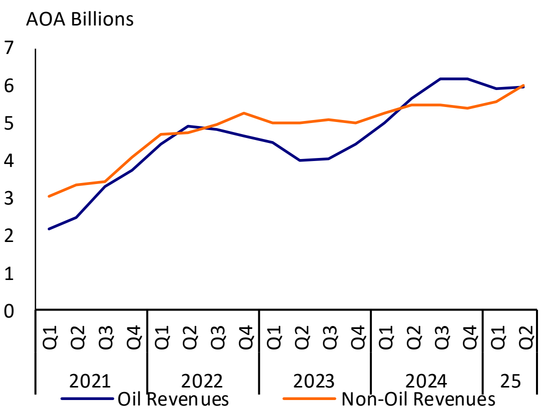
Expenditure planned and implemented by sector



Oil and non-oil revenues as a percentage of debt



Oil and non-oil revenues



Sources: MinFin, BNA, BFA Cálc.

- **The implementation of the State Budget in 2025 could be quite challenging, being conditioned by both the current economic situation and the external context.** On the revenue side, it grew by approximately 8.7% yoy in the second quarter, driven mainly by an increase of around 5.0% yoy in taxes related to the oil sector, which represent 57.6% of current revenues and 42.5% of total revenues. Capital revenues, which account for 26.3% of the total, fell compared to the same quarter of the previous year, reaching AOA 1.6t. Revenues from asset sales, which had averaged AOA 2.4t in recent quarters, also decreased to AOA 1.6t. Despite a reduction of approximately AOA 4.6 million, debt interest expenses returned to around AOA 1.0t this quarter.

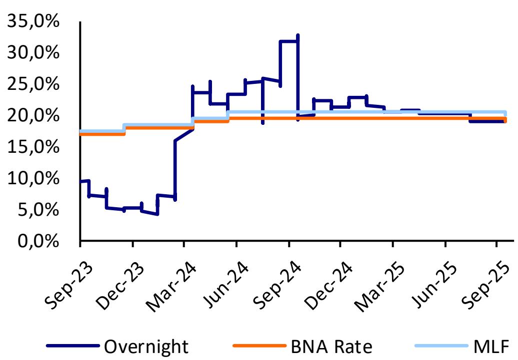
- **The overall balance returned to negative territory in the quarter under review and may remain on this trajectory throughout the year.** We anticipate a continuation of negative fiscal balances, mainly due to restrictions on access to external financing and the decline in both oil production and crude oil prices, factors that compromise revenue collection.

REAL ECONOMY

SPOTLIGHT

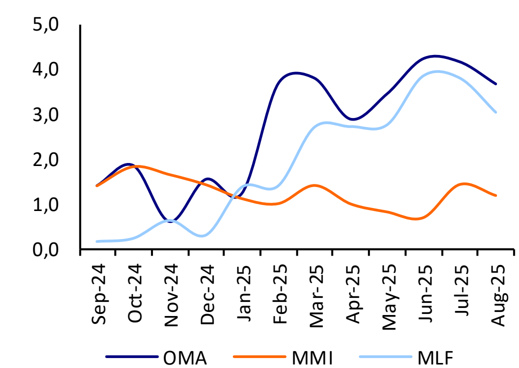
Luibor and key interest rates

Percentage



Trading volumes

AOA Trillions



Sources: BNA; Ministry of Finance

IS INFLATION THE ONLY REASON FOR INTEREST RATES CUTS?

- **Despite the slowdown in monthly inflation in August and the continued decline in annual inflation, the BNA's decision to reduce interest rates in the last MPC surprised the market.** The justification presented by the Central Bank focused on the trajectory of inflation, which ended up being more benign than expected. We, in particular, were expecting more persistent second-order effects. However, the shocks recorded were of short memory, which would have contributed to the decision to cut interest rates.

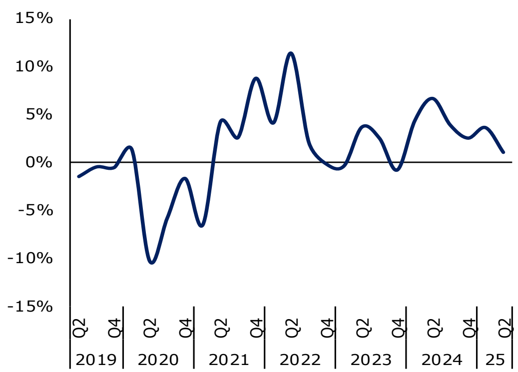
- As a rule, central banks act prudently, favoring the "wait and see" strategy. The BNA does not usually deviate from this pattern, but the most recent decision suggests less tolerance for waiting. This raises the question: did the cut reflect only considerations about inflation or also other relevant factors? It is worth noting that, in the committees held in January and July, the Central Bank had already opted to reduce the required reserve ratio, with the aim of stimulating credit and bringing the IMM rates closer to the BNA rate. This effort has produced visible results: the overnight Luibor (O/N) has fallen 371 basis points since the beginning of the year and, as of the end of July, has been below the basic rate, and even below the FPCL rate.

- At the end of January, the O/N reached its highest value of the year, 23.1%, while the BNA rate was around 19.50% and the Marginal lending Facility (MLF) rate was at 20.50%. After months of easing, the O/N fell back to 18.98%, almost two months before the last committee meeting. This mismatch creates incentives for banks to prefer to apply liquidity to the BNA through repos and MLF operations, to the detriment of dynamism in the IMM. At the same time, the Ministry of Finance has faced difficulties in raising funds in the primary market. In public debt auctions, supply has frequently exceeded demand (see the second graph on slide 10), in contrast to repos auctions, where demand has exceeded supply. This behavior reveals a greater appetite among participants for access to repos and BNA facilities, to the detriment of acquiring public debt. Therefore, by maintaining the benchmark interest rates above the O/N for too long, the BNA could be simultaneously harming the placement of public debt and slowing the dynamism of the IMM. Thus, although the slowdown in inflation was the official argument, it cannot be ruled out that the decision to cut rates also reflected the need to support Treasury financing.

