2

MACROECONOMIC FRAMEWORK

2.1.

World economy

The world economy grew by 3.1% in 2023, a slowdown compared to the 3.5% estimated for 2022, according to data from the International Monetary Fund. The tightening of monetary policy and the reduction in fiscal stimulus, combined with the continuing conflict in Ukraine, in a scenario of high public indebtedness, have slowed global Gross Domestic Product (GDP) growth.

The Advanced Economies saw their cumulative GDP decelerate from 2.6% to 1.6%, with the Euro Zone economy being penalized the most, falling from 3.4% in 2022 to 0.5% in 2023, with Germany's GDP contracting the most (-0.3%). A similar performance was recorded in the United Kingdom, where GDP fell from 4.3% to 0.5%. On the other hand, the US and Japanese economies recovered with growth of 2.5% and 1.9%, up from 1.9% and 1.0% in 2022, respectively.

Contrary to the deceleration of the Advanced Economies, there was a stagnation in the growth of the Emerging and Developing Economies at 4.1%, led by the recovery of China's GDP, with growth of 5.2%, up from 3.0% in 2022; Russia's at 3.0%, against a contraction of 1.2%; and Brazil's growth at 3.1%, up from the 3.0% recorded in 2022. India, in turn, reported a slowdown in GDP from 7.2% in 2022 to 6.7%, despite remaining one of the most dynamic economies in the world.

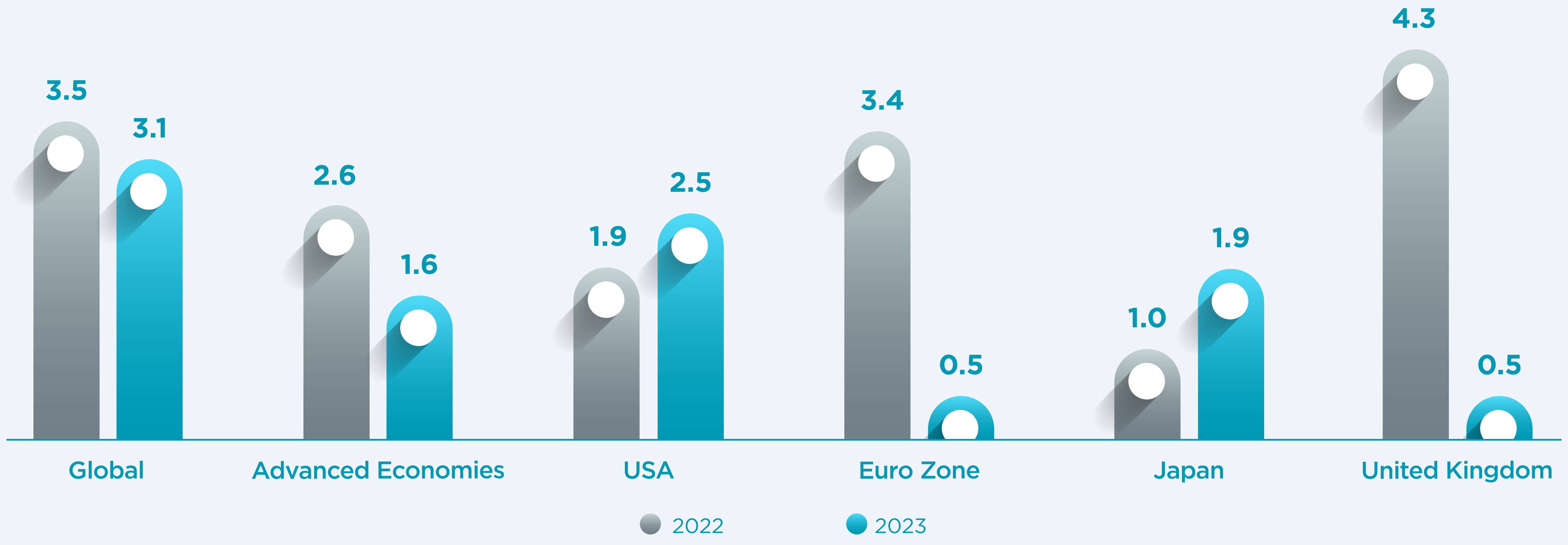
Regarding the global inflation rate, there was a slowdown from 8.7% in 2022 to 6.8% in 2023, with a reduction in inflation in the Advanced Economies from 7.3% to 4.6%, while in the Emerging and Developing Economies inflation slowed from 9.8% to 8.4%.

