

# Q12026 ECONOMIC REPORT

---

## INDEX

### 1 FINANCIAL MARKETS

Foreign exchange market  
Money market  
Primary bond market  
Secondary bond market  
Credit market

### 2 PUBLIC FINANCE

Public debt  
Budget execution

### 3 REAL ECONOMY

National accounts  
Consumer prices

### 4 EXTERNAL ACCOUNTS

Balance of payments  
Main external indicators

### 5 AFRICAN ECONOMIES

Spotlight: AFRICA 2026: Resilient but heterogeneous growth  
Macroeconomic indicators

### 6 GLOBAL ECONOMY

Spotlight: record numbers in the chinese trade balance  
Major global economies  
Global outlook

### 7 INTERNATIONAL FINANCIAL MARKETS

Spotlight: accommodative policies leave markets optimistic  
Equities and debt  
Money and foreign exchange market



## EDITORIAL

### ANGOLA IN 2026: CONSIDERABLE GROWTH IN A PRE-ELECTION YEAR

In 2026, the Angolan economy enters a pre-election year, in a context in which economic policy decisions gain greater political and social weight, significantly influencing budget execution, monetary policy and exchange rate dynamics.

We expect economic activity to grow around 3.3%, mainly supported by the non-oil economy, which may grow by 4.5%, while the oil economy may contract again (-1.9%). When looked at from a sectoral perspective, agriculture and livestock should experience the biggest advance (+5.9%), while services and industry may grow 2.2% and 2.9%, respectively. From the point of view of expenditure, private consumption may remain the main driver of activity, with growth close to 22% in nominal terms.

On the price side, inflation is expected to continue to decelerate gradually, supported mainly by a more stable foreign exchange market. Even so, we project that it will remain high, with the average around 12.6% and the end-of-period at around 13.8%, which may continue to limit more significant gains in household purchasing power and increase social sensitivity around public spending.

The foreign exchange market will remain one of the main points of attention. While weaknesses persist (notably high requests for foreign exchange enforcement and a still high gap between the formal and parallel markets), higher external borrowing and the gradual increase in foreign exchange availability outside the oil sector are expected to contribute to a slight improvement in foreign exchange conditions and a relatively stable exchange rate throughout 2026.

In summary, we expect 2026 to be a year of continuity, but with increased risks of a political nature, reinforcing the need for macroeconomic discipline and the acceleration of structural reforms.

# CHRONOLOGY

## 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.

## Outubro

- Angola reissues Eurobonds worth USD 1.75 billion (b);
- The Ministry of Finance is issuing Treasury Bonds in a Bookbuilding format, totaling USD 300 million to finance the 2025 State Budget..

## Novembro

- Presentation of the proposal for the 2026 General State Budget, valued at AOA 33 trillion (t);
- Angola and Shell sign exclusive oil exploration agreement, an initial investment of USD 993 million;
- Fitch Ratings has confirmed Angola's rating at "B-" with a stable outlook.

## Dezembro

- The N'Dola Sul Project, located in block 0, starts production, with a maximum capacity of around 25 thousand barrels per day;
- BNA updates the minimum amount of share capital for banking financial institutions for AOA 50b;
- Angola issues, for the first time, Samurai Bonds.

# AGENDA

## January

19 to 23: World Economic Forum;  
27 to 28: FED Meeting;

## February

11: US Inflation;  
20: 2nd National Forum on Sustainable Business;

## March

11 and 12: CPM Meeting;  
17 and 18: FED Meeting;  
26 and 27: Conference and exhibition on local content;  
26 and 27: Employability, Education and Vocational Training Fair

## HIGHLIGHTS

### Angola

- For 2026, moderate optimism prevails regarding the evolution of the foreign exchange market;
- The money market was very active throughout 2025, with an intense exchange of liquidity between banks and a strong presence of the BNA;
- The yield curve in Kwanzas in the primary market remained practically unchanged throughout most of the year;
- In the third quarter, Angola's public debt valued in dollars stood at USD 65.1b, USD 1.8b more than in the previous quarter;
- In Q3 2025, the Angolan economy grew by 1.8% compared to the same quarter of the previous year.

### International

- Africa 2026: resilient but heterogeneous growth;
- In Nigeria, economic growth remained positive throughout part of the year, but with some loss of steam in Q3;
- Record numbers in the Chinese trade balance;
- After a prolonged period of strong monetary tightening, 2025 was marked by a transitional phase in global monetary policy;
- Accommodative policies leave markets optimistic;
- 10-year sovereign bond yields remained at high levels throughout 2025, particularly in the United States.

# FINANCIAL MARKETS

---



# FOREIGN EXCHANGE MARKET

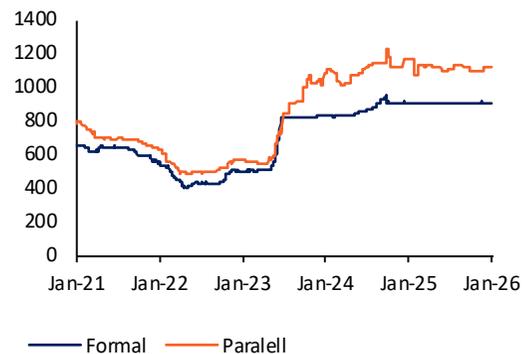
## Exchange rate of the Kwanza against the Dollar and Euro

USD/AOA; EUR/AOA



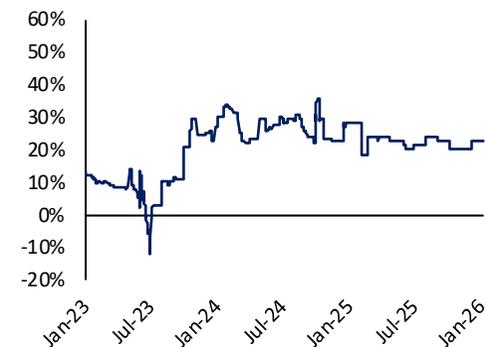
## USD/AOA exchange rate in the official and parallel market

USD/AOA



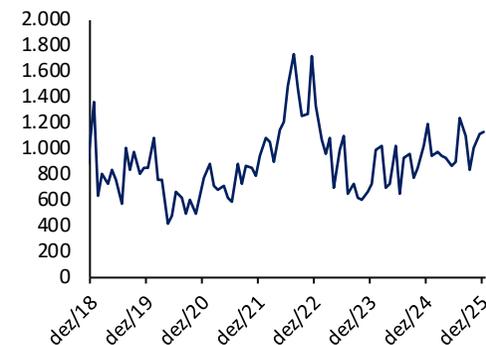
## Gap between official and parallel USD/AOA exchange rate

Percentage



## Monthly sales of foreign exchange to banks

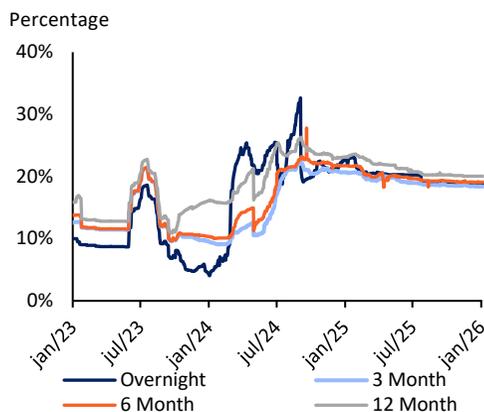
USD Millions



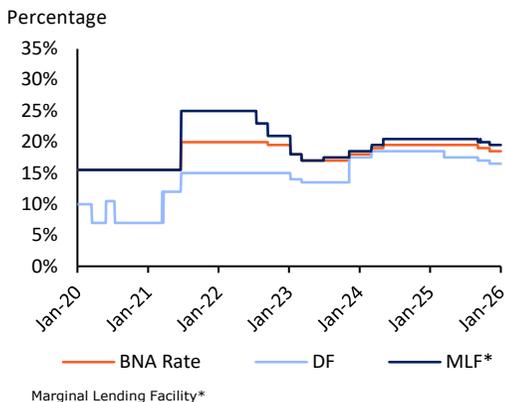
- The Kwanza remained relatively stable throughout 2025, settling at 912 AOA/USD on average. The differential between the official and parallel exchange rates was around 23%. According to BNA data, there was an 11.0% growth in the supply of foreign exchange to USD 12b (on average USD 1.0b/month).
- For 2026, moderate optimism prevails regarding the evolution of the foreign exchange market. More favourable conditions are observed in global financial markets, supported by expectations of more accommodative monetary policies, which could translate into lower interest rates in major economies. This framework creates more favourable external financing conditions and allows for more robust and consistent intervention in the foreign exchange market.
- On the other hand, until Q3 2025, there were relevant inflows of foreign exchange outside the oil and diamond sectors, associated with foreign direct investment (FDI), which totalled around USD 2.0b of net FDI. If this pace continues in 2026, it should be an additional support factor for the foreign exchange market.

