



The Angolan Economy

Another balanced budget expected in 2024

Economic growth expected to accelerate in 2024, but remain subpar

The 2024 budget proposal assumes that real GDP growth will accelerate to 2.8% (from a downwardly revised growth estimate of 0.3% this year), as activity in the oil sector remains negative (-2.5%) and the non-oil sector sees an improved performance (4.6%). Annual inflation is expected to trend downwards to 15.3% (from 17.8% in 2023) after being under some pressure this year due to the impact of the depreciation of the kwanza on the prices of some goods and services. The budget proposal assumes that oil prices will average US\$ 65 per barrel in 2024. This is lower than the US\$ 75 projected in the 2023 budget (and the price expected for this year). The government also sees average daily crude production of 1.060 million barrels in 2024, falling 28k barrels/day (or -2.6%) from 2023. This is due to stoppages for maintenance works still required in several oil fields throughout next year.

Budget balance anticipated to reach a marginal surplus

The budget proposal amounts to AKZ 24,715 billion, standing 22.9% above the 2023 budget and 12.7% ahead of the expected figure for the year. The budget assumes that the government will reach a marginal surplus of AKZ 17 billion (equivalent to 0.02% of GDP) following a deficit of -0.1% expected in 2023. The government also forecasts a primary surplus (excluding debt payments) equivalent to 6.2% of GDP, above the surplus of 5.1% expected in 2023.

Oil receipts to represent more than half of total revenues

The government forecasts that total revenues and expenditures will amount to 20.1% of GDP in 2024. Revenues are expected to benefit from a strong performance in non-oil-related receipts (20.4%), while proceeds from the oil sector are anticipated to rise by a more modest 4.2% because of the lower crude prices and production expected for the year. The higher expenditure come from the marked increase in spending on goods and services (+48.8%) as well as interest payments (+39.3%). On the other hand, the government expects to reduce its spending on transfers, namely subsidies (-52.9%), as it continues to cut fuel subsidies in 2024. All in all, oil receipts are still anticipated to represent more than half of total revenues (53.4%), while interest payments account for nearly a third of total expenditures (31.0%).

More than half of public spending to be allocated to debt service payments

The government projects that 52.8% of the proceeds needed to finance its 2024 budget will come from taxes (31.8% from the oil sector), while 40.5% will come from debt financing. The amount of debt financing is expected to rise by 18.2%, with financing in overseas markets increasing by nearly fourfold. In terms of expenditures, we note that 57.8% of public spending is to be allocated to debt service amortization (capital plus interest), a significant increase from the previous year (49.1% of total spending).

Low public investment levels could jeopardize growth prospects

The Angolan government expects to deliver another balanced budget in 2024 as well as reduce the non-oil primary deficit to 4.1% of GDP, keeping this ratio within the 5% limit established in the Law of the Sustainability of Public Finances. Public debt levels are also expected to come down to 69.2% of GDP (from 79.9% in 2023), although still remain well above the long-term target of 60%. These are no doubt positive news. However, one should bear in mind that well over half of public expenditures in the 2024 budget are expected to continue to be allocated to debt service payments, while public investment levels (3.5% of GDP) remain at multi-year lows. This makes it even more challenging for the medium-term growth prospects of the country.

Research

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Economics

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BUDGET PROPOSAL (2024)**Macroeconomic Projections**

Economic activity in Angola has slowed markedly in 2023 when compared with the previous year. According to the latest available figures from the National Statistics Institute (INE), real GDP growth stood at only 0.2% YoY in the first half of the year (down from growth of 3.0% in 2022) because of the continued decline in activity in the oil sector (-5.4% YoY). Oil production continued to be affected by planned and non-planned emergency stoppages due to maintenance works at some of the oil platforms as well as breakdowns in certain oil blocks, including Blocks 0, 14, 15, 15/06, 17 and 18. On the other hand, activity in the non-oil sector continued to expand in the same period (+2.2% YoY) thanks to the favorable contribution from sectors like retail, transport and communication, real estate and financial services.

Economic growth has slowed markedly in 2023 from the previous year

Activity was also impacted by the sharp depreciation of the kwanza recorded during the second part of May and in June 2023. This evolution of the kwanza was due to the significant reduction in the amount of dollars available in the foreign exchange market following the erratic sale of dollars by the Treasury, which is by far the largest supplier of foreign currency to the domestic market. Indeed, the decline in oil production in the first three months of 2023 led to the entry of lower amounts of foreign currency in the Angolan market while the need to comply with debt service payments in the period meant that the supply of foreign currency was significantly reduced.

