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MACROECONOMIC FRAMEWORK

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2.1. World economy

The world economy continued to face challenges in 2022, reflected in price developments, financial market instability and the fragmentation of international trade and investment. The war in Ukraine, which began with the invasion on 24 February, posed significant challenges to the global supply chains of food and energy commodities and contributed to the acceleration of the global inflation rate, which, according to the International Monetary Fund (IMF), reached 8.8% in 2022, higher than the 4.7% estimated for 2021.

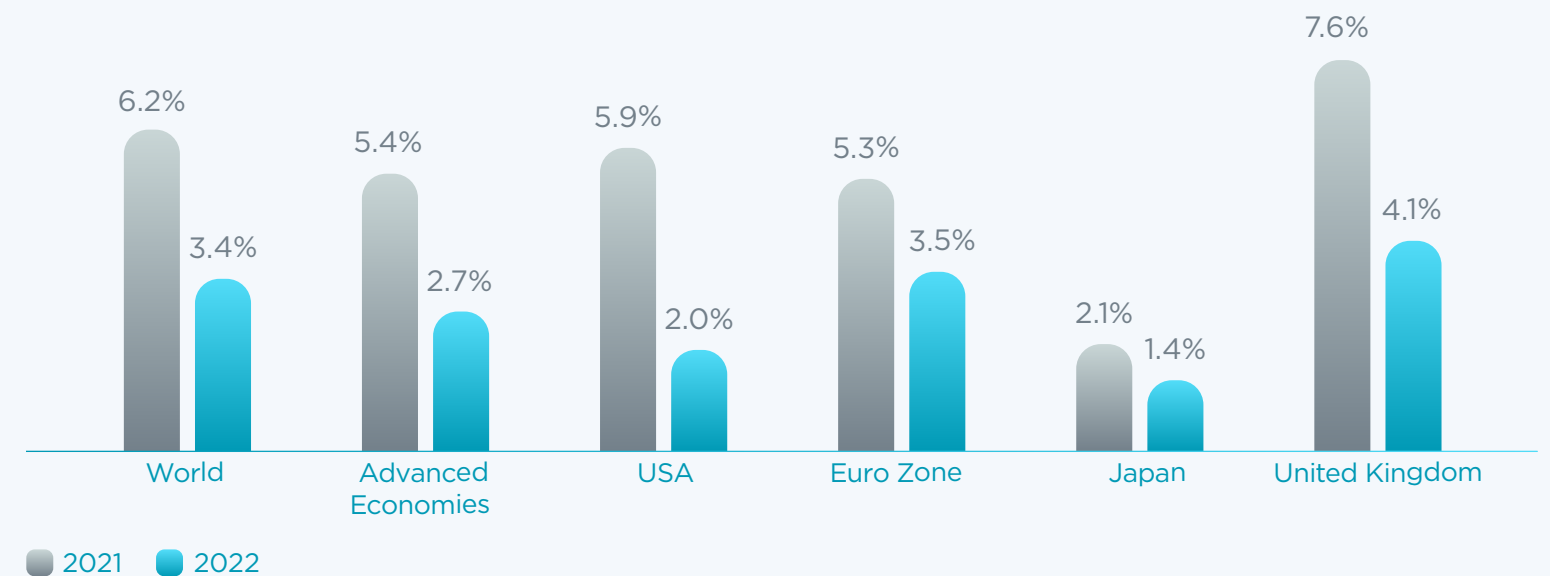
The evolution of the inflation rate was mainly driven by the Advanced Economies, where prices rose from 3.1% to 7.3%, well above the long-term average inflation rate set at around 2%. In order to curb the acceleration in prices, the major central banks had to adjust monetary policy, with the US Federal Reserve, the European Central Bank and the Central Bank of England which, in 2022, raised interest

rates by 4.25 p.p., 2.5 p.p. and 3.25 p.p. to 4.5%, 2.5% and 3.5% respectively.

The monetary tightening, combined with the maintenance of reduced fiscal space in most economies, contributed to a slowdown in global economic growth from 6.2% in 2021 to 3.4% in 2022, according to IMF estimates. Similar to the acceleration of inflation, the slowdown of economic growth has been more pronounced in Advanced Economies, particularly in the USA, the Euro Area, Japan and the UK.