# MONEY MARKET

## Luibor rates on the various maturities

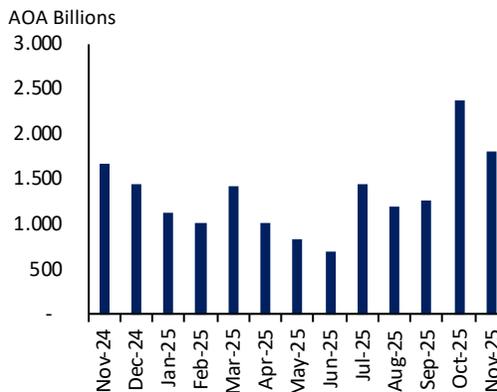


## Main monetary policy rates

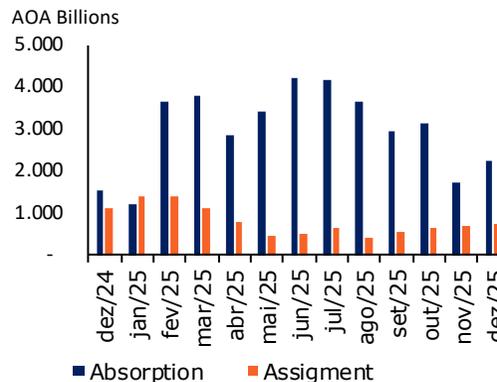


Sources: BNA, BFA Calc.

## Liquidity exchange operations



## Open Market Operations

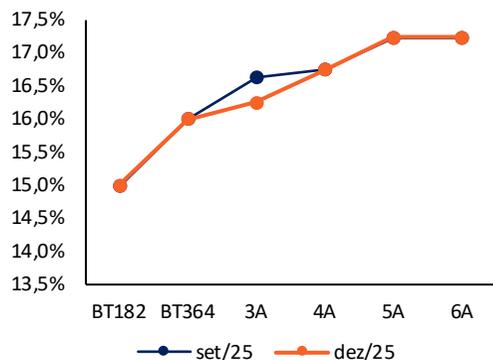


- **Interbank Money Market (IMM) interest rates have followed a downward trajectory throughout 2025.** Luibor Overnight ended the year at 18.8%, compared to 22.7% at the beginning of the period. This reflects a more flexible monetary policy environment, materialized through cuts in key interest rates and reserve requirement ratios. In fact, the market has remained quite liquid, a fact corroborated by the evolution of monetary aggregates, especially M2, which has been growing since the middle of the year, although at a lower pace than inflation.
- The money market was very active throughout 2025, with an intense exchange of liquidity between banks and a strong presence of the BNA. From January to December, swap operations for liquidity averaged AOA 1.4 trillion (t), down 13.4% YoY.
- The BNA's action, more concentrated on the liquidity absorption side, proved to be decisive for controlling the liquidity of the system, with effect for open market operations (OMAs) that grew by more than 100% compared to last year and stood at an average of AOA 3.1t.

# PRIMARY BOND MARKET

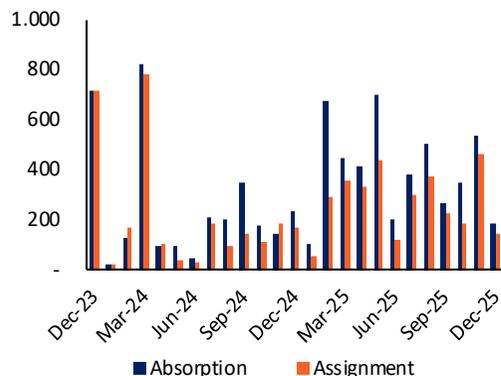
Kwanza Curve yields

Percentage



Debt placements per month

AOA Billions



Debt placements by maturity in 2025

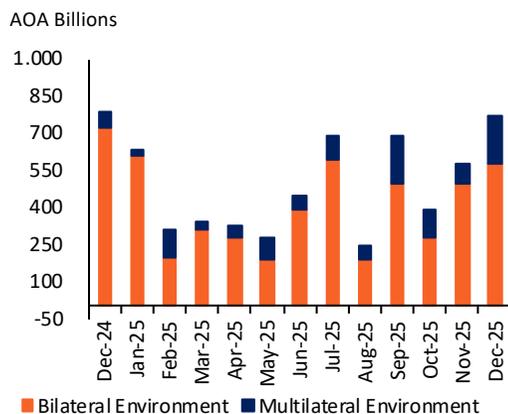
AOA Billions



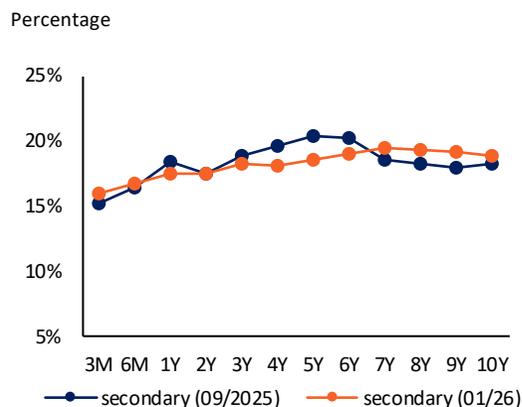
- **Between January and December, the National Treasury executed about 70% of the amount foreseen for the debt securitized under the Annual Debt Plan (ADP).** Of this total, approximately 35% corresponded to Treasury Bills, with maturities of 182 and 364 days, while the remaining 65% referred to Treasury Bonds. In the Treasury Bonds segment, non-adjustable instruments with a maturity of 4 years were the most sought after, standing out significantly compared to other instruments, including short-term instruments.
- The yield curve in Kwanzas in the primary market remained practically unchanged throughout most of the year. In particular, in the period between September and December, the only relevant change occurred in the 3-year maturity, whose yield fell from 16.7% to 16.3%. The remaining maturities were relatively stable with the 364-day Treasury Bills and the 4, 5 and 6-year Treasury Bonds being traded at yields of 15.0%, 16.7%, 17.3% and 17.3%, respectively.

# SECONDARY SECURITIES MARKET

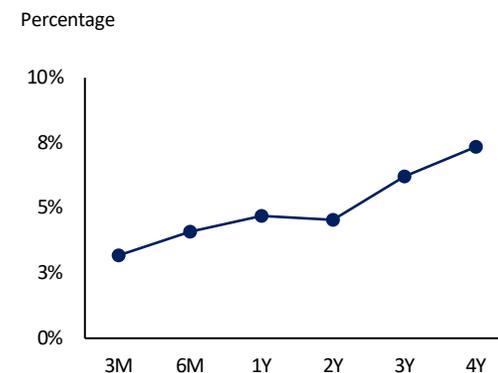
### Transactions by trading environment



### Kwanza yield curve



### Kwanza yield curve OT-TX

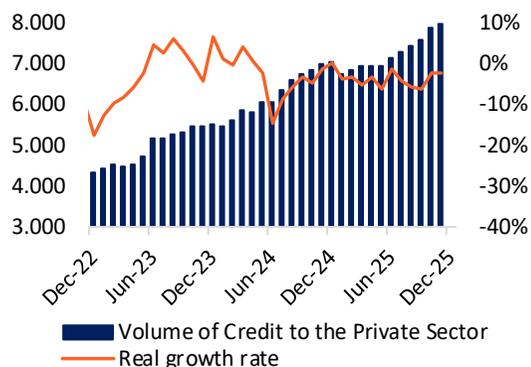


- **In 2025 BODIVA markets traded about AOA 5.7t, which represents a drop of about 5.4% YoY.** The volume traded in the bilateral environment fell by approximately 13.5% YoY to AOA 4.6, while the volume in the multilateral environment grew by 54.6% YoY to AOA 1.1t, reaching the highest annual volume since the creation of the Stock Exchange.
- **The yield curve in the secondary bond market has seen mixed movements throughout the year. In the period between September and December, among short-term instruments, the one-year bond contracted slightly by 82 basis points (bps), settling at around 17.6%.** In intermediate maturity instruments, between 2 and 5 years, there was an average drop of 98bps, with yields ranging between 17.6% and 18.6%. In turn, long-term instruments, with maturities between 6 and 10 years, recorded an average growth of 52bps.