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 2023, raised interest rates by 1.0 p.p., 2.0 p.p., and 1.6 p.p., to 5.5%, 4.5% e 5.3%, respectively.

The slowdown in the world economy and the increase in geopolitical risks in the Middle East put pressure on financial market developments in 2023. For the foreign exchange market, the USD Index fell by 2.1% year-on-year, the euro and the British pound appreciated by 3.1% and 5.4% to EUR/USD 1.1 and GBP/USD 1.3, respectively. In the commodities market, the highlight was the fall in the average price of a barrel of Brent crude oil by 10.3% to 77.0 USD/barrel, with the price of WTI falling by 10.7% to 71.7 USD/barrel.

On the other hand, the moderation of monetary policy and the slowdown in the rate of inflation benefited stock prices in most markets, with MSCI Global and MSCI Emerging Markets recording gains of 21.8% and 7.0%, respectively. In the bond market, the yield curve fell again in most economies, except for Japan, which recorded a rise in 10-year yields from 0.4% to 0.6%, while US debt remained unchanged at 3.9%.

Growth rate of the economy (%)



Source: IMF, World Economic Outlook, January 2024

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 2023, raised interest rates by 1.0 p.p., 2.0 p.p., and 1.6 p.p., to 5.5%, 4.5% e 5.3%, respectively

2.2.

Angolan economy

The Angolan economy grew by 0.4% in 2023, according to Government figures, after having grown by 3.1% in 2022. The slowdown was marked by the negative performance of the oil and gas sector, which contracted by 4.1% in 2023, after having grown by 0.6% the previous year. During this period, oil production stood at 1.088 million barrels/day, below the 1.1 million barrels/day recorded in 2022. In turn, the non-oil sector grew by 1.8%, below the 3.9% expansion of 2022, having been penalized by the deceleration of the Agriculture sector (1.3%), Mineral Extraction (0.5%) and the contraction of the Fisheries and Derivatives sector (-0.5%).

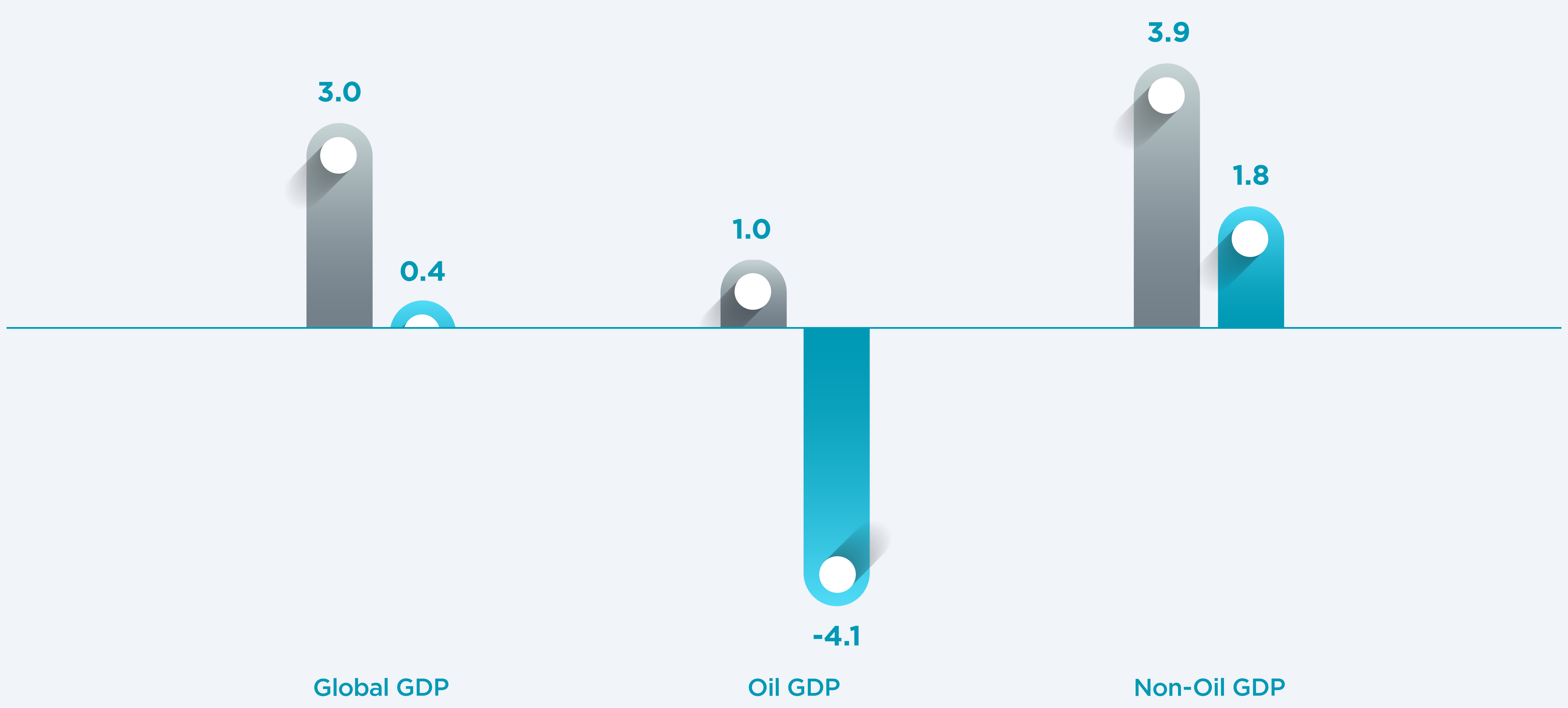
With regard to inflation, data from the National Statistics Institute (INE) points to a 20.0% increase in prices during 2023, up from 13.9% in 2022, driven by exchange rate depreciation, a reduction in the supply of products in the economy, a slowdown in non-oil GDP and adjustments in the price of a liter of petrol, from 160 AOA/liter to 300 AOA/liter, in an effort to reduce State spending on fuel subsidies and improve the business environment.