The introduction of a tight monetary policy, coupled with the slowdown in the world economy and the emergence of new cases of Covid-19 in China, put pressure on financial market developments in 2022. In the currency market, the USD index recorded an annual increase of 8.5%, while equity prices fell, with the MSCI Global and MSCI Emerging Markets indices down 19.2% and 22.3% respectively.

GROWTH RATE OF THE WORLD ECONOMY



Source: FMI, World Economic Outlook, January 2023

In the commodities market, the highlight was the increase in the average price of a barrel of Brent oil by 5.8% to USD 82.26 per barrel, while WTI rose by 4.2% to USD 78.4 per barrel. In the bond market, the

yield curve followed an upward trend, with the focus on the yield on 10-year German sovereign debt, which returned to positive territory and closed at 2.4%, while the US yield stood at 3.8%.



2.2. Angolan economy

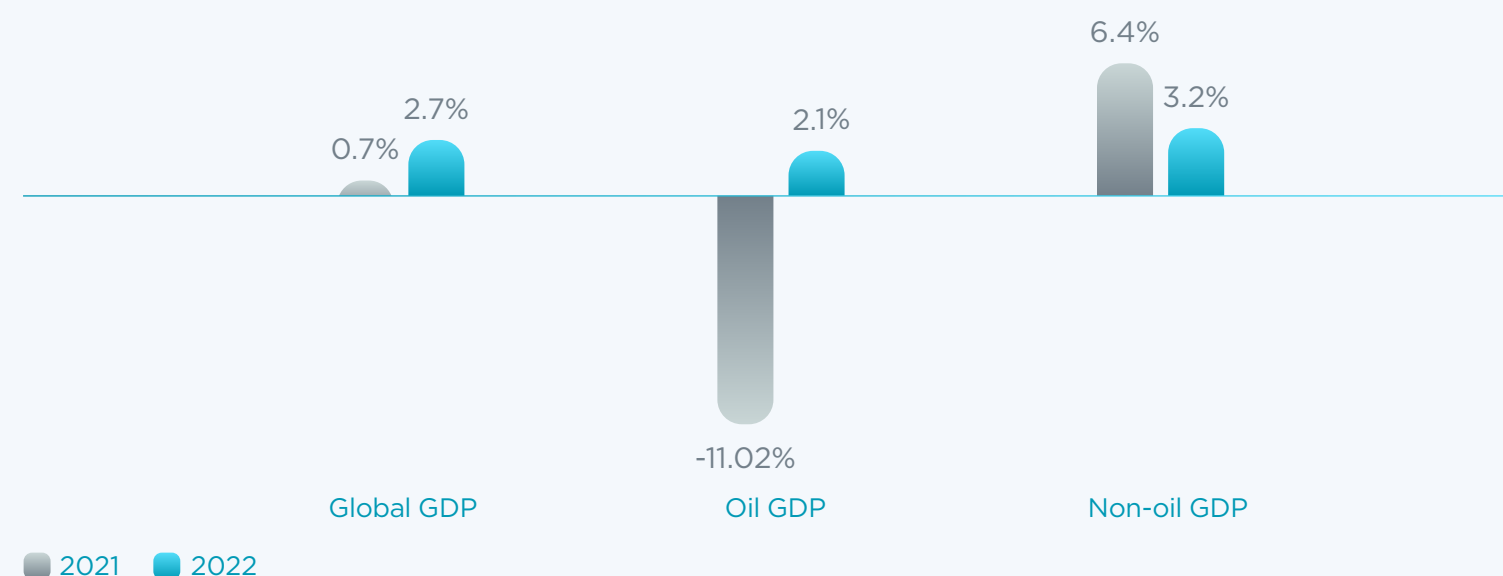
In the difficult context of the world economy (GDP slowdown, acceleration of inflation and tightening of monetary policy), the Angolan economy experienced a special moment after having followed an inverted trajectory, benefiting from its status as a net oil exporter and the implementation of structural adjustment measures in recent years.

According to the Government's estimates, the economy's growth rate stood at 2.7% in 2022, above the 0.7% growth recorded in 2021, which represents a continued recovery path, after five consecutive years of contraction, between 2016 and 2020. Economic performance in 2022 was explained by growth in the non-oil sector of 3.2% and in the oil sector of 2.1%, after having contracted consecutively for the last six years, in line with the structural challenges faced by the oil industry.