NATIONAL ACCOUNTS

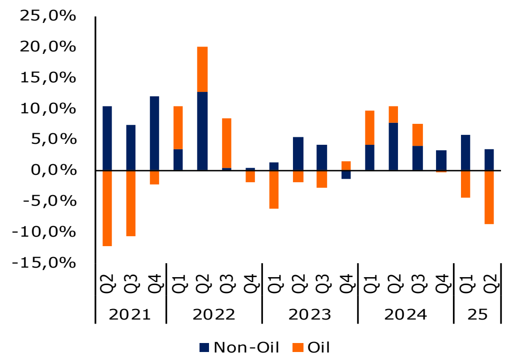
Year-on-year rate of change in GDP

Real year-on-year change



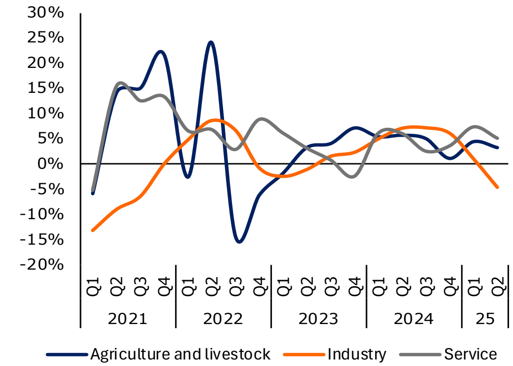
Evolution of oil and non-oil GDP

Real year-on-year change



Evolution of GDP by sector

Real year-on-year change



- **In the second quarter of 2025, the Angolan economy registered modest growth of 1.1% compared to the same period in 2024.** Although this performance is positive, it demonstrates a clear slowdown compared to previous quarters and reflects structural challenges that continue to limit the country's growth dynamics. The main support for this expansion was the non-oil sector, which grew 3.5% year-on-year. However, this favorable evolution was conditioned by the negative performance of the oil economy, which contracted 8.7% year-on-year, subtracting 1.7 percentage points from the overall economic growth rate. Particularly within the non-oil sector, the Diamonds and Minerals sector stands out, registering an average expansion of 56.7% between Q2 2024 and Q1 2025, largely driven by a low statistical base. In the second quarter of 2025, growth was relatively modest, as the base effect disappeared, reducing the positive impact on results. From a quarterly perspective, the sector contracted 23.5% qoq in Q1 and 9.1% qoq in Q2, configuring a situation of technical recession.

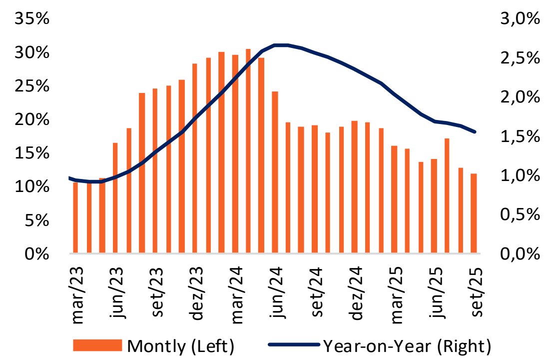
- **The performance of the oil sector reflects the continuation of the declining trend that has been observed since Q4 2024, a period from which production has been registering successive contractions.** The drop in oil production was particularly pronounced this quarter, coming very close to 10% yoy, clearly conveying the technical and structural difficulties of the sector. Associated natural gas production followed the same trajectory, contracting 8.0% yoy in Q2, reinforcing the fragile picture of the extractive industry.

Sources: INE,ANPG

CONSUMER PRICES

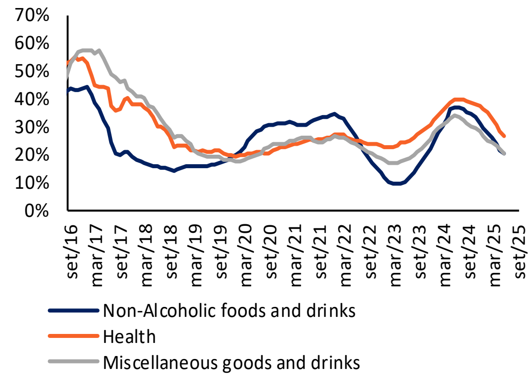
Headline inflation

Percentage



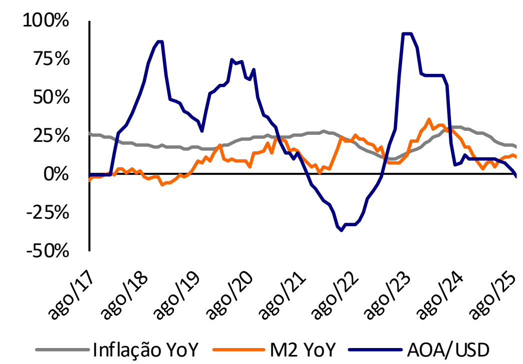
Inflation by classes

Year-on-year change



Inflation, M2 and exchange rate

Percentage



- **In September, annual inflation stood at 18.1%, maintaining the trend of deceleration for the fourteenth consecutive month, despite slight monthly increases. According to the National Institute of Statistics (INE), monthly inflation slowed to 1.0% (-0.1 pp) in September.** The largest variations were observed in the categories of "Education" (+5.4%), still reflecting the start of the school year and the consequent increase in prices of school materials, tuition fees and charges; "Food and Non-Alcoholic Beverages" (+1.0%); and "Miscellaneous Goods and Services" (+1.0%). Conversely, the categories that varied the least were "Communications", "Housing, Water, Electricity and Fuels" and "Clothing and Footwear" with (+0.4%), (+0.7%) and (+0.7%) respectively.

- **Monthly inflation, which had shown a slowdown trend since the beginning of the year, only accelerated in June and July due to shocks in communications and fuel prices**. In Luanda, annual inflation continues to decelerate more sharply, settling at 15.6% after a monthly growth of only 0.9%. Core inflation (excluding more volatile components of the CPI and capturing the general trend of price growth) fell for the third consecutive time, reaching 1.2% in September, signaling that the price increase in July was temporary and did not have significant secondary effects.

Sources: INE, BNA, BFA calc.

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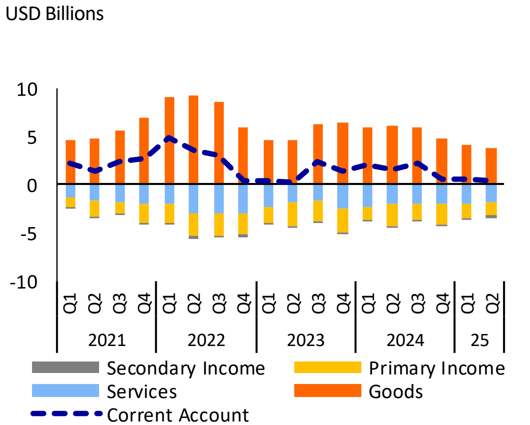
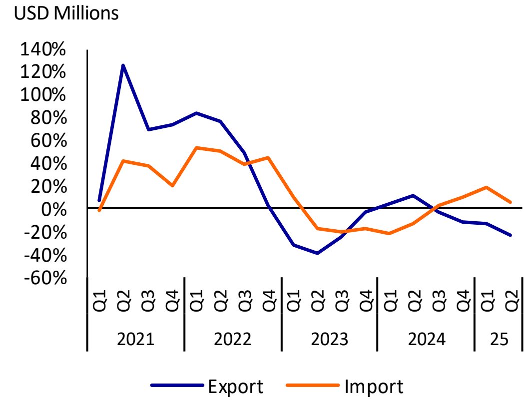
EXTERNAL ACCOUNTS