Public finances once again experienced challenges, with the tax balance on GDP standing at -0.1%, contrary to the surplus for 2021 and 2022 of 4.0% and 1.0%, which reflects the reduction in the average price of a barrel of oil from 102 USD/barrel in 2022 to 75 USD/barrel in 2023 and the slowdown in non-oil GDP, as mentioned above. In fact, the stock of public debt over GDP increased once again, standing at 83.9%, compared to 69.9% in 2022.

Until the third quarter of 2023, the Trade Balance remained in surplus by USD 6,227.4 million, a year-on-year drop of 27.7%, pressured by the decrease in exports (-25.3%), above the reduction in imports (-20.8%). As for the Services Account, the negative balance fell by 47.1% to USD 1,636.9 million, reflecting the 46.9% drop in imports of services, which was greater than the 8.7% drop in exports. In this period, the Current Account fell by 16.3% year-on-year to USD 2,529.7 million.

In turn, International Reserves stood at USD 14,733.4 million in December 2023, a slight annual increase of 0.5%. The performance was largely explained by the 13.1% and 7.9% increase in the Gold Reserve and Securities to USD 1,223.1 million and USD 6,463.8 million, respectively.

Economic growth (%)



Source: 2024 SB Proposal

2.3.

Financial markets

The money supply, measured by the M2 monetary aggregate, increased by 39.1% to AOA 15,791.9 billion, driven by the 50.2% growth in Demand Deposits, the 32.5% rise in Notes and Coins in public ownership and the 29.2% rise in Term Deposits. The increase in the money supply in the economy was largely explained by the depreciation of the exchange rate and the increase in credit to the economy.

Concurrently, the benchmark interest rates of the Banco Nacional de Angola (BNA) showed a divergent trend, with the BNA rate standing at 18.0%, an annual reduction of 1.5 p.p., following the less restrictive stance of monetary policy, despite the acceleration of inflation that began in May 2023. At the November meeting of the BNA's Monetary Policy Committee, the Central Bank once again increased the Coefficient of Reserve Requirements in Nacional Currency from 17.0% to 18.0% and maintained the Coefficient of Reserve Requirements in Foreign Currency.

Following an opposite trend was the interest rate on the permanent liquidity absorption, which increased by 2.5 p.p. to 17.5%. Nevertheless, interest rates on the Interbank Money Market fell by an average of 2.8 p.p., with the Luibor Overnight rate falling by 6.0 p.p. to close the year at 4.0%, the lowest level in the BNA's historical series, which began in 2005.