Oil production increased by 2.2% to reach 1.142 million barrels/day in 2022. However, it was below the growth of the non-oil sector, which has been benefiting from relevant incentives and thus contributed to the increase of its share in GDP, which is set at 73.5% in 2022, up from 70.1% in 2021.

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ECONOMIC GROWTH



Source: 2023 SB Proposal



In turn, the inflation rate will close the year 2022 at 13.7%, lower than the 27% recorded in 2021, according to data published by Instituto Nacional de Estatística (INE, National Institute of Statistics). The positive evolution of prices was justified, on the one hand, by the increased supply of products in the economy through increased imports in line with the exchange rate appreciation and the operationalisation of the Strategic Food Reserve and, on the other hand, by the increased supply of domestic products and the prudent management of monetary policy.

Following a positive trend, the employment rate in the economy stood at 62.6% in Q3 2022, up from 60.5% in the same period of 2021, according to data from the INE. This development reflects the increased capacity of the economy to create jobs, which is higher than the growth rate of the economically active population. The unemployment rate in this period stood at 30%, down from 34.1% in Q3 2021.

The improvement in the price of a barrel of oil and the growth of the economy in 2022 will contribute to an increase in the capacity to collect tax revenue, culminating in the prospect of a budget surplus of 2.7% of GDP, albeit lower than the 3.8% of GDP recorded in 2021. On the other hand, in line with the appreciation of the exchange rate and the nominal growth of GDP, the public stock debt has fallen back to 56.1% of GDP, after having been set at 82.9% of GDP in 2021. In fact, most rating agencies have improved the outlook for the Country's risk rating, despite having decided to keep the classification unchanged in 2021.

With regard to the external accounts, according to BNA data published until Q3 2022, the Current Account recorded a surplus of USD 10,948.2 million, an increase of 91.8% compared to the same period of 2021, as a result of the increase in the Goods Account

of 74.9% to USD 26,067.0 million, which offset the effect of the worsening of the deficit in the Services Account, by 58.5% (USD -7 719.2 million), in the Primary Income Account, by 67.6% (USD -6 545.4 million), and in the Secondary Income Account, by 100.1% (USD -854.2 million).

Regarding its concern, International Reserves stood at USD 14 477.8 million in December 2022, which represents an annual reduction of 6.7%, as well as the lowest annual level since December 2011, reflection of the relevant intervention that the foreign exchange authority had in the market, through one-off sales of foreign currency throughout the period in question, to ensure market stability.

The employment rate in the economy followed a positive trend, as a result of an increase in the capacity of the economy to create jobs, which is higher than the growth rate of the economically active population