BALANCE OF PAYMENTS

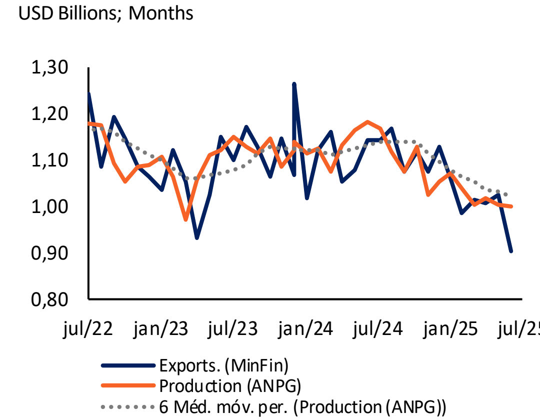
Quarterly balance of payments



Evolution of imports of services



Production and export of crude oil



- **In the second quarter of 2025, the current account recorded a surplus of USD 294.4 million, representing a 45.4% reduction compared to the previous quarter.** Oil exports totaled USD 6.6B, a 10.0% qoq reduction, with declines in almost all of its component categories: crude oil exports stood at USD 5.7b (-11.4% qoq) – this drop in exports was already expected since monthly production has been registering year-on-year declines since the beginning of the year, reflecting the lack of dynamism in the sector, the absence of new large-scale projects capable of cushioning the natural decline, and the weak inflow of foreign direct investment in recent years. On the natural gas side, there was also a decline, although much smaller, resulting from the reduction in the trading price. On the other hand, exports of refined products increased by 7%, with a significant increase in the quantities exported (+27%, offsetting the 16% drop in prices).

- Non-oil exports regained momentum after a drop of around 10% in Q1. More specifically, there was an increase of around 6.5% qoq (+15.1% yoy), particularly supported by diamond exports, which grew 6.3% qoq, impacted by the increase in gemstone trading prices to USD 11.9. Regarding other export products, an increase of around USD 6.4 million was recorded: it is also important to highlight that there was a significant increase in food exports of 44.3% qoq, a movement that, in our view, may be due to the seasonality of the harvest period that marks the end of the agricultural year and normally occurs between the end of the first quarter and the second of each year, affecting the production and availability of products. On the import side, there was also a reduction of USD 350.6 million (-9.2% qoq) to USD 3.4b. Imports of current consumer goods and intermediate consumer goods registered decreases of 13.6% and 2.0% qoq, respectively; while imports of capital goods registered a slight increase of around 1.5%.

Sources: BNA, ANPG, MinFin, BFA calc.

MAIN EXTERNAL INDICATORS

DESCRIPTION	Q2 2024	Q1 2025	Q2 2025	QoQ	Yoy
GDP (USD Millions)	33 611,9	31 681,0	37 910,7	19,7%	12,8%
Exports of goods and services (USD Millions)	9 343,7	7 956,3	7 239,7	-9,0%	-22,5%
Imports of goods and services (USD Millions)	5 259,1	5 901,8	5 342,4	-9,5%	1,6%
Service Account (USD Millions)	(1 973,0)	(2 049,8)	(1 853,2)	-9,6%	-6,1%
International Reserves (USD Millions)	14 450,7	15 266,5	15 660,6	2,6%	8,4%
Total External Debt Stock (USD Millions)	54 552,3	57 808,5	59 394,2	2,7%	8,9%
Stock of Short-Term External Debt (USD Millions)	4 856,5	7 089,0	7 662,2	8,1%	57,8%
Average Exchange Rate (USD/AOA)	842,8	912,0	912,0	0,0%	8,2%
Current Account/GDP (%)	4,7	1,7	0,8	-54,4%	-83,6%
Goods Account/GDP	18,0	13,0	9,9	-23,6%	-45,1%
Services Account/GDP	(5,9)	(6,5)	(4,9)	-24,4%	-16,7%
Exports of goods and services/GDP	27,8	25,1	19,1	-24,0%	-31,3%
Imports of goods and services/GDP	15,6	18,6	14,1	-24,4%	-9,9%
Capital and Financial Account / GDP	(1,6)	(3,0)	0,6	-120,9%	-138,5%
Foreign Direct Investment (net)/GDP	1,4	2,7	1,4	-50,3%	-1,3%
Total External Debt Stock/ GDP	40,6	45,6	39,2	-14,1%	-3,5%
International Reserves / Imports of Goods and Services (Months)	8,2	7,8	8,8	13,3%	6,7%
International Reserves/Total External Debt Stock (%)	26,0	26,5	26,4	-0,3%	1,7%
International Reserves/Stock of Short-Term External Debt (%)	309,9	297,6	215,4	-27,6%	-30,5%

Sources: BNA

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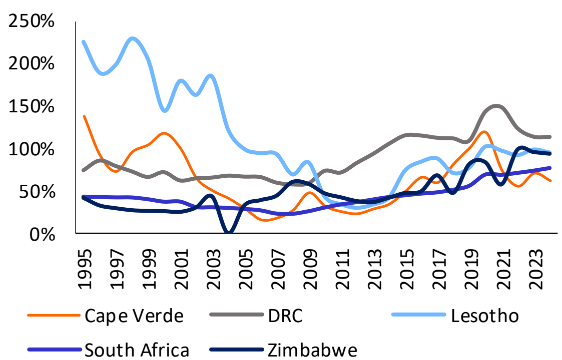
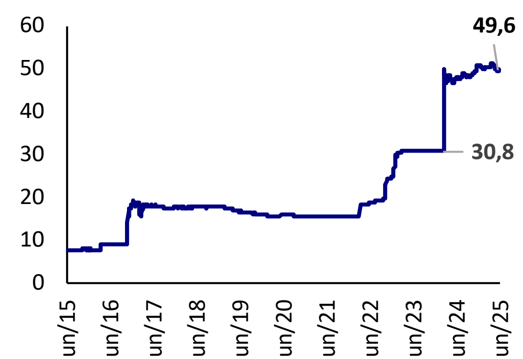
AFRICAN ECONOMIES

SPOTLIGHT

Central government debt



External debt stock/exports*



Sources: IMF; World Bank; AFDB; Afreximbank

*Sub-Saharan Africa (excluding high income)