Apart from lower oil production, activity was also impacted by the sharp depreciation of the kwanza

All in all, this means that the weaker than expected performance recorded in the first half of 2023 led the authorities to significantly reduce their economic growth forecast for the whole year. The Angolan government now expects real GDP growth to advance by only 0.4% in the period, which is markedly lower than the 3.3% projected in the 2023 initial budget proposal. Activity in the oil and gas sector is now forecasted to fall -4.1% while growth in the non-oil sector is estimated to stand at only 1.8%. These figures compare with the growth of 3.0% in the oil sector and 3.4% in the non-oil sector that was initially foreseen.

The Angolan government significantly reduced its real GDP growth forecast for this year (0.4% vs. previous forecast of 3.3%)

The Angolan government's 2024 budget proposal assumes that economic growth in the country will accelerate to 2.8% in the year thanks to a significantly stronger performance in the non-oil sector (4.6%) and a lower contraction in the oil sector (-2.5%) from the previous year. The non-oil sector is expected to see faster growth across the board, as detailed below.

The 2024 budget proposal assumes that economic growth will accelerate to 2.8% in 2024

REAL GDP GROWTH						
	2020	2021	2022	2023 (1)	2023 (2)	2024 (1)
Real GDP Growth	-5.6%	1.2%	3.0%	3.3%	0.4%	2.8%
- Oil and Gas	-6.7%	-11.5%	1.0%	3.0%	-4.1%	-2.5%
Oil	-8.1%	-11.5%	1.1%	2.8%	-4.3%	-2.6%
Gas	-12.8%	10.3%	-9.7%	17.8%	13.8%	3.8%
- Non-oil	-5.1%	5.5%	3.9%	3.4%	1.8%	4.6%
Agriculture	5.5%	5.2%	3.8%	8.0%	1.3%	6.5%
Fishing	-6.1%	46.4%	4.2%	10.0%	-0.5%	6.0%
Extractive Industry	-11.0%	10.4%	0.5%	10.0%	0.5%	5.5%
Manufacturing	2.7%	0.8%	2.5%	2.8%	0.7%	5.2%
Construction	-25.8%	-6.7%	5.5%	11.0%	1.2%	3.2%
Energy	2.9%	1.8%	4.7%	4.9%	6.4%	10.6%
Commerce	3.5%	6.3%	2.8%	2.8%	2.3%	4.6%
Other	-3.2%	2.6%	7.5%	2.1%	1.0%	3.0%

(1) Initial Budget; (2) Estimate. Source: Angolan authorities.

Meanwhile, inflation in Angola has increased in recent months after reaching a low of 10.59% in April 2023 that marked the lowest level recorded since January 2019. The latest figures from INE showed that annual inflation reached 15.01% in September, leading the government to upwardly revise its inflation forecast for 2023 to 17.8%. The new forecast stands significantly above the initial projection of 11.1% and compares with 13.9% recorded in 2022.

Inflation has increased in recent months, leading the government to revise upwards its inflation forecast for the year

Inflation has once again been under some pressure largely due to the impact of the depreciation of the kwanza during the first semester of 2023 on the prices of certain goods and services. It is worth noting that more than half of the increase in inflation is due to the higher cost of food items and non-alcoholic beverages. This evolution also reflects (1) the adjustments in the prices of gasoline in June, (2) the closing of commercial warehouses by the Provincial Government of Luanda (also in June), (3) the increase in transportation costs (namely in ticket prices on air travel), and (4) the higher costs for education as well as healthcare services.

Consumer prices have been under pressure largely due to the impact of the depreciation of the kwanza during the first half of 2023

Inflation is expected to trend downwards next year due to a persistently tight monetary policy followed by the central bank. The government forecasts in its 2024 budget proposal that annual inflation will end the year at 15.3% while average inflation for the period should stand at 16.6%.

The 2024 budget proposal assumes that oil prices will average US\$ 65 per barrel in the year. This is lower than the US\$ 75 per barrel projected in the 2023 budget proposal (and the price expected for this year). The government also foresees average daily crude production reaching 1.060 million barrels in 2024, which compares with an expected output of 1.088 million barrels this year. Despite the start of production of three new oil fields in Block 0, four new oil fields in Block 14 and five new oil fields in Block 15, total oil production is expected to decline by 28k barrels/day (or -2.6%) from the previous year because of stoppages for maintenance works required in several oil fields throughout 2024.