For its part, the 2023 exchange rate recorded an accumulated depreciation of 39.2%, standing at USD/AOA 828.8, the second highest recorded since the introduction of the free exchange rate regime, largely due to the 37.1% reduction in the supply of foreign currency on the market, from USD 15,664.6 million in 2022 to USD 9,853.9 million until October of 2023.

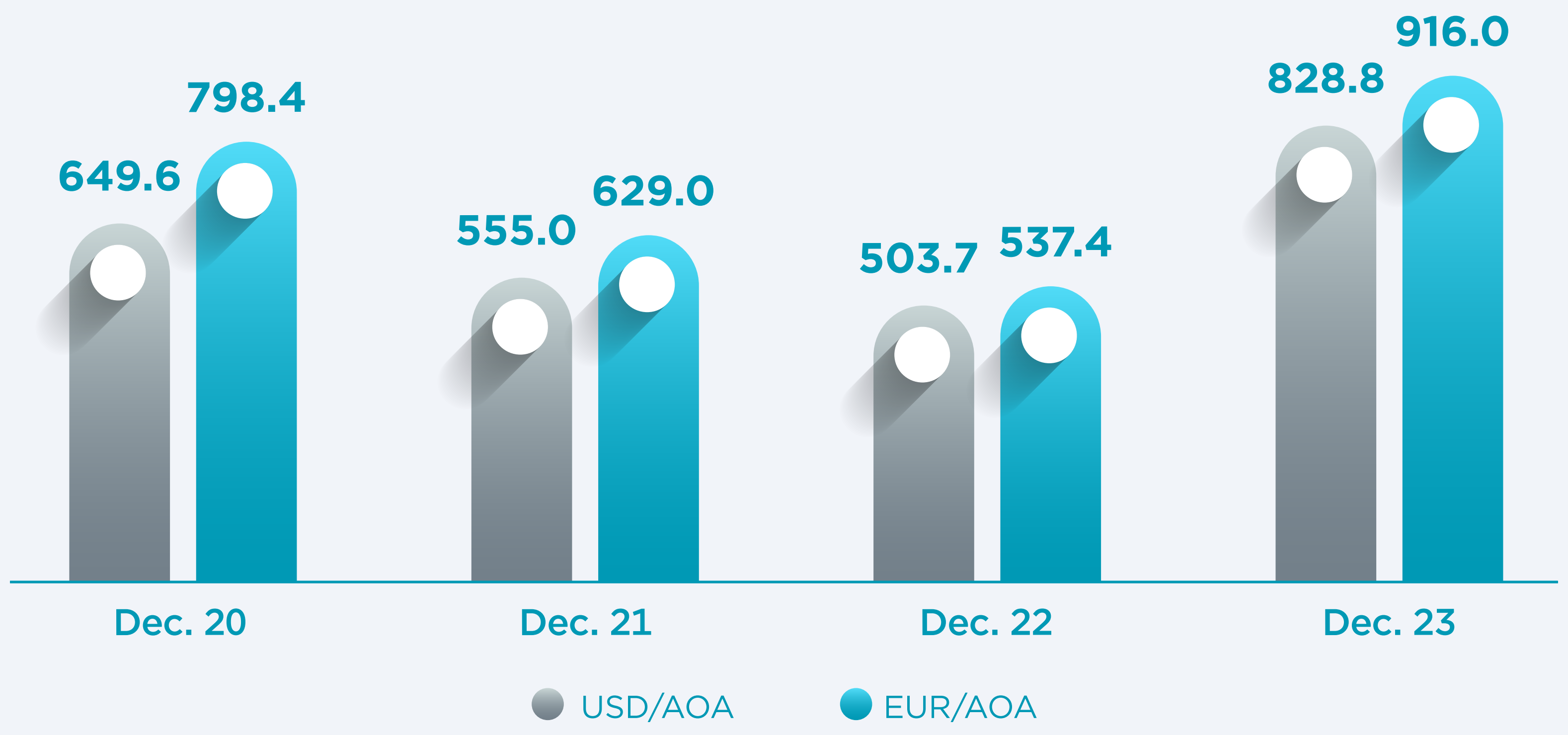
The amount of Treasury Bonds traded on the secondary market in 2023 was AOA 7,671.2 billion, the highest amount in the historical series, compared to AOA 1,095.7 billion in 2022. The 2023 performance essentially reflects the realization of Repos, which during the period under review was an instrument used by the National Treasury for financing. Transactions on the Repo Market (MOR) amounted to AOA 3,742.4 billion, equivalent to 48.9% of the total traded. In fact, the amount traded compared to GDP rose to 12.2%, up from 2.1% the previous year.