BETWEEN INTEREST AND SACRIFICES: THE SUFFOCATING WEIGHT OF DEBT

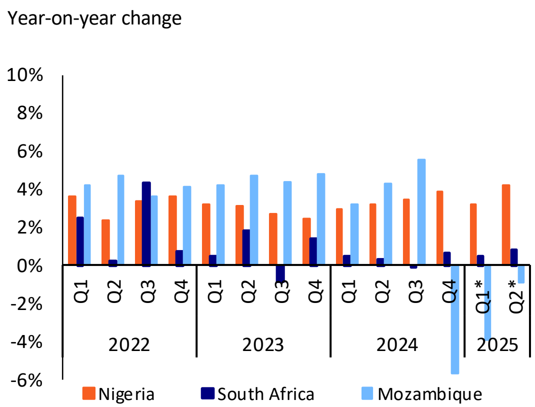
- **The debt dynamics of African countries have proven quite challenging and have become one of the biggest obstacles to the continent's development process.** Despite a slight easing of international financial conditions in the post-pandemic period, African economies remain heavily pressured by high debt levels. According to the African Development Bank (AfDB), debt vulnerabilities remained high in October 2024, with 9 African countries in debt distress and another 11 at high risk of debt distress. Afreximbank reinforces that, in 2025, 14 of the 49 African countries (for which data is available) will exceed the 180% debt-to-exports ratio (the benchmark limit of the debt sustainability framework). Although this represents a modest improvement compared to the 23 countries in this situation in 2024, this fact confirms the persistence of the structural vulnerabilities that characterize the continent's economic environment.

- **After nearly two years of unfavorable global conditions (characterized particularly by high interest rates), African sovereign bond yields have begun to show signs of declining, helped by some stabilization of inflation in major economies.** Even so, access to the international Eurobond market is limited, forcing many governments to rely on lines from the IMF, the World Bank, or bilateral creditors (often under very demanding conditions, which often imply fiscal consolidation measures as a prerequisite for the provision of funds). A recurring example is the total or partial removal of fuel subsidies, which, while essential to restoring fiscal sustainability, significantly increases the cost of living in the short term, potentially generating protests and instability, as seen in Nigeria in 2023 and, more recently, in Angola.

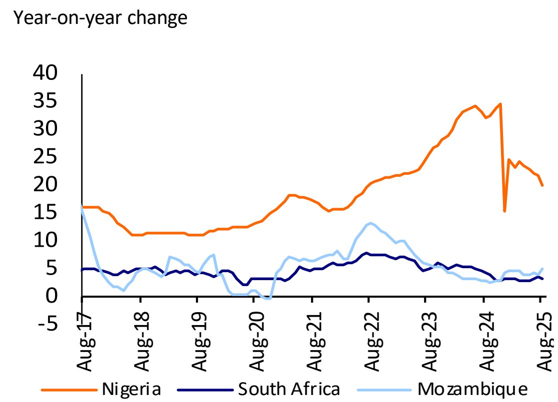
- The burden of debt servicing remains overwhelming, however: according to Afreximbank, in 2023, the proportion of tax revenue allocated exclusively to interest and amortization payments reached more than 30% of the total collected, drastically reducing the fiscal space available for social policies and infrastructure investments.

MACROECONOMIC INDICATORS

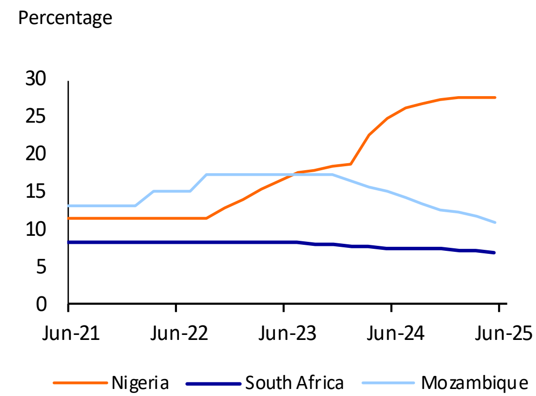
Annual GDP growth



Year-on-year inflation



Interest Rate of African Economies



- **Strong performance from African economies marked the second quarter of the year.** Nigeria saw its economic activity expand by 4.2% in Q2 (+1.1 pp qoq), driven mainly by the performance of the oil economy and the industrial sector. Specifically, the oil sector grew by 20.4% yoy, in response to a 19.1% increase in production, rising from 1.41 million barrels per day (mbd) in Q2 2024 to 1.68 mbd in the same period of 2025. In the non-oil sector, growth was more moderate, at 3.64% yoy, with the industrial sector growing by 7.5%, stimulated by improved performance in coal mining, quarries, and rail transport. On the South African side, growth was more modest, at 0.8% qoq (0.6% yoy), with improvements in the mining, agriculture, and manufacturing sectors and a significant increase in household consumption. In Mozambique, the second-order effects of social unrest extended into the second quarter, slowing economic growth to -0.9% yoyr.

- Regarding inflation, on the one hand, the price level has been slowing in economies such as Nigeria and South Africa, with the former reaching 20.1% in August, the lowest value in the last 3 years, and the latter 3.5%, which incidentally represented the lowest value in the last 10 months; On the other hand, in Mozambique, annual inflation accelerated to 4.8% in August, the highest since November 2023, affected by the increase in food prices, above all.

- African Central Banks are easing monetary policy. Nigeria cut its benchmark rate by 250 basis points, placing it at 25% in order to combat inflation and stimulate economic activity. In Mozambique, the CPMO reduced the MIMO in July to 10.25%, while in South Africa the base rate was set at 7%.

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

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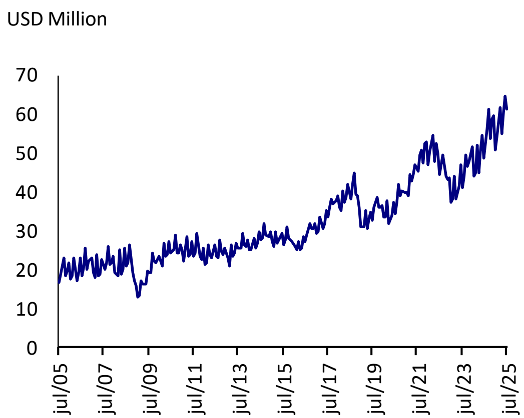
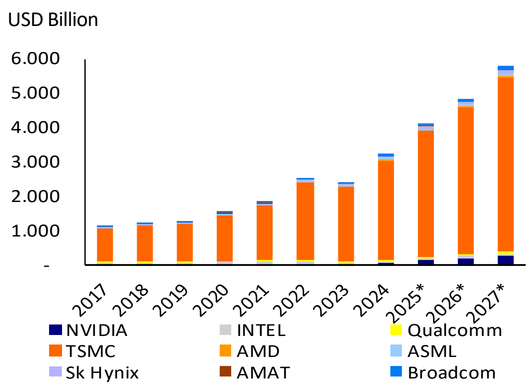
GLOBAL ECONOMIES