# CREDIT MARKET

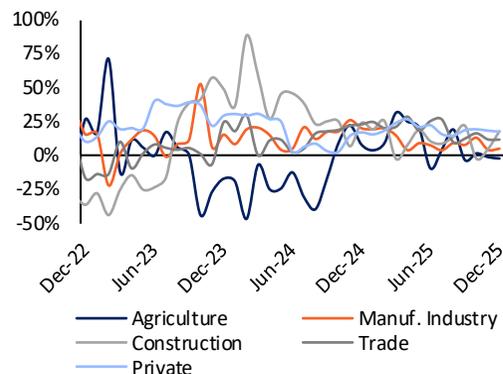
## Credit volume and evolution

AOA Billions; Real year-on-year change



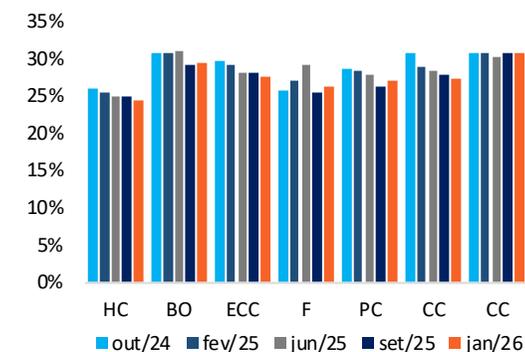
## Evolution of credit by sector

Year-on-year change



## Interest rates by type of credit

Percentage



- In December, the volume of credit to the private sector stood at around AOA 8.2t, registering a nominal year-on-year growth of 15,3 YoY. In real terms, credit decreased by 20,3% YoY.
- In January, the average interest rate on credit to the economy stood at 27.7%, remaining stable compared to the level observed in September 2025. The analysis of banks' pricing indicates that the largest adjustments occurred in personal credit and investment, whose rates increased by 0.7 percentage points (pp) each, to 27.2% and 26.3%, respectively. Conversely, the interest rates on housing loans and car loans decreased by 0.5pp each, standing at 24.6% and 27.6%, respectively. Luibor rates, which serve as an index for various credit products, have been decreasing, in line with the process of monetary policy easing. For 2026, a more accommodative monetary policy is anticipated, which should contribute to a progressively more favorable interest rate environment.

# PUBLIC FINANCE

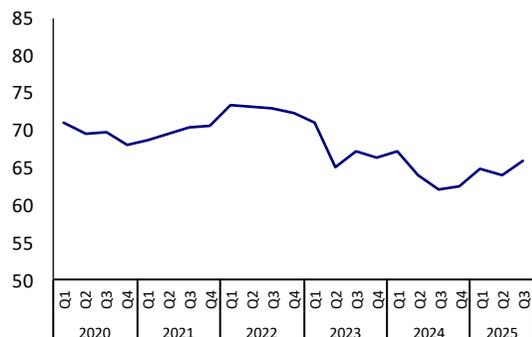
---



# PUBLIC DEBT

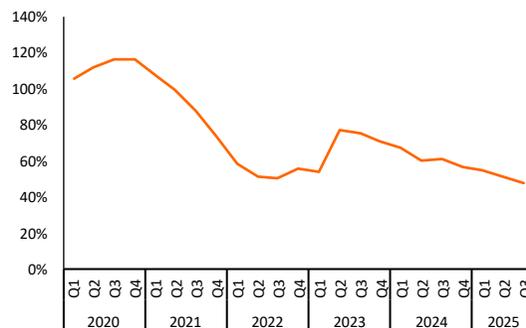
## Total public debt

USD Billions



## Government debt as a percentage of GDP

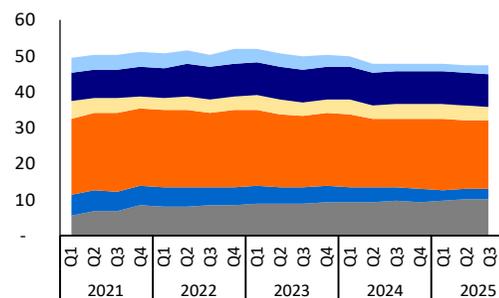
Percentage of GDP



- In the third quarter, Angola's public debt valued in dollars stood at USD 65.1b, USD 1.8m more than in the previous quarter. This increase was due to the growth of domestic debt to USD 18.7b (+USD 2.0b). Meanwhile, the external public debt remains around USD 45.0b. According to our calculations based on Ministry of Finance data, debt as a percentage of GDP currently represents about 47.8% of GDP.
- In Q3, the stock of external public debt stood at USD 47.2 million, 0.18 million below the previous quarter, reinforcing the downward trend that has been observed. When analyzing the debt profile by type of creditor, we note that only debt to multilateral institutions has been accelerating, having reached the highest volume since 2021 in Q3, USD 10.0b. Loans from the World Bank, which represent just over 40% of the category, have shown an accelerating trend, having increased by about 37% in the last 7 quarters to USD 4.6b. In relation to bilateral institutions, the trend is decelerating, with the stock of debt to the Chinese government standing at USD 2.0b. For Chinese entities, namely China Development Bank and Bank of China, the stock stood at 11.1b.

## External public life by type of creditor

USD Billions



■ Multilateral   ■ Suppliers   ■ Commercial   ■ Eurobonds   ■ Public Companies

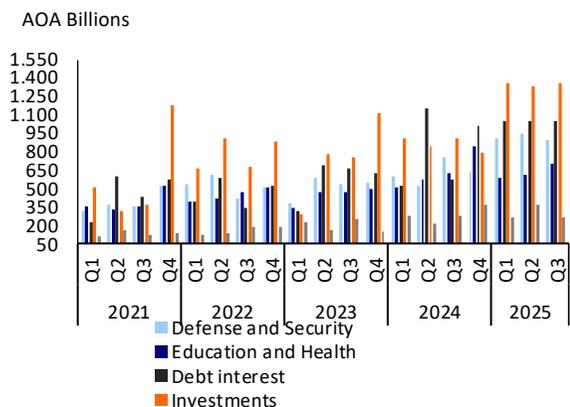
## Domestic bond debt

AOA Trillions

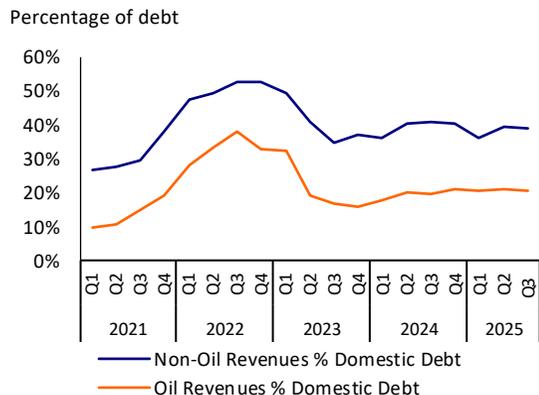


# BUDGET EXECUTION

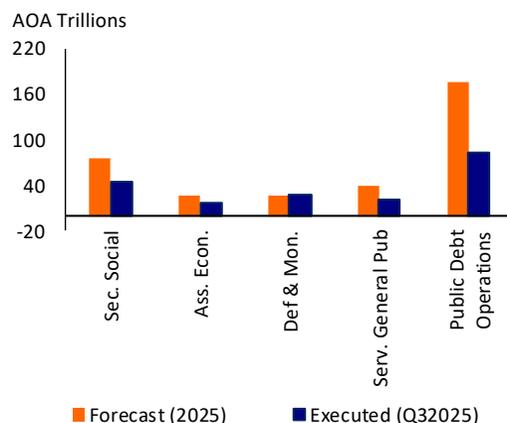
## Fiscal weight by sector



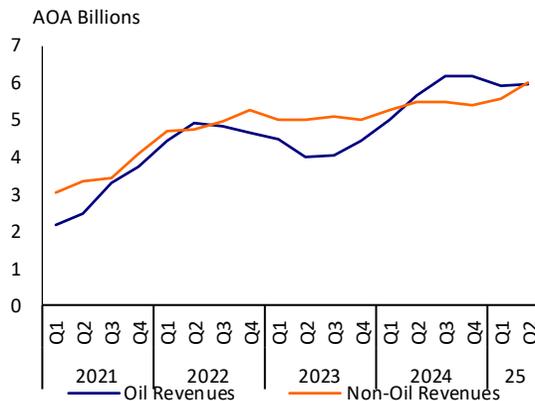
## Oil and non-oil revenues as a percentage of debt



## Expenditure planned and implemented by sector



## Oil and non-oil revenues



- Current expenses totaled AOA 9.5t, with emphasis on personnel costs, which totaled AOA 3.0b (32% of the total), and debt interest, which reached AOA 2.6t (28%).
- On the current revenue side, the main contribution came from petroleum taxes, which totaled AOA 6.7t, making an execution of approximately 62% compared to the AOA 10.8t, forecast for the whole year. This performance fell short of that recorded in the same period of 2024, when revenues from the oil sector reached AOA 7.1t, due to the combination of lower crude oil production and the reduction in average oil prices on the international market compared to last year.
- On the other hand, non-oil revenues recorded a more positive performance. In total, they reached AOA 5.2t, which represents 58% of the expected value, but significantly exceeds the AOA 3.9b collected in the same period of the previous year. Capital revenues reached AOA 6.0t, corresponding to 41% of the forecast: financing stood at around AOA 6.0t, more than double that recorded in the same period of 2024, reflecting a particular improvement in the conditions of access to external financing.