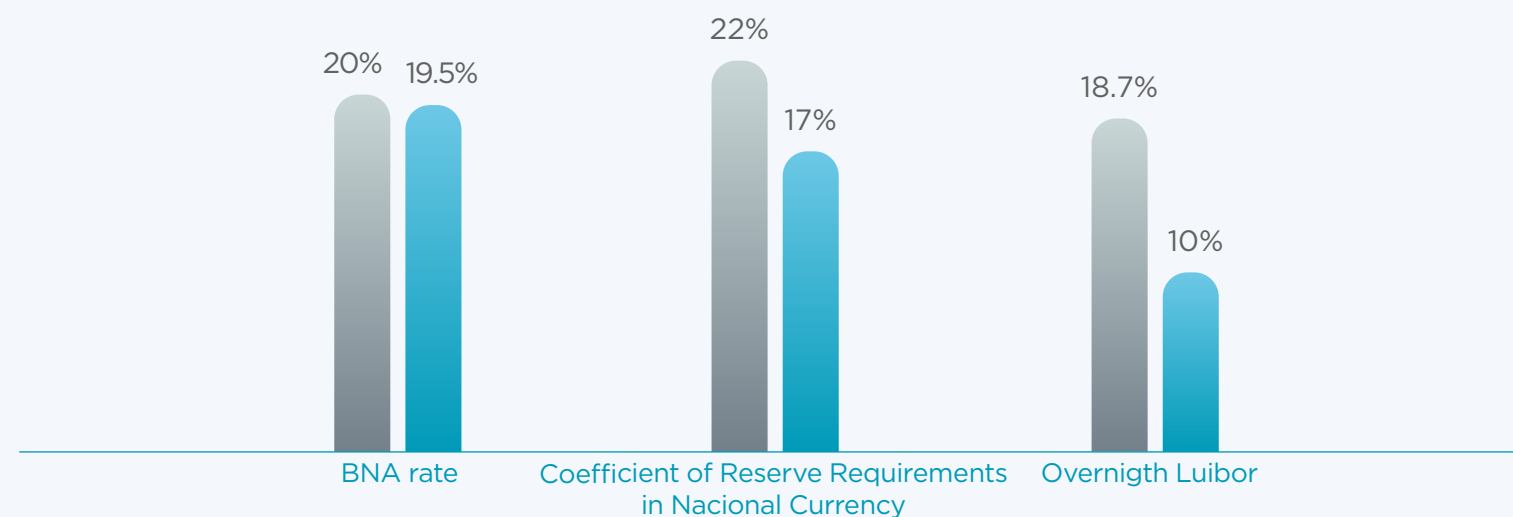


2.3. Financial markets

Money supply, as measured by the M2 monetary aggregate, fell by 2.8% in 2022, in line with the exchange rate appreciation, with the foreign currency component falling by 23.5%. In contrast, M2 in local currency increased by 16.87%, largely due to the stability of the exchange rate and increased confidence in the Kwanza.

In parallel, the BNA key monetary indicators followed a downward trend. The BNA rate closed the year at 19.5%, below the 20% of 2021. The same trend was recorded for the Marginal Lending Facility Rate, which fell by 4 p.p. to 21%, and for the Coefficient of Reserve Requirements in Nacional Currency, which fell by 5 p.p. to 17%. The adjustment of the restrictive stance of monetary policy was justified by the deceleration of the inflation rate and the stability of the exchange rate.

KEY MONETARY INDICATORS



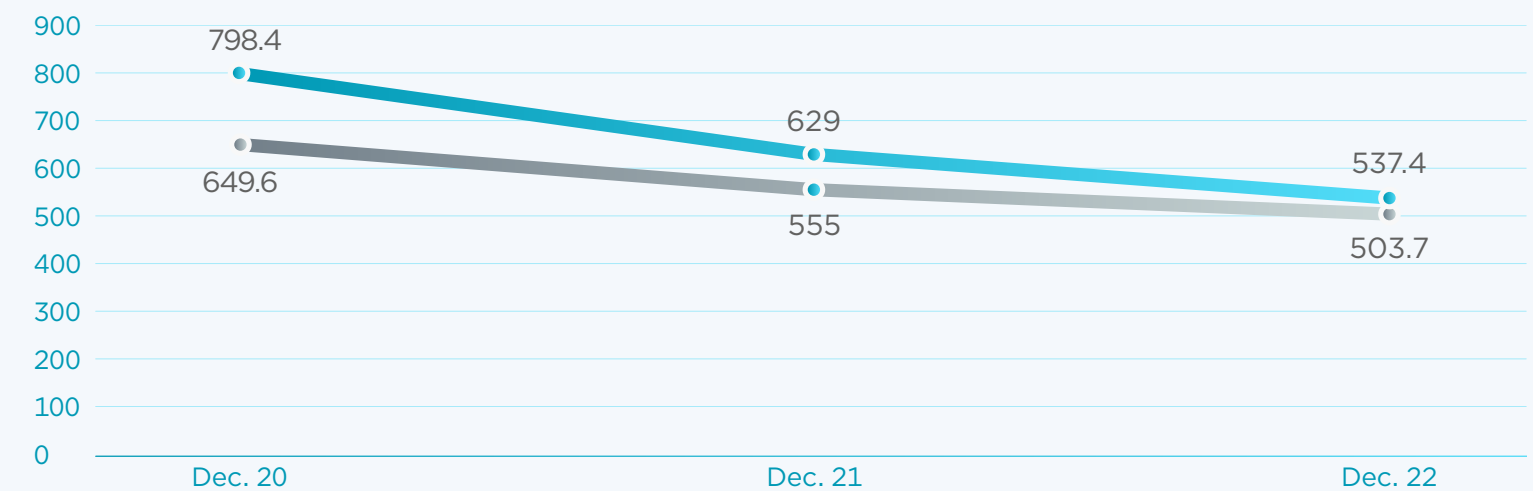
2021 2022

Source: BNA

Interest rates on the Interbank Money Market followed a similar trend, falling by an average of 8.37 p.p., particularly the overnight and 12-month Luibor, which fell by 8.68 p.p. and 8.83 p.p. respectively, to stand at 10.00% and 15.83%, a development justified by the improvement in liquidity in the system.