In turn, the yields on Eurobonds issued by Angola increased by an average of 0.1 p.p. throughout 2023, particularly the shorter-term yield, 2025, which increased by 2.3 p.p. to 10.6%, driven by the fall in the price of oil on international markets.

Key monetary indicators (%)

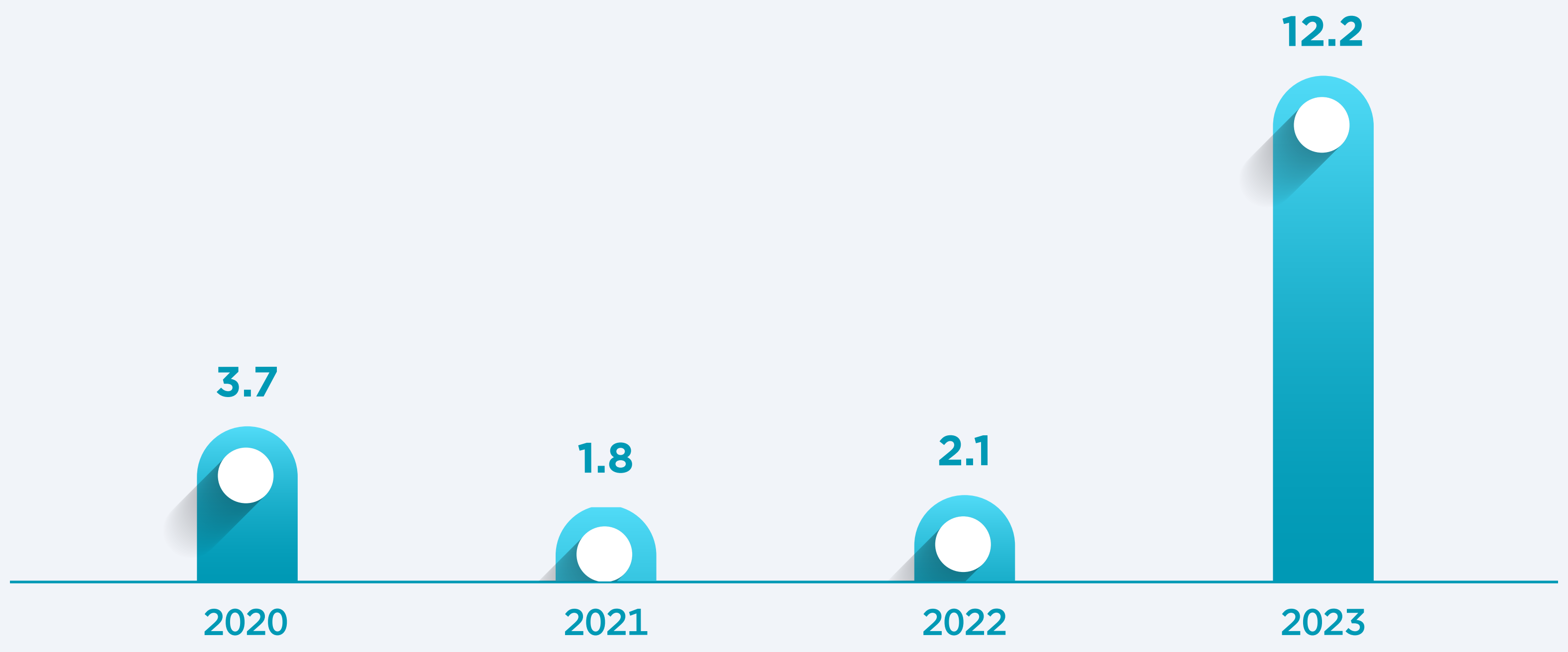
Source: BNA

Exchange rate of the Kwanza against the Dollar and the Euro



Source: BNA

Secondary market transactions in % of GDP



Source: BODIVA