# REAL ECONOMY

---



# NATIONAL ACCOUNTS

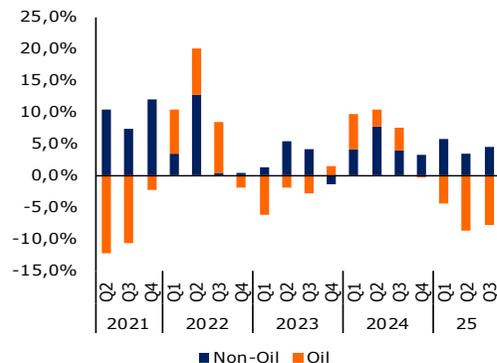
## Year-on-year rate of change in GDP

Real year-on-year change



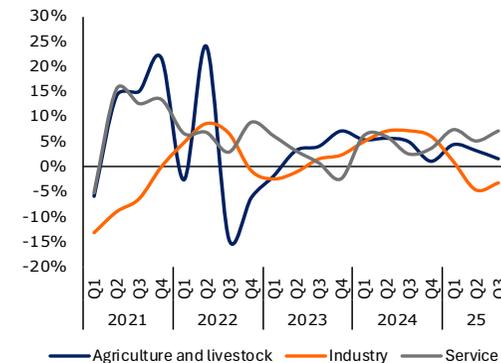
## Evolution of oil and non-oil GDP

Real year-on-year change



## Evolution of GDP by sector

Real year-on-year change

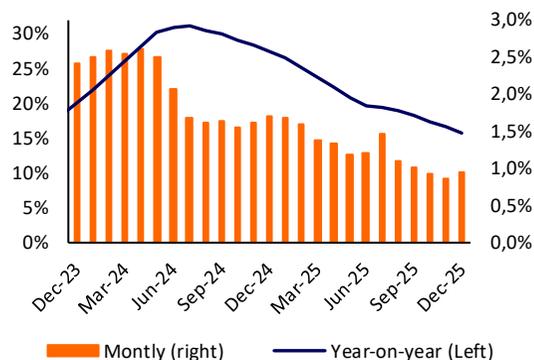


- In Q3 2025, the Angolan economy grew by 1.8% compared to the same quarter of the previous year. The non-oil economy grew by 4.5% YoY, while the oil economy contracted for the fourth consecutive quarter, by about -7.8% YoY.** The main highlight of the quarter was the communications sector, which accelerated by 17.5pp, reaching 55.7% YoY, contributing 0.9pp to the overall growth rate of the economy. According to INE, this performance is associated with the increase in revenues from telephone and cable services. The diamond sector, which had been growing significantly until Q1 2025, is in a moment of more moderate growth, with growth rates below double digits in response to the stabilization of production from the Luele mine.
- On the oil economy side, the processes of natural decline of wells, together with the lack of structuring investment projects, put increasing pressure on production.** In Q3, production stood at 1.03mbd, down 123.8 thousand barrels per day compared to the same period last year, with the month of July recording the lowest production volume since March 2023, 0.998mbd.
- The analysis of activity by sector presents two distinct realities: on the one hand, the GDP of Industry has been registering constant year-on-year drops (-4.7% in Q2 and -3.3% in Q3), aggravated by the less favorable performance of the oil sector and the increasingly lower incomes of the diamond sector; on the other hand, the GDP of Agriculture and Services maintains its positive performance, registering year-on-year growth of 1.5% and 7.2% YoY, respectively, in Q3.**

# CONSUMER PRICES

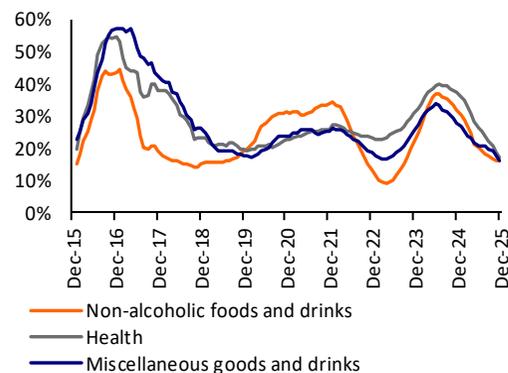
## Headline inflation

Percentage



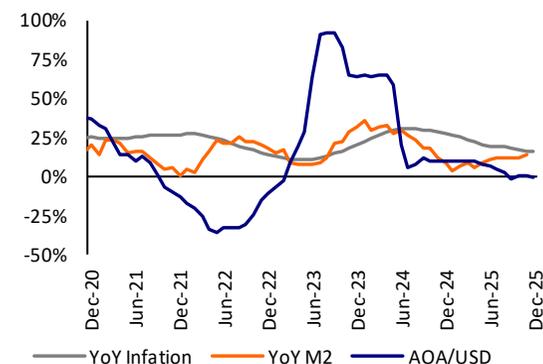
## Inflation by classes

Year-on-year change



## Inflation, M2 and exchange rate

Percentage



- In December, national year-on-year inflation stood at 15.7%, which represents the lowest level since September 2023, confirming the consolidation of a deceleration trajectory that has been observed over the last few months. This behavior mainly reflects lower exchange rate pressure, gradual improvements in the supply conditions of essential goods and the progressive dissipation of previous shocks, in a context where monetary policy is becoming increasingly common.
- In monthly terms, the National Consumer Price Index (CPI) recorded a slight acceleration to 0.95% MoM (+0.1 pp) in December, typical of this period of the year, traditionally marked by seasonal effects associated with the increase in consumption during the festivities. From a sectoral point of view, the Transport category was the one with the highest year-on-year change, standing at 19.2%, mainly reflecting the persistence of pressures on fuel costs and services associated with mobility. This was followed by the categories "Health" and "Housing, water, electricity and fuels", which recorded changes of 17.4% and 17.0%, respectively, showing that administered prices and essential services continue to be important sources of inflationary pressure.
- As for the inflation dynamics for this year, we expect the deceleration to continue, amid the more favorable economic situation, marked by exchange rate stability, interruption of the process of adjustments to fuel prices, etc. Therefore, our forecast is that inflation will settle at around 13.8% eop.

# EXTERNAL ACCOUNTS

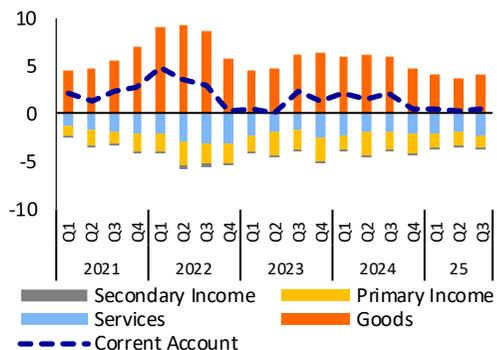
---



# BALANCE OF PAYMENTS

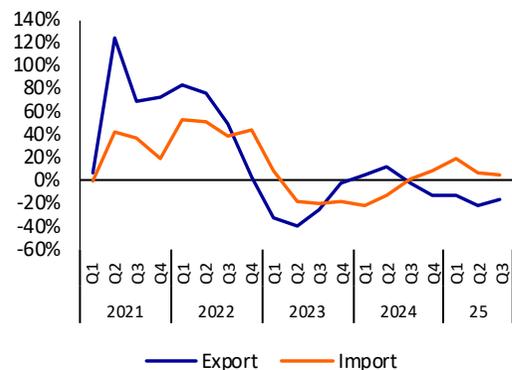
## Quarterly balance of payments

USD Billions



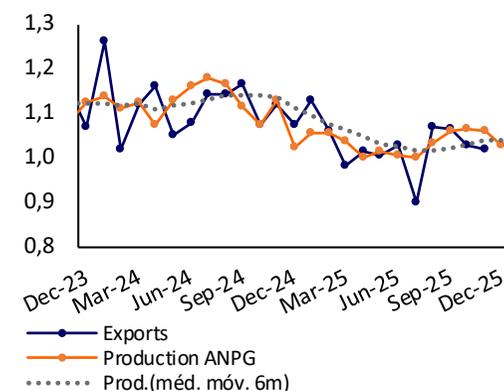
## Evolution of imports of services

USD Millions



## Production and export of crude oil

USD Billions; Months



- In the third quarter of 2025, Angola's current account recorded a surplus of USD 376.5 million, a quarterly expansion of around 98.0% as well as a contraction of 82.1% when compared to the same period last year.
- Oil exports totaled USD 7.3b, corresponding to a year-on-year drop of 23.9%, as a result of generalized declines in almost all its components. Crude oil exports stood at USD 6.3b, down 22.3% YoY, reflecting both a reduction in international prices and production constraints. Refined products totaled around USD 103.4 million, reflecting a drop of 27.4% YoY, while gas exports stood at around USD 900 million, registering an increase of 11% YoY, partially mitigating the drop in the oil sector.
- In contrast, non-oil exports maintained a recovery path, growing 21.8% YoY in Q3 2025, confirming a greater dynamism of non-oil in terms of export orientation. This performance was strongly driven by diamond exports, which grew by 20.4% and stood at around USD 455.5 million in Q3, playing a central role in strengthening external revenues outside the oil sector.