SPOTLIGHT

Annual sales of semiconductors



Revenue of the largest semiconductor companies



* Forecast

Sources: Semiconductor Industry Association; Boomberg

CUTTING-EDGE TECHNOLOGY…A NEW INDUSTRIAL RACE

- **The modern economy operates with semiconductors, which are the brains behind millions of devices, including spacecraft, computers, smartphones, electric cars, medical equipment, home appliances, advanced weapons, and more. Thus, as applications proliferate, the need to master this segment is urgent.** In response to the ever-increasing demand for this technology, leaders of the most advanced economies have been approving development support packages over the past few years: the United States passed the Chips and Science Act in 2022, a bill that allocates more than USD 53b in subsidies to support the development and adoption of secure and reliable telecommunications technologies, semiconductors, supply chains, and other emerging technologies; China invested USD 47 b in its chip industry in 2024 as a result of restrictions imposed on the US on the export of the technology; And even the European Union has entered the race, approving a USD 50b package by 2030 to boost the semiconductor sector.

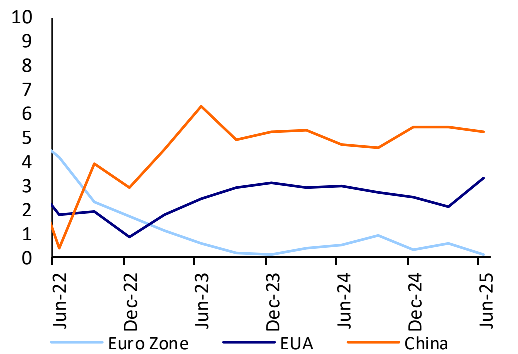
- The investment volumes may seem high, but the semiconductor market is not a gamble. The top 10 companies in the semiconductor industry (AMD, ASML, AMAT, SKY Hynix, Qualcomm, Intel, Broadcom, Nvidia, TSMC, and Samsung Co.) had an estimated revenue of USD 146.7b and a profit of USD 32.2b in 2024; of these, 4 are headquartered in the United States, which puts the country in the lead in the development segment using this technology. However, the biggest challenges are not only in usage, but also (and mainly) in production: SIA data shows that China is the largest producer of semiconductors. It accounts for 24% of world production, followed by Taiwan with 21% and South Korea with 19%, which is driving Western countries to increase their efforts.

- The industrial race for the production of advanced technology has taken up a lot of time for the leaders of developed economies. The emergence of products based on artificial intelligence has grown significantly in recent years and has triggered a new, this time quieter, battle for dominance in semiconductor chips. In the end, dominating the supply chain, procurement, and development is seen as a matter of security, sovereignty, and even existence.

MAJOR ECONOMIES: REAL ECONOMY

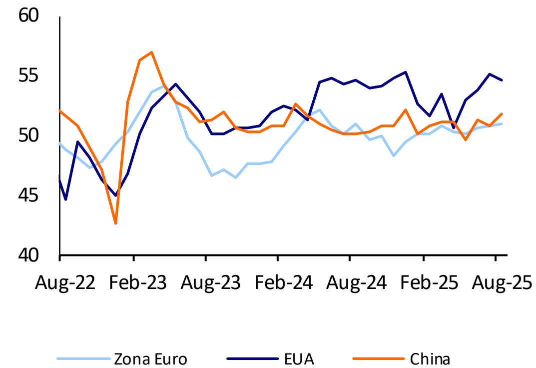
GDP in major economies

Real year-on-year change



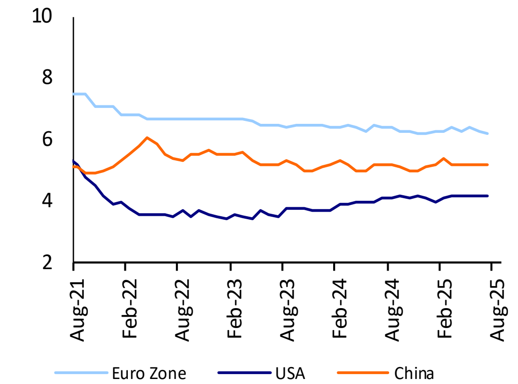
PMI indices in major economies

Index



Unemployment in major economies

Percentage



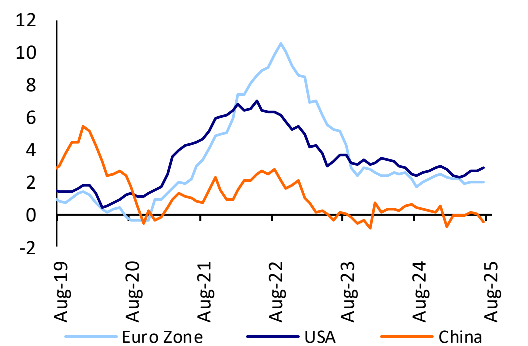
- **Global economies remain firm and resilient amidst tensions, conflicts, and a new era of alliances.** The US economy expanded 3.0% in Q2, showing signs of recovery after a more discouraging start to the year: the GDP increase was driven by a drop in imports and a slight increase in consumer spending of 1.4%, since consumption represents two-thirds of the US economy. At the same time, there was a 3% drop in investment and a reduction in business spending. However, expectations are for further economic growth as uncertainties about trade policy are increasingly dissipating. Regarding the Eurozone, there was an expansion of 0.1% in Q2 (1.5% yoy) – considerably milder compared to the 0.6% recorded in Q1 – with slight increases in public and household consumption of 0.5% and 0.1%, respectively. China showed more robust growth, with GDP growing 5.2% yoy, reflecting a recovery led by industrial production and exports, but still revealing weaknesses in domestic consumption, private investment, and the real estate sector. More specifically, industrial production advanced 6.3% in Q2, driven especially by the electrical equipment, semiconductor, and electric vehicle sectors. Furthermore, exports grew 3.5% in the quarter, favored by a devalued exchange rate and fiscal stimulus policies aimed at large exporting companies. On the other hand, consumption continues to slow, registering a 0.9 percentage point deceleration in sales compared to Q1, in response to a weak labor market (especially for younger workers) and stagnant wages, mainly in the private sector amid tax and regulatory uncertainties; this movement was accompanied by low investment in fixed assets, justified by the continued negative performance of the real estate sector and the consequent fall in new construction. Despite this, the government has been trying to contain these defaults by offering lines of credit to local governments and reducing interest rates on mortgages.