Annual inflation is expected to decelerate to 15.3% by year-end 2024

The 2024 budget proposal assumes that oil prices will average US\$ 65, and crude production will see a drop from the previous year

ECONOMIC INDICATORS						
	2020	2021	2022	2023 (1)	2023 (2)	2024 (1)
Inflation (end of period)	25.1%	27.0%	13.9%	11.0%	17.8%	15.3%
Inflation (average)	22.3%	25.7%	21.7%	11.1%	13.3%	16.6%
Annual Oil and LNG Production	579.9	539.3	531.2	567.7	529.5	525.4
Oil Production (MBbl)	463.9	410.4	414.9	430.7	397.1	388.0
LNG Production (MBOE)	116.0	128.9	116.3	137.0	132.4	137.4
Daily Oil Production (Million Bbl/day)	1.271	1.124	1.137	1.180	1.088	1.060
Average Oil Price (US\$/Bbl)	41.0	70.7	101.8	75.0	75.0	65.0
Average LNG Price (US\$/BOE)	29.2	21.3	38.0	39.0	39.0	42.0
Nominal GDP (AKZ billion)	33,041.0	44,535.9	52,184.4	61,012.4	63,074.5	73,232.7
Oil	8,131.1	14,582.9	15,422.1	13,477.0	15,608.0	15,914.3
Non-oil	24,909.9	29,953.1	36,762.3	47,535.4	47,466.5	57,318.5

(1) Initial Budget; (2) Estimate. Source: Angolan authorities.

Government Accounts

The 2023 budget proposal was prepared assuming that oil prices would average US\$ 75 per barrel and that daily crude production would average 1.18 million barrels. These assumptions led the government to forecast a budget surplus corresponding to 0.9% of GDP, a primary surplus of 4.9% of GDP and a non-oil primary deficit of 6.5% of GDP.

The drop in oil production witnessed during the first half of 2023 resulted in lower-than-expected oil exports and receipts for the period. Moreover, the slower economic growth than previously envisioned also had an impact on receipts from the non-oil sector, with these now expected to stand more than 10% below the level forecasted by the government for the entire year.

This evolution required the government to adopt measures to lower expenditures to contain these impacts on its fiscal position. One of these measures was the significant reduction of public investment levels expected for the year, which were cut by -22.2% from the budgeted figure and are now projected to stand nearly 30% below the level recorded in 2022. Public investment is now forecasted to represent only 3.9% of GDP this year, representing a significant decline from the 6.7% of GDP in the previous year (and the 5.1% of GDP expected in the budget proposal).

The 2023 fiscal accounts have also been especially impacted by further pressures from interest expenses (due to the debt exposure to the exchange rate) and fuel subsidies, since, in the current subsidy model, changes in the market variables determining the price of gasoline and diesel are transmitted to public expenditure with subsidies and for fuel prices at petrol stations.

The exchange rate depreciation recorded in the second quarter also limited the potential tax gain from the reform of fuel subsidies announced on June 1, and which began with the adjustment of the price of gasoline by about 87.5%, from AKZ 160 to AKZ 300 per liter. The government plans to continue the process of phasing out of the rest of petrol subsidies and subsidies for diesel and petroleum over the course of 2024-25.

We recall that fuel subsidies accounted for 18.9% of public primary expenditures, 3.7% of GDP and amounted to AKZ 1.99 trillion in 2022. The government expects that these subsidies could amount to AKZ 1.82 trillion this year and represent close to 19.4% of primary expenditures and 2.9% of GDP, remaining one of the main sources of risk to the balance and sustainability of public accounts over the medium and long-term.