## MAIN EXTERNAL INDICATORS

DESCRIPTION	Q3 2024	Q3 2025	Q3 2025	QoQ	Yoy
GDP (USD Millions)	26.945,7	38.016,6	30.750,1	-19,1%	14,1%
Exports of goods and services (USD Millions)	9.613,1	7.238,1	7.955,0	9,9%	-17,2%
Imports of goods and services (USD Millions)	5.707,9	5.466,4	6.227,1	13,9%	9,1%
Service Account (USD Millions)	(2.009,4)	(1.977,2)	(2.334,7)	18,1%	16,2%
International Reserves (USD Millions)	14.903,9	15.657,0	15.236,5	-2,7%	2,2%
Total External Debt Stock (USD Millions)	54.719,4	58.867,7	59.408,5	0,9%	8,6%
Stock of Short-Term External Debt (USD Millions)	4.949,0	7.135,3	7.671,5	7,5%	55,0%
Average Exchange Rate (USD/AOA)	895,2	912,0	912,0	0,0%	1,9%
Current Account/GDP (%)	7,8	0,5	1,2	0,7	-6,6
Goods Account/GDP	22,0	9,9	13,2	3,4	-8,7
Services Account/GDP	(7,5)	(5,2)	(7,6)	-2,4	-0,1
Exports of goods and services/GDP	35,7	19,0	25,9	6,8	-9,8
Imports of goods and services/GDP	21,2	14,4	20,3	5,9	-0,9
Capital and Financial Account / GDP	(9,0)	0,9	(2,2)	-3,1	6,8
Foreign Direct Investment (net)/GDP	(3,3)	2,1	1,2	-0,9	4,6
Total External Debt Stock/ GDP	50,8	38,7	48,3	9,6	-2,5
International Reserves / Imports of Goods and Services (Months)	13,8	10,3	12,4	2,1	-1,4
International Reserves/Total External Debt Stock (%)	27,2	26,6	25,6	-0,9	-1,6
International Reserves/Stock of Short-Term External Debt (%)	301,2	219,4	198,6	-20,8	-102,5

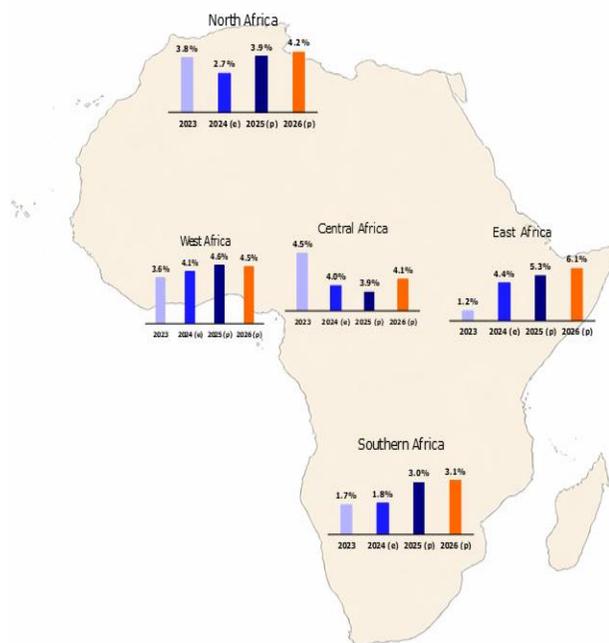
# AFRICAN ECONOMIES

---



# SPOTLIGHT

## AFRICA 2026: RESILIENT BUT HETEROGENEOUS GROWTH

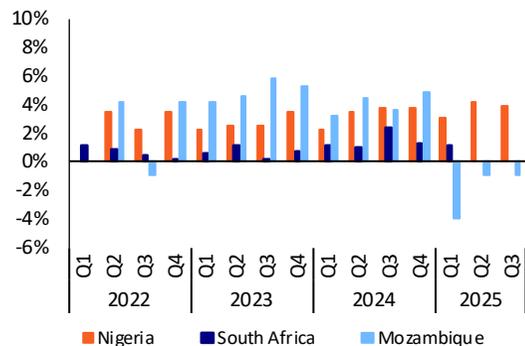


- **The world economy continues to face persistent geopolitical tensions, changes in global value chains, and greater unpredictability in trade and financial flows, factors that affect emerging economies differently.** Despite this framework, Africa is expected to maintain a faster pace of expansion than that observed in several other regions. For 2026, the African Development Bank estimates average growth of around 4.3%, based essentially on the dynamics of private consumption, the resumption of public and private investment and the contribution of sectors such as services, agriculture and, in some cases, energy. Structural differences between countries and regions continue to play a central role in shaping growth trajectories. More diversified economies with greater institutional capacity tend to respond better to external shocks, while countries heavily dependent on natural resources remain more exposed to international price volatility and fiscal and exchange rate shocks. Thus, although the overall picture is one of growth, its intensity and sustainability vary significantly across Africa, reflecting very different challenges and opportunities across regions.
- According to the AfDB, East Africa is expected to continue to lead growth on the continent, growing by 6.1% in 2026. This performance is underpinned by strong investments in infrastructure, expansion of services, dynamism of the agricultural sector and recovery of tourism. Less dependence on natural resource exports makes the region relatively more resilient to international price volatility. West Africa also has a robust outlook, expected to grow by around 4.5% this year, driven mainly by the performance of the region's largest economies, such as Nigeria and Ghana. Growth is supported by the expansion of services, improvements in the energy sector and greater exchange rate stability. In North Africa, economic growth could be around 4.2%, an acceleration from the 3.9% forecast in 2025. Growth in the region is expected to come mainly from the recovery of oil production in countries such as Libya, foreign investment and a gradual improvement in macroeconomic conditions. Central Africa is expected to experience intermediate growth, supported by the oil sector. Finally, Southern Africa has the weakest growth prospects. Energy bottlenecks, low investment, low productivity, and fiscal challenges, especially in larger economies such as South Africa, continue to limit the region's economic expansion.

# MACROECONOMIC INDICATORS

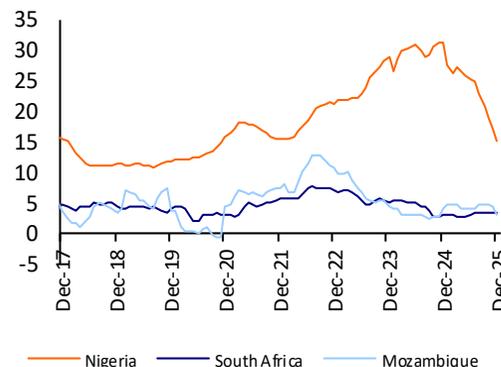
## Annual GDP growth

Year-on-year change



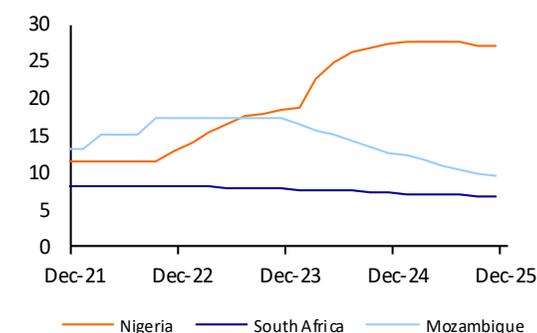
## Year-on-year inflation

Year-on-year change



## Interest Rate of African Economies

Percentage



- In Nigeria, economic growth remained positive in the first half of the year, but with some loss of steam in Q3 (by Q3 2025, the economy grew by around 3.8% YoY). In the last 12 months, inflation decelerated by around 20.1pp, settling at 14.5% in December, the lowest value since October 2020.** Despite the slowdown, inflation remained high, mainly reflecting the sharp devaluation of the naira and rising food prices. In response, monetary policy has become strongly restrictive, with key interest rates at historically high levels of around 27%, seeking to anchor inflationary expectations and stabilize the foreign exchange market.
- In South Africa, economic growth remained structurally low, constrained by energy constraints, logistical weaknesses and weak confidence among economic agents.** GDP grew only 1.6% on average until Q3. Inflation until November last year stood at around 3.5%, which denotes some acceleration compared to the last 12 months. Interest rates remained on a downward trend despite some very moderate acceleration in inflation.
- In Mozambique, after a period of relatively higher growth, there was a recent slowdown and contraction, associated with the moderation of domestic demand and some constraints on extractive activity.** Throughout 2025, GDP contracted by 1.9% on average counting to Q3. Inflation fluctuated around 4%, remaining relatively contained, although subject to episodes of exchange rate volatility and shocks in food prices. Monetary policy, after a cycle of strong tightening, began a gradual path of easing, reflected in the progressive decrease in interest rates, which fell by 7pp to 10.3% in 12 months.