Sources: Bloomberg, FRED

INFLATION AND REAL INTEREST RATE

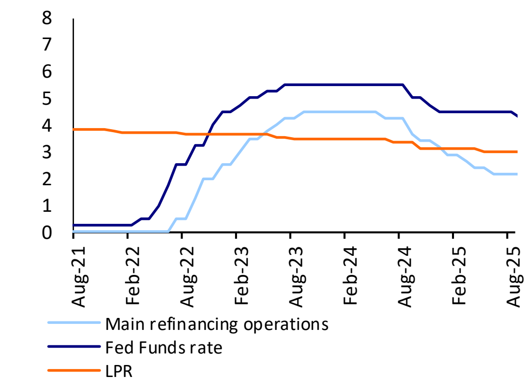
Inflation in major economies

Year-on-year change



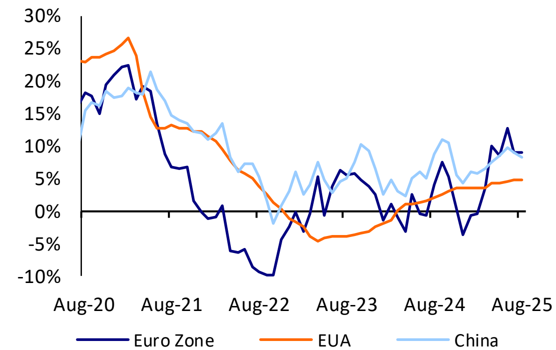
Benchmark interest rates in major economies

Percentage



Year-on-year change in M2

Year-on-year change



- **In general, inflation has shown mixed behavior in major economies**. In the United States, monthly inflation has been accelerating, reaching its highest percentage since the beginning of the year, 2.9% in September. Among the categories that registered the greatest price increases are housing, food, and energy: regarding housing, the 0.4% month-on-month increase was due to the weak performance of the construction sector (mainly the construction of family homes); on the other hand, energy sector prices are being affected by the rapid expansion of energy-intensive technologies and electrified forms of transportation. Added to this, albeit to a small extent, are the effects of tariffs that delayed the resolution of some contracts and the repression of immigrants, impacting the reduction of the workforce. In the case of the Eurozone, inflation remained stable at 2% for the third consecutive month. In China, on the other hand, data shows that in August prices fell 0.4% in response to the combined effect of weak demand from households and continued cuts in certain products to stimulate sales.

- **After keeping it unchanged for more than half a year, the Fed decided in September to reduce the basic rate by 25 bps, setting it at the limit between 4.00%-4.25%, a signal that it intends to stimulate the American economy, which is struggling with persistent inflation, a weakening labor market and risks of economic slowdown.** After reducing the three key rates by 25 bps in June, setting them between 2.0%-2.4%, the ECB is not giving any further signs of adjustments until the end of the year, in order to maintain the inflation rate at the projected value. The Central Bank of China is signaling that it will resist a further rate cut, although it faces some pressure to avoid a slowdown in the economy.

Sources: Bloomberg, FRED

GLOBAL PERSPECTIVES

Recession Probability 30%

EUA	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Real GDP (yoy)	2,4%	2,0%	2,1%	1,9%	1,7%	2,2%	1,8%	1,7%	1,9%
Industrial Production (yoy)	-0,3%	1,2%	0,9%	3,0%	1,5%	1,0%	1,0%	1,3%	1,6%
Inflation (yoy)	2,7%	2,7%	2,5%	2,9%	3,1%	2,9%	3,1%	2,9%	2,6%
Unemployment Rate	4,1%	4,1%	4,2%	4,3%	4,4%	4,5%	4,5%	4,5%	4,4%
Current Account (%GDP)	-4,0%	-4,5%	-4,4%	-3,5%	-3,5%	-3,5%	-3,6%	-3,5%	-3,5%
Central Bank Interest Rate	4,50%	4,50%	4,50%	4,25%	3,83%	3,61%	3,42%	3,30%	3,3%
EUR/USD	1,04	1,08	1,18	1,17	1,18	1,19	1,20	1,20	1,21

Recession Probability 10%

CHINA	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Real GDP (yoy)	5,4%	5,4%	5,2%	4,8%	4,4%	4,2%	4,3%	4,4%	4,4%
Industrial Production (yoy)	5,6%	7,7%	6,2%	5,8%	4,6%	4,5%	4,5%	4,7%	4,7%
Inflation (yoy)	0,2%	-0,1%	0,0%	-0,2%	0,5%	0,5%	0,7%	0,7%	0,7%
Unemployment Rate	5,0%	5,3%	5,0%	5,2%	5,2%	5,1%	5,1%	5,1%	5,1%
Current Account (%GDP)	2,3%	2,9%	3,2%	3,2%	2,4%	2,7%	2,3%	2,9%	2,5%
Central Bank Interest Rate	3,10%	3,10%	3,00%	3,00%	2,90%	2,89%	2,84%	2,8%	2,8%
USD/CNY	7,30	7,26	7,16	7,12	7,10	7,08	7,05	7,05	7,07

Recession Probability 25%

EUROZONE	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Real GDP (yoy)	1,3%	1,6%	1,5%	1,3%	1,0%	0,8%	1,0%	1,2%	1,4%
Industrial Production (yoy)	-1,6%	-0,8%	0,8%	1,4%	1,4%	0,0%	0,6%	1,4%	1,8%
Inflation (yoy)	2,2%	2,3%	2,0%	2,1%	2,0%	1,7%	1,9%	1,8%	1,9%
Unemployment Rate	6,2%	6,3%	6,4%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%
Current Account (%GDP)	2,8%	2,9%	2,7%	2,4%	2,4%	2,5%	2,4%	1,2%	1,4%
Central Bank Interest Rate	3,00%	2,50%	2,0%	2,00%	1,95%	1,93%	1,93%	1,9%	2,0%
EUR/USD	1,04	1,08	1,18	1,17	1,18	1,19	1,20	1,20	1,21

Sources: Bloomberg

The figures as of Q4 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

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INTERNATIONAL FINANCIAL MARKETS