The exchange rate appreciated against the USD and the EUR by 10.2% and 17% respectively, reaching USD/AOA 503.7 and EUR/AOA 537.4, in line with the increase in the supply of foreign currency in the market. In 2022, the total supply of foreign currency reached USD 15,664.6 million, an increase of 65% compared to 2021.

EXCHANGE RATE OF THE KWANZA AGAINST THE DOLLAR AND THE EURO



USD/AOA EUR/AOA

Source: BNA

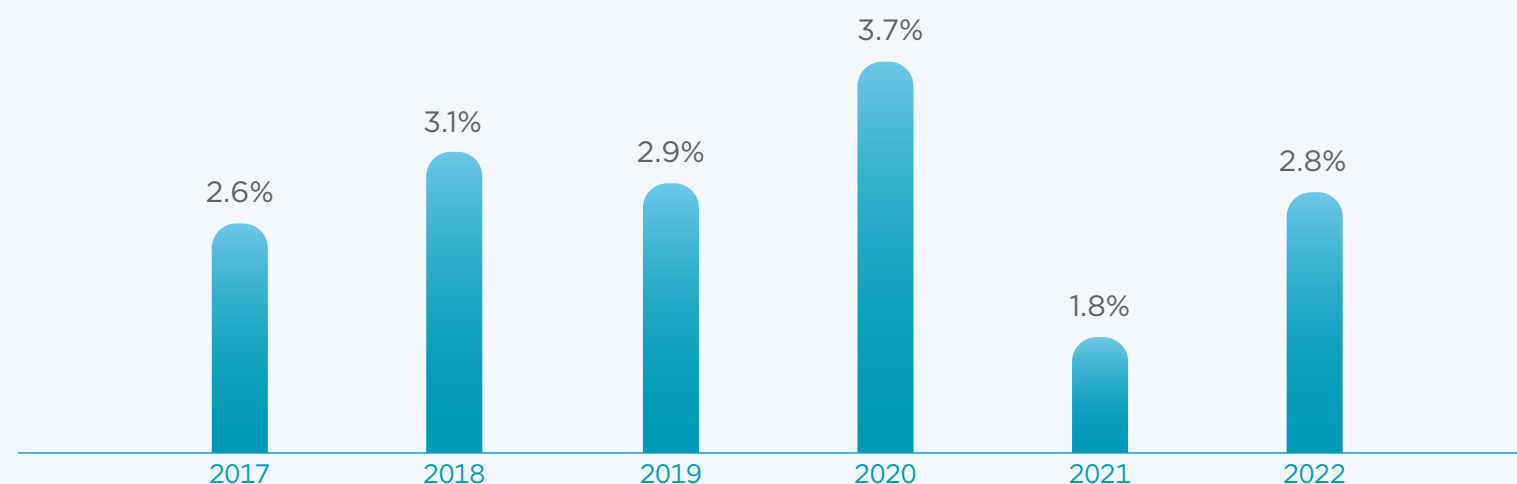


The amount of Treasury Bills traded in the secondary market increased to AOA 1,564.8 billion in 2022. This annual increase of 96.4% is justified by the increase of bilateral trading transactions by 650.7%, to AOA 574.3 billion, and by the increase of 37.5% in multilateral trading to AOA 990.5 billion.

In terms of market depth, there was an increase of 1.02 p.p., from 1.8% of GDP in 2021 to 2.8% of GDP in 2022. This is the best performance in two years, after standing at 3.7% of GDP in 2020, which reflects, on the one hand, the growth of operations above the increase in nominal GDP and, on the other hand, the dynamism of new segments (Shares and Treasury Bonds), with emphasis on the admission to trading on the stock exchange of the shares of two banks that held initial public offerings and the SWAPS operations carried out by the Ministry of Finance.

In turn, throughout 2022, the yields of the Eurobonds issued by Angola recorded increases in all maturities, with the emphasis on the longer maturities, 2049, 2048 and 2029, which rose by 2.27, 2.40 and 2.29 p.p. to 11.80%, 11.96% and 10.48% respectively, after being pressured by the increase in the yields of securities in the Advanced Economies. It should be noted that in April 2022 the country issued Eurobonds for the fourth time, in the amount of USD 1.75 billion and with a 10-year maturity.

SECONDARY MARKET TRANSACTIONS IN % OF GDP



Source: BODIVA

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