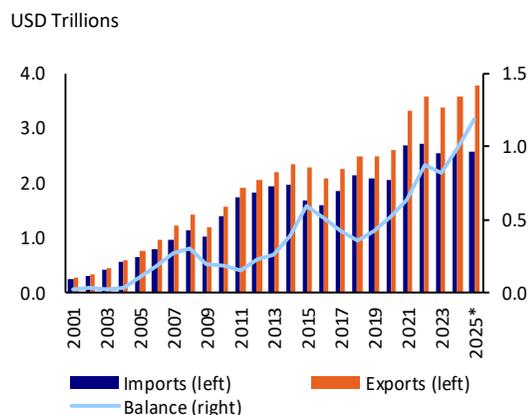
# GLOBAL ECONOMIES

---

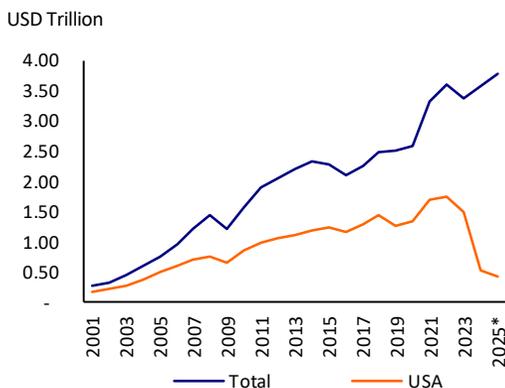


# SPOTLIGHT

## China's Trade Balance



## Total Exports vs Exports to the United States of America



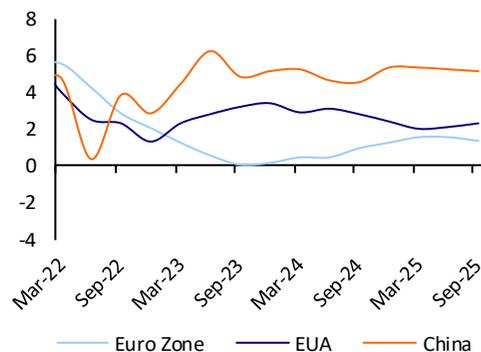
## RECORD NUMBERS IN THE CHINESE TRADE BALANCE

- **The year 2025 was marked by global uncertainties and one of the most affected areas was certainly international trade. The tariffs initially imposed by the Trump administration met not only with resistance but also counterbalance from several other countries.** The tariffs had a very small impact, since the agents were already preparing for their implementation and because there was a very large gap between the announcement time and the actual implementation time (with some not even being implemented). One of the biggest trade disputes was led by the United States of America and China, where the former declared tariffs of up to 245% over the latter, which responded by doubling.
- **China announced in December a trade surplus of USD 1.2 trillion (T), despite tariffs from the US government.** The positive result was justified by the combined effect of **1) increased exports** in response to continued external demand for Chinese products; **2) stagnation of imports** justified by a weak internal market. For the full year, preliminary data indicates that exports stood at USD 3.7T (+5.4% YoY), while imports remained at USD 2.5T (being technically stagnant compared to the previous year). This combination allowed the Chinese government to record a trade surplus of USD 1.2T in 2025.
- When we analyze trade counterparties, we note that trade with the US, in general, has been reducing, especially in the last two years, however preliminary data from the Chinese Customs Authority point out that in 2025 there was the lowest volume traded in the last 22 years, around USD 420b (a drop of 20.1% compared to 2024 and 75.8% compared to 2022, year that the peak of exports was recorded).
- What can be said is that although China is already recognized as the main trading partner of several countries, the positive yields seen in 2025 may signal a movement of sharper redirection of trade, with China's exports to the world increasingly intense.

# MAJOR ECONOMIES: REAL ECONOMY

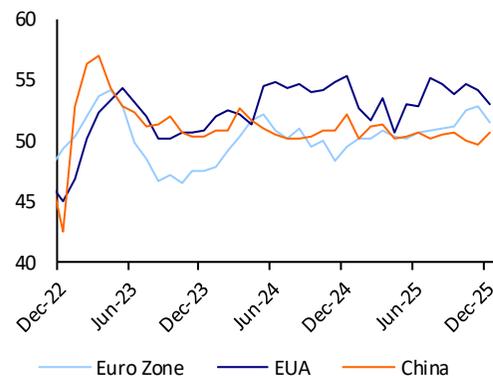
## GDP in major economies

Real year-on-year change



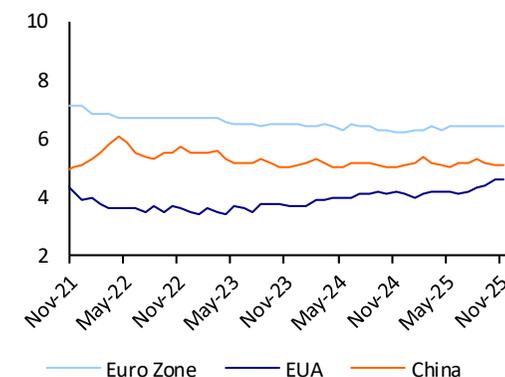
## PMI indices in major economies

Index



## Unemployment in major economies

Percentage

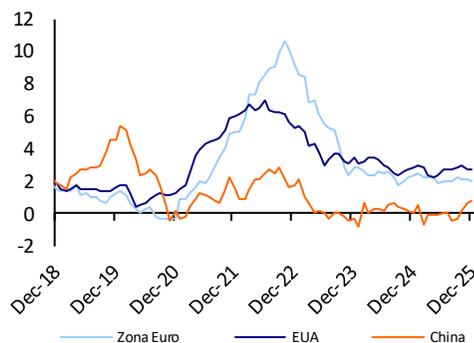


- **In a global context marked by moderate growth, still tight financial conditions and high geopolitical uncertainty, the latest indicators for 2025 suggest differentiated trajectories among the main economies. In the United States, GDP grew 2.3% YoY in Q3 2025, a pace very similar to the previous 4 quarters.** According to the national accounts data released by the Bureau of Economic Analysis, we observe that domestic demand continues to be the main support for activity, in particular private consumption. The PMIs remain consistently above 50 points, signaling expansion, which indicates that the economy should avoid a recession, even in a context of still restrictive monetary policy. In the labour market, there is a slight increase in unemployment, compatible with a gradual cooling of the economy.
- In the Eurozone, GDP grew by 1.4% YoY in Q3, which represents a slowdown from the 1.5% YoY recorded in the previous quarter. The economy continues to struggle to gain momentum, reflecting the persistent weakness of the industrial sector, the still-present impact of tight financial conditions and less favorable external demand. The composite PMI are around 51 points, signaling only a marginal expansion of activity.
- In China, the GDP growth rate remains close to 5% YoY, supported by selective stimulus measures, although limited by still subdued domestic demand. The composite PMI have oscillated around the expansion threshold, falling from 49.7 in November and recovering to 50.7 in December, showing unstable economic dynamics dependent on support from the authorities. The labor market continues to show fragility, although the unemployment rate remains stable, at around 5%.

# INFLATION AND REAL INTEREST RATE

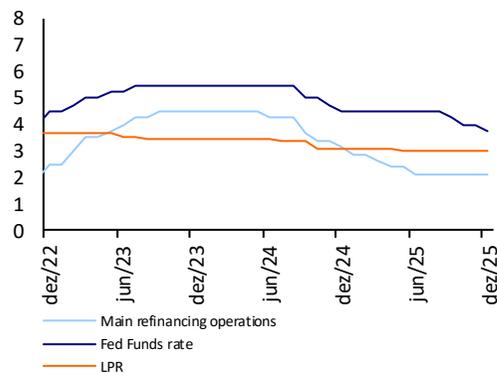
## Inflation in major economies

Year-on-year change



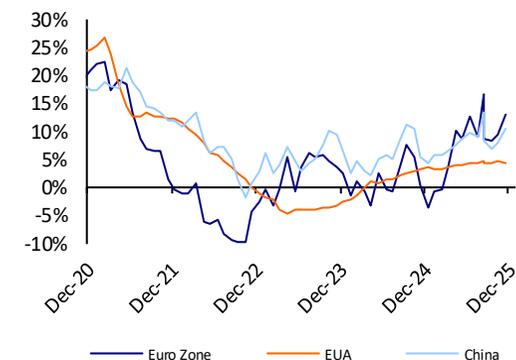
## Benchmark interest rates in major economies

Percentage



## Year-on-year change in M2

Year-on-year change



- After a prolonged period of strong monetary tightening, 2025 was marked by a transitional phase in global monetary policy, in which inflation control remains central, but with increasing attention to risks to economic growth. For 2026, a gradually more accommodative orientation is anticipated, although differentiated between economies, and dependent on the consolidation of the disinflationary process.
- In the United States, inflation has slowed significantly from the highs of 2022, stabilizing at levels close to, albeit slightly above, the Federal Reserve's target. This path reflects the normalization of supply chains, the moderation of energy prices and a gradual cooling of domestic demand. In response, monetary policy remains restrictive, although with clear signs of inflection. The still contained monthly evolution of the monetary aggregate M2 around 4% YoY reinforces the reading of still tight financial conditions. In the euro area, inflation also decelerated closer to the ECB's target, in the context of weak economic dynamics and compression of domestic demand. While monetary policy remains restrictive, the gradual reduction of policy rates in 2024 and 2025 signals heightened concern about growth. The now faster evolution of M2 suggests that the monetary impulse is already starting to gain strength. In China, inflation remains very low, with episodes of deflation on the horizon, reflecting weak domestic demand and adjustments in the property sector. Monetary policy has been moderately expansionary, with selective stimulus and liquidity measures. The relatively high growth of M2, well above inflation, confirms a supportive stance for the economy.