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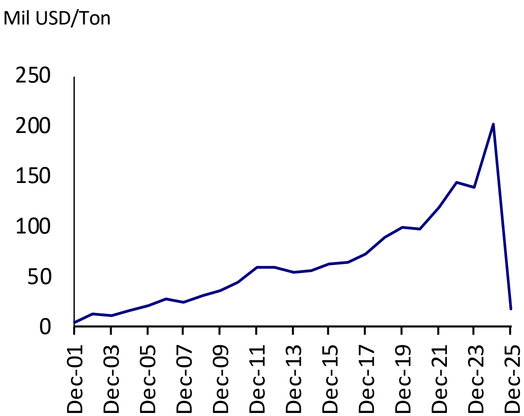
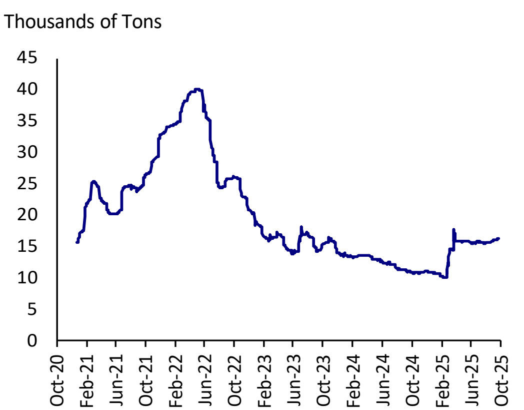
SPOTLIGHT

Price of Cobalt



Exports from the DRC



Sources: Bloomberg; SMM

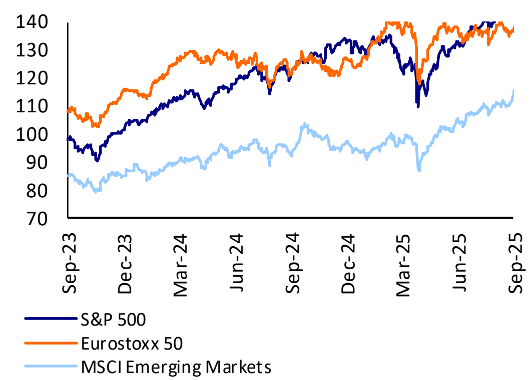
COBALT MARKET IN THE SPOTLIGHT ONCE AGAIN

- After cobalt prices hit a nine-year low in February - USD 10,200 per tonne (Ton) -, reflecting the inefficiency of the export ban and triggering negative statements from the country's mining companies, the DRC government opted for a quota system, which is nothing more than the definition of an export limit that must be applied to mining companies, aiming to reduce oversupply, support prices and strengthen market control, especially in the face of the growing conflict in the east of the country, Congo, where illegal mining is helping to fuel the violence of rebel groups. The limits set were 18.1 tons of cobalt until the end of 2025 and 96.6 tons for 2026-2027.
- **What we see now is that the market is not lacking cobalt resources (one of the main reasons for the inefficiency of the export ban), but rather orderly and controlled supply flows.** Therefore, export restrictions will temporarily remove cobalt from an unbalanced state of oversupply, transforming it into a resource released in a controlled manner. Furthermore, once stocks begin to be depleted more rapidly, the market will likely experience upward price pressure, as several products such as high-energy-density ternary batteries, aerospace power batteries, and certain military applications rely heavily on cobalt as a key material.
- According to the Shanghai Metal Market, in September, small and medium-sized enterprises faced limited raw material stocks and maintained low operating rates, and only large integrated companies had relatively sufficient raw material stocks and observed seasonal improvement in downstream orders, leading to some increase in production. This supply-side shortfall was reflected in prices, with the mineral rising from USD 16,400 tons in September to USD 20,500 tons now in October.
- In short, the world sees the cobalt market entering a phase dominated by political regulation, gradual price recovery, and a rebalancing of supply and demand. Despite this, it remains uncertain whether the effects will be only short-term, or if the market will reach a point favorable to all players.

EQUITIES AND DEBT

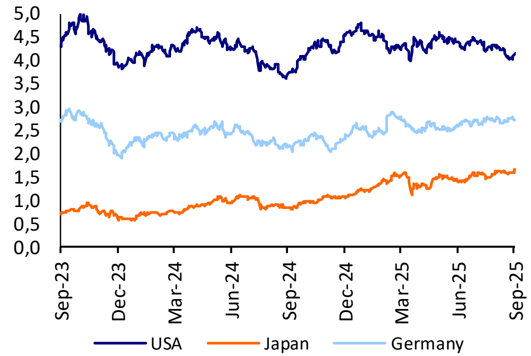
Main stock indices

Index



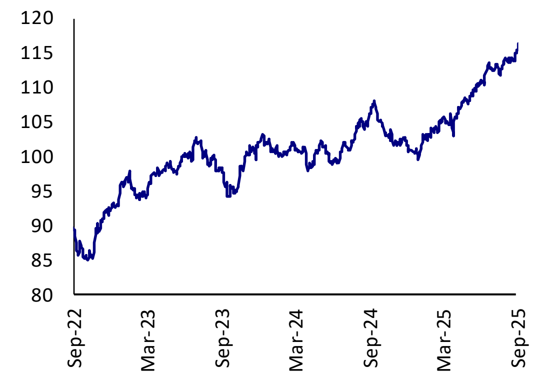
10-year sovereign debt *yields* of major economies

Percentage



Emerging economies bond index

Index

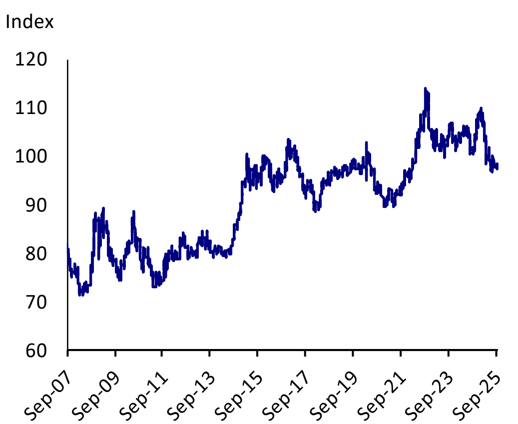


- **Major international stock indices have accumulated considerable gains throughout the year, despite persistent tensions in global financial markets**. In the United States, the S&P 500, a benchmark index that aggregates the 500 largest listed companies in the country, has demonstrated a solid recovery. After hitting its lowest point in three years in April (largely due to instability in US markets and macroeconomic uncertainties), the index has recovered significantly, accumulating an 18.1% year-on-year appreciation. In Europe, the Eurostoxx 50, which represents the 50 largest companies in the eurozone, is also registering positive performance, with an appreciation of 13.2% since the beginning of the year.
- **In the bond market, the yield on sovereign bonds remains in relatively stable territory.** Nevertheless, a slight atmosphere of widespread uncertainty persists, fueled by factors such as the global economic slowdown, the still restrictive monetary policies of major central banks, and ongoing geopolitical tensions, causing investors to continue seeking safe havens. The third quarter has so far proven to be the most stable of the year, reducing the chances of recession in major economies. Furthermore, improved financial conditions, fiscal expansion in several key jurisdictions, and lower effective tariffs contributed to the IMF's upward revision of economic growth projections.

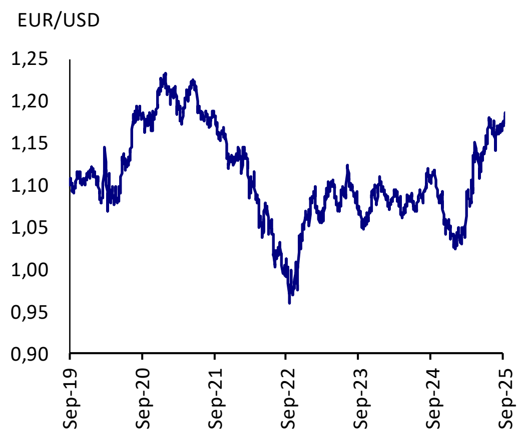
Sources: Bloomberg, Lazard Asset Management

FOREIGN EXCHANGE AND MONETARY MARKET

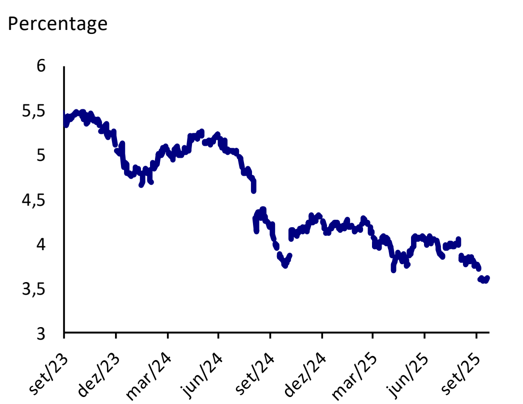
Dollar Index



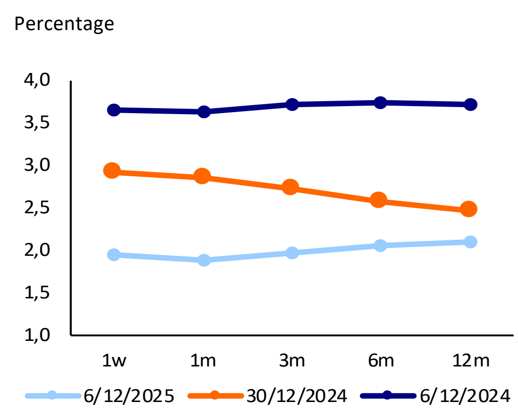
Exchange rate of the Dollar against the Euro



Money Market Interest Rate Dollar (SOFR 12M)



Money market interest rates Euro (Euribor)



Sources: Bloomberg

- **Driven by the climate of uncertainty surrounding the US economy, the US dollar continues to depreciate.** The dollar index (DXY) is currently at 97.6, representing a 6.3% drop over the last six months and an even sharper 10.0% reduction since the beginning of the year.
- Euribor rates have decreased significantly, in line with the ECB's monetary policy movements. The one-month rate is currently at 1.9%, quite close to the lows recorded at the beginning of 2023.
- **The EUR/USD pair has once again registered a significant appreciation, now standing at around 1.2.** This movement was strongly driven by the weakness of the US dollar, which remains vulnerable in a context of increasing economic uncertainty in the United States**.**
- **In the US interbank market, the 12-month SOFR reinforced its downward trend, now at 3.6%, a reduction of 55 bp compared to the beginning of the year.**

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MARKETS OUTLOOK

FOREIGN EXCHANGE MARKET	dez/24	mai/25	set/25	YTD	YOY	Q4 2025	Q1 2026	Q2 2026	Q3 2026	dez/27	dez/28
EUR/USD	1,04	1,13	1,17	13,3%	5,4%	1,19	1,12	1,21	1,21	1,23	1,25
GBP/USD	1,25	1,35	1,34	7,4%	0,5%	1,33	1,33	1,33	1,33	1,32	1,31
USD/JPY	157,20	144,02	147,90	-5,9%	3,0%	144,00	143,00	141,00	140,00	133,00	131,00
Dólar Index (DXY)	108,49	99,33	97,78	-9,9%	-3,0%	96,30	96,00	95,50	94,80	92,80	91,60

MONEY MARKET	dez/24	mai/25	set/25	YTD	YOY	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Euribor 3M	2,7%	2,0%	2,0%	-0,7	-1,2	2,0%	2,0%	2,0%	2,0%	2,1%	2,2%
SOFR 3M	4,3%	4,4%	3,7%	-0,6	-0,9	3,8%	3,6%	3,4%	3,3%	3,2%	3,3%
FED rate upper limit	5,0%	4,5%	4,3%	-0,8	-0,8	3,9%	3,7%	3,5%	3,4%	3,3%	3,2%
FED rate lower limit	4,3%	4,3%	4,0%	-0,3	-0,8	3,6%	3,4%	3,2%	3,1%	3,1%	3,0%
ECB - Main refinancing rate	3,7%	2,4%	2,2%	-1,5	-2,1	2,1%	2,1%	2,1%	2,1%	2,1%	2,2%
ECB - Deposite rate	3,2%	2,3%	2,0%	-1,2	-1,7	1,9%	1,9%	1,9%	1,9%	1,9%	2,0%
BOE rate	4,8%	4,3%	4,0%	-0,8	-1,0	3,8%	3,6%	3,5%	3,4%	3,3%	3,2%

SOVEREIGN DEBT	dez/24	mai/25	set/25	YTD	YOY	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
USA 10-Year	4,6%	4,4%	4,2%	-0,4	0,4	4,2%	4,1%	4,1%	4,1%	4,1%	4,0%
Germany 10-Year	2,4%	2,5%	2,7%	0,3	0,6	2,7%	2,8%	2,8%	2,9%	2,9%	2,9%
Japan 10-Year	1,1%	1,5%	1,8%	0,7	0,9	1,7%	1,7%	1,8%	1,8%	1,9%	1,9%
UK 10-Year	4,6%	4,6%	4,7%	0,1	0,7	4,5%	4,4%	4,4%	4,3%	4,2%	4,0%
China 10-Year	1,7%	1,7%	1,9%	0,2	-0,3	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%

COMMODITIES	dez/24	mai/25	set/25	YTD	YOY	Q4 2025	Q1 2026	Q2 2026	Q3 2026	2026	2027
Brent	74,6	63,9	67,0	0,0%	-14,7%	63,0	61,5	61,7	62,8	62,5	67,2
WTI	71,7	60,8	62,4	-0,3%	-14,1%	59,8	60,0	60,1	60,1	60,1	60,6
Natural Gas	77,0	92,7	93,7	32,5%	-45,2%	83,0	82,5	76,4	78,3	80,7	75,7
Gold	2624,5	3,289.25	3,858.96	19,0%	40,1%	3964,8	3994,8	4038,5	4083,0	4061,1	4229,8

Sources: Bloomberg

DISCLAIMER