# GLOBAL PERSPECTIVES

Recession Probability 30%

EUA	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Real GDP (yoy)	2.0%	2.1%	2.3%	2.3%	2.3%	2.9%	2.5%	2.1%	2.1%
Industrial Production (yoy)	0.7%	0.5%	1.7%	2.2%	1.4%	1.3%	1.4%	1.5%	1.8%
Inflation (yoy)	2.7%	2.4%	2.9%	2.7%	2.6%	2.8%	2.7%	2.7%	2.5%
Unemployment Rate	4.1%	4.2%	4.3%	4.5%	4.5%	4.5%	4.5%	4.4%	4.4%
Current Account (%GDP)	-4.5%	-4.4%	-3.9%	-2.8%	-2.9%	-2.9%	-2.9%	-3.0%	-3.0%
Central Bank Interest Rate	4.5%	4.5%	4.3%	3.8%	3.7%	3.5%	3.3%	3.3%	3.3%
EUR/USD	1.08	1.18	1.17	1.17	1.18	1.19	1.20	1.21	1.21

Recession Probability 10%

CHINA	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Real GDP (yoy)	5,4%	5,2%	4,8%	4,5%	4,5%	4,6%	4,7%	4,5%	4,3%
Industrial Production (yoy)	7,7%	6,2%	5,8%	5,0%	4,5%	4,7%	4,8%	4,9%	4,8%
Inflation (yoy)	-0,1%	0,0%	-0,2%	0,6%	0,7%	0,6%	0,6%	0,6%	0,7%
Unemployment Rate	5,3%	5,0%	5,2%	5,1%	5,1%	5,1%	5,1%	5,1%	5,0%
Current Account (%GDP)	2,9%	3,2%	3,4%	3,7%	3,3%	2,8%	3,9%	3,5%	3,0%
Central Bank Interest Rate	3,1%	3,0%	3,0%	3,0%	3,0%	2,9%	2,9%	2,8%	2,8%
USD/CNY	7,26	7,16	7,12	6,99	6,95	6,90	6,90	6,85	-

Recession Probability 20%

EUROZONE	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Real GDP (yoy)	1,6%	1,5%	1,4%	1,3%	0,9%	1,1%	1,3%	1,4%	1,5%
Industrial Production (yoy)	1,4%	1,3%	1,4%	2,0%	0,4%	1,1%	1,5%	1,6%	1,4%
Inflation (yoy)	2,3%	2,0%	2,1%	2,1%	1,7%	1,9%	1,8%	1,8%	1,9%
Unemployment Rate	6,3%	6,4%	6,4%	6,3%	6,4%	6,3%	6,3%	6,3%	6,2%
Current Account (%GDP)	2,4%	2,1%	1,8%	2,2%	2,0%	2,5%	1,9%	2,1%	2,0%
Central Bank Interest Rate	2,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
EUR/USD	1,08	1,18	1,17	1,17	1,18	1,20	1,20	1,21	1,20

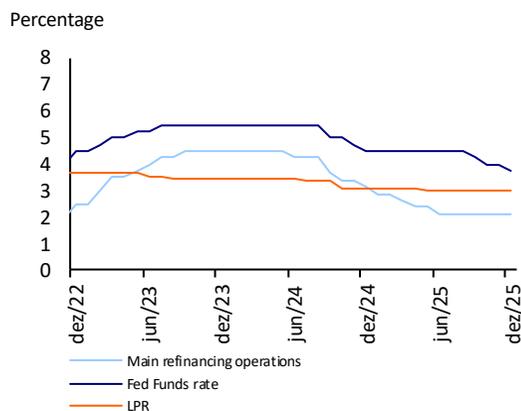
# INTERNATIONAL FINANCIAL MARKETS

---

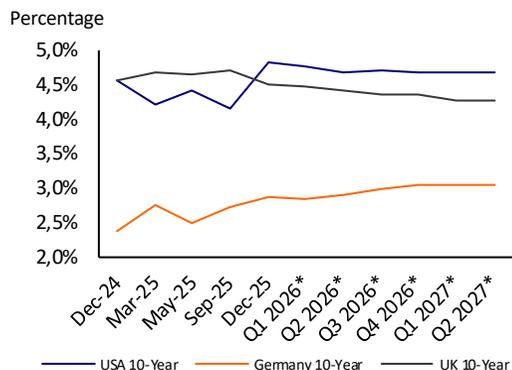


# SPOTLIGHT

## Interest rates of the main economies



## Sovereign debt yields



\*Forecast

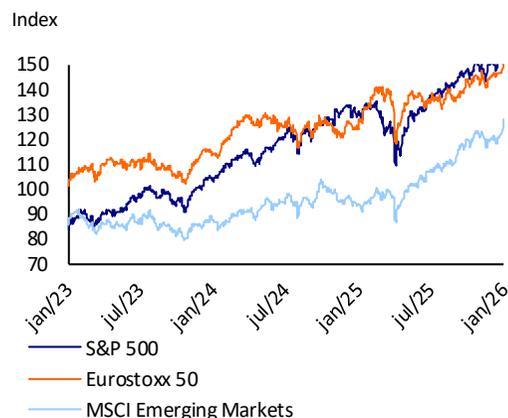
Sources: Bloomberg; J.P Morgan

## ACCOMMODATIVE POLICIES LEAVE MARKETS OPTIMISTIC

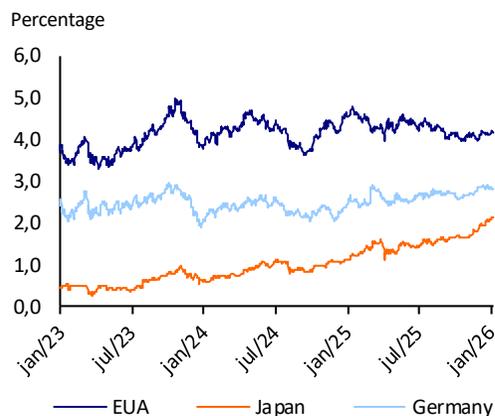
- **Since the end of the third quarter of 2025, there has been a gradual transition in the monetary policy of global economies, with the main central banks adopting more accommodative policies.** This shift reflects, on the one hand, the slowdown in inflationary pressures in advanced economies and, on the other hand, more optimistic economic growth expectations over the medium term. Financial markets have been incorporating this outlook into asset prices, adjusting in advance to monetary policy decisions.
- In 2025, the Federal Reserve and the European Central Bank (ECB) progressively reduced their key rates, from an average of 4.4% to 3.6% and from 3.0% to 2.2%, respectively, over the course of the year. This movement reflects not only price stability, but also the intention to sustain economic growth. The downward trajectory of rates contributed to a downward revision of the probabilities of recession in the main economies (40% to 30% in the United States and from 30% to 20% in the Eurozone, between May and the end of the year) and stimulated risk appetite in the equity and bond markets, strengthening investor confidence.
- **The outlook for 2026 naturally emerges as an extension of this context. With looser monetary policies, inflation converging to targets and moderate economic growth, financial markets are expected to continue to react positively, albeit with an eye on geopolitical and macroeconomic risks.** According to J.P. Morgan, 2026 is likely to be marked by the collision of irregular monetary policies, the relentless expansion of AI, and the intensification of market polarization. Particularly on the bond market side, the institution predicts that Treasury bond yields will remain stable in the coming months but may recover moderately when the Federal Reserve stabilizes its decisions in the spring. On the commodity market side, expectations are that the market will find balance through a combination of increased demand (driven by lower prices) and production cuts.
- In short, 2026 emerges as a year in which financial markets should continue to reflect both the global macroeconomic environment and the strategic decisions of central banks, offering moderate opportunities but requiring careful attention in the face of risks and uncertainties.

# EQUITIES AND DEBT

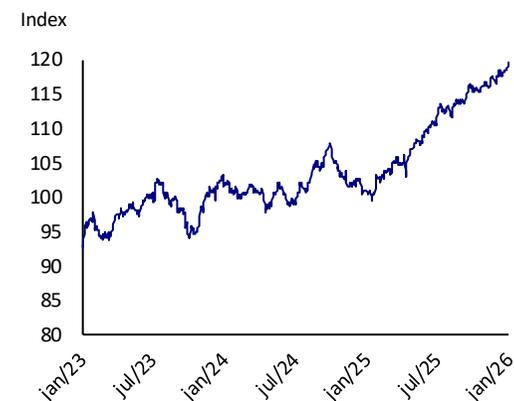
## Main stock indices



## 10-year sovereign debt yields of major economies



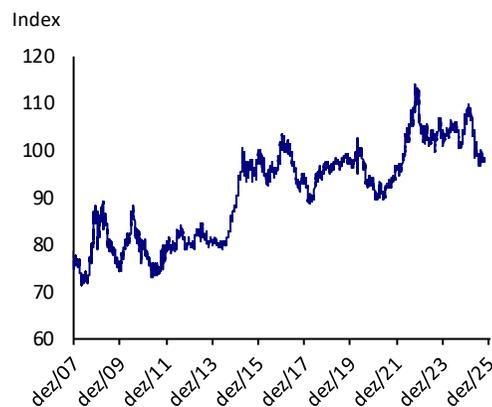
## Emerging economies bond index



- Global financial market indicators in 2025 confirmed a more favorable market environment, albeit marked by risks associated with the path of interest rates, fiscal sustainability and the persistence of geopolitical uncertainty. The year was characterized by a gradual improvement in investor sentiment, supported by the transition to less restrictive monetary policies in major advanced economies.
- In the stock markets, there was a general appreciation. The S&P 500 consolidated an upward trajectory, supported by robust corporate results, the strong performance of the technology sector and the expectation of gradual interest rate cuts in the United States. The Eurostoxx 50 followed this trend, albeit with greater volatility, reflecting a weaker macroeconomic environment in the Eurozone. The MSCI Emerging Markets recorded a more contained recovery, conditioned by China's uneven performance, but benefiting from selective flows to emerging economies with more solid macroeconomic fundamentals.
- In the sovereign debt market, 10-year yields remained at high levels throughout 2025, especially in the United States, reflecting the maintenance of a still restrictive monetary policy and growing concerns about the fiscal path. In Germany, yields stabilized at intermediate levels, while in Japan there was a gradual rise associated with the start of monetary policy normalization. The emerging-economy bond index showed a positive trend. For 2026, this movement is expected to continue, supported by gradually more accommodative global financial conditions.

# FOREIGN EXCHANGE AND MONETARY MARKET

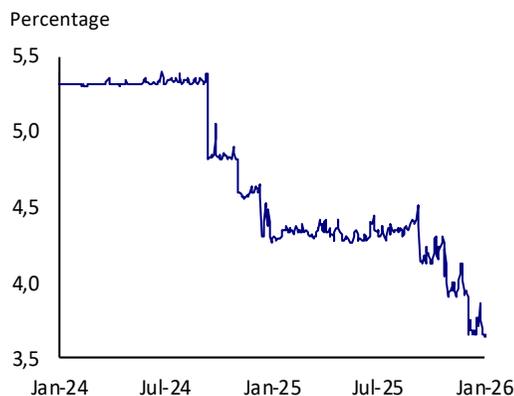
## Dollar Index



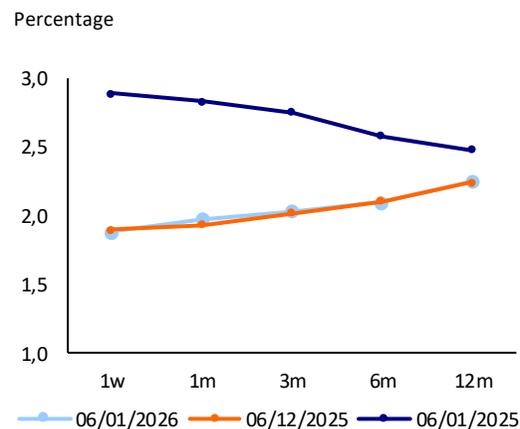
## Exchange rate of the Dollar against the Euro



## Money Market Interest Rate Dollar (SOFR 12M)



## Money market interest rates Euro (Euribor)



- The dollar index remained at high levels throughout the year, albeit with some volatility, benefiting from the interest rate differential favorable to the United States and the demand for safe-haven assets in an environment of geopolitical uncertainty. However, there was a slight weakening trend towards the end of the period, coupled with the expectation of further interest rate cuts by the Federal Reserve.
- The Euro/Dollar exchange rate has progressively recovered after the declines recorded in 2022-2023, approaching more balanced levels, supported by the deceleration of inflation in the Eurozone and the prospect of a less restrictive monetary policy in the United States. Still, the growth differential between the two economies continued to limit a more robust appreciation of the euro.
- In the money market, the SOFR recorded a downward trajectory, reflecting the beginning of the US monetary policy easing cycle.
- For 2026, an exchange rate scenario is anticipated with potential further weakening of the dollar and greater stability of the euro, conditioned by the evolution of inflation and the pace of normalization of monetary policies.

# MARKETS OUTLOOK

FOREIGN EXCHANGE MARKET	Mar-25	Jun-25	Sep-25	Dec-25	YTD	YOY	QOQ	Q12026	Q2 2026	Q3 2026	Q4 2026	dez/27
EUR/USD	1.08	1.13	1.17	1.17	13.0%	13.0%	4.5%	1.18	1.19	1.20	1.21	1.21
GBP/USD	1.29	1.35	1.34	1.34	7.1%	0.5%	3.2%	1.34	1.35	1.36	1.36	1.38
USD/JPY	149.96	144.02	147.90	156.70	-0.3%	3.0%	-4.6%	153.00	152.00	150.00	148.00	143.00
Dólar Index (DXY)	104.21	99.33	97.78	98.32	-9.4%	-3.0%	-3.9%	97.70	96.90	97.00	97.00	94.50

MONEY MARKET	Mar-25	Jun-25	Sep-25	Dec-25	YTD	YOY	QOQ	Q12026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Euribor 3M	2.3%	2.0%	2.0%	2.0%	-0.7	-1.2	-0.4	2.0%	2.0%	2.0%	2.1%	2.1%
SOFR 3M	4.3%	4.4%	3.7%	3.7%	-0.6	-0.9	0.0	3.5%	3.4%	3.2%	3.2%	3.2%
FED rate upper limit	4.5%	4.5%	4.3%	3.8%	-0.8	-0.8	-0.5	3.7%	3.5%	3.3%	3.3%	3.2%
FED rate lower limit	4.3%	4.3%	4.0%	3.5%	-0.3	-0.8	0.0	3.4%	3.2%	3.1%	3.0%	3.0%
ECB - Main refinancing rate	3.2%	2.4%	2.2%	2.2%	-1.5	-2.1	-0.5	2.2%	2.2%	2.1%	2.1%	2.2%
ECB - Deposit rate	2.7%	2.3%	2.0%	2.0%	-1.2	-1.7	-0.5	1.9%	2.0%	2.0%	2.0%	2.0%
BOE rate	4.5%	4.3%	4.0%	3.8%	-0.8	-1.0	-0.3	3.6%	3.4%	3.3%	3.3%	3.2%

SOVEREIGN DEBT	Mar-25	Jun-25	Sep-25	Dec-25	YTD	YOY	QOQ	Q12026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
USA 10-Year	4.2%	4.4%	4.2%	4.8%	-0.4	0.4	-0.4	4.8%	4.7%	4.7%	4.7%	4.7%
Germany 10-Year	2.7%	2.5%	2.7%	2.9%	0.3	0.6	0.4	2.8%	2.9%	3.0%	3.0%	3.0%
Japan 10-Year	1.5%	1.5%	1.8%	2.2%	0.7	0.9	0.4	2.0%	2.1%	2.1%	2.2%	2.3%
UK 10-Year	4.7%	4.6%	4.7%	4.5%	0.1	0.7	0.1	4.5%	4.4%	4.4%	4.4%	4.3%
China 10-Year	1.8%	1.7%	1.9%	1.8%	0.2	-0.3	0.1	1.8%	1.8%	1.8%	1.7%	1.7%

COMMODITIES	Mar-25	Jun-25	Sep-25	Dec-25	YTD	YOY	QOQ	Q12026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Brent	74.6	63.9	67.0	65.7	0.0%	-14.7%	0.0%	63.4	62.6	62.3	62.3	62.8
WTI	71.5	60.8	62.4	60.8	-0.3%	-14.1%	-0.3%	59.5	59.0	58.7	58.6	59.0
Natural Gas	102.0	92.7	93.7	104.9	32.5%	-45.2%	32.5%	88.5	73.7	72.6	77.5	78.0
Gold	3123.6	3,289.25	3,858.96	5065.0	19.0%	40.1%	19.0%	4920.0	4969.0	5023.0	5072.0	5184.0

---

## **DISCLAIMER**

The information contained in this document has been obtained from sources considered reliable, but its accuracy cannot be fully guaranteed. Recommendations are for internal use only and may change without notice. The opinions expressed are those of the authors and reflect their views only and may not coincide with BFA's position in the markets mentioned. BFA, or any affiliate, in the person of its employees, is not responsible for any loss, direct or potential, resulting from the use of this publication or its contents. BFA and its employees may hold positions in any asset mentioned in this publication. Reproduction of part or all this publication is permitted, subject to acknowledgment of the source. Numbers are expressed using the period as the thousand's separator and the decimal point as the decimal separator and using the term "thousand million" for  $10^9$ .