The 2023 budget proposal assumed that oil prices would average US\$ 75 per barrel

Oil production fell during the first half of 2023, resulting in lower-than-expected oil exports and receipts

The government had to adopt measures to reduce expenditures to contain the impact of lower-than-expected oil revenues and exchange rate depreciation on the fiscal position

The 2023 fiscal accounts were particularly impacted by higher interest expenses and fuel subsidies

The depreciation of the kwanza limited the potential tax gain from the reform of fuel subsidies

The fuel subsidies remain one of the main sources of risk to the balance and sustainability of public accounts over the medium and long-term

All in all, the government now forecasts that the overall fiscal balance should stand at -0.1% of GDP in 2023. This compares with a fiscal surplus of 0.9% of GDP projected in the initial budget (and a surplus of 1.0% of GDP in 2022). This downward revision in the overall fiscal balance is largely reflected by the slower economic activity now projected for the year and its impact on fiscal receipts, namely from the non-oil sector. Indeed, revenues from the oil sector were revised slightly upwards thanks to the favorable impact that the depreciation of the kwanza had on oil revenues, as it more than offset the negative effect of lower oil production in the period. On the other hand, the depreciation of the kwanza had a negative impact on interest payments, especially on foreign debt (46.8%) since more than 70% of Angola's public debt is denominated in foreign currency.

The government forecasts that the fiscal balance should reach -0.1% of GDP this year

Regarding the non-oil primary deficit, the updated projections from the government indicate that it will remain at 6.5% of GDP, as foreseen in the 2023 budget proposal. This is an improvement from the -9.1% of GDP recorded in 2022. The non-oil primary deficit has been the operational variable of fiscal policy, representing the structural balance of fiscal accounts, so much so that it is the fiscal anchor defined in the Law on the Sustainability of Public Finances.

The non-oil primary deficit should stand at 6.5% of GDP in 2023, in line with the projections included in the budget proposal

FISCAL ACCOUNTS	% of GDP				
	2020	2021	2022 (1)	2023 (2)	2023 (1)
Non-oil Revenues	10.9%	9.8%	10.8%	10.3%	8.1%
Taxes	9.4%	8.3%	8.6%	7.9%	6.8%
Primary Expenditures	17.0%	15.2%	20.2%	17.2%	14.9%
Non-oil Primary Balance	-5.9%	-5.1%	-9.1%	-6.5%	-6.5%
Oil Revenues	11.4%	14.9%	14.8%	11.8%	12.0%
Primary Balance	5.2%	9.5%	5.4%	4.9%	5.1%
Interests	7.2%	5.5%	4.4%	4.0%	5.2%
Overall Fiscal Balance	-2.0%	4.0%	1.0%	0.9%	-0.1%

(1) Preliminary; (2) Initial Budget. Sources: Angolan authorities and Eaglestone Securities.

Meanwhile, the 2024 budget proposal amounts to AKZ 24,715 billion, representing an increase of 22.9% from the 2023 budget and standing 12.7% above the government's expected figure for the year. The proposal assumes that the government will reach a slightly positive overall fiscal balance of AKZ 17 billion (equivalent to 0.0% of GDP) following a deficit of -0.1% of GDP expected in 2023. The government also projects a primary surplus of 6.2% of GDP, above the surplus of 5.1% expected in 2023. We recall that the 2023 budget proposal assumed an overall budget surplus and primary surplus equivalent to 0.9% and 4.9% of GDP, respectively.

The Angolan government expects to reach a slightly positive fiscal balance in 2024

In the 2024 budget proposal, the government forecasts that total revenues and expenditures will reach AKZ 14,710 billion and AKZ 14,692 billion, respectively. This represents an increase of 16.3% in revenues and 15.8% in expenditures relative to the figures expected for 2023. It is also worth mentioning that the budget proposal assumes that non-oil related revenues will increase by 20.4% and primary expenditures (excluding interests) by a more modest 7.6% when compared with the expected figures for 2023.

Revenues are forecasted to increase by 16.3% and expenditures by 15.8% from the figures expected for 2023

The table below details the revenues and expenditures projected by the government for 2024. As previously stated, revenues are expected to benefit from a strong performance in non-oil-related receipts, but also from other (unspecified) revenues (+82.6%). Oil receipts are anticipated to rise by a more modest 4.2% from the previous year.

Revenues are expected to benefit from a strong increase in non-oil related receipts (+20.4%)

GOVERNMENT ACCOUNTS	AKZ Billion					YoY Change			
	2021	2022 (1)	2023 (2)	2023 (1)	2024 (2)	2022 (1) / 2021	2023 (1) / 2022 (1)	2024 (2) / 2023 (2)	2024 (2) / 2023 (1)
Revenues	10,995	13,336	13,462	12,643	14,710	21.3%	-5.2%	9.3%	16.3%
Current Revenues	10,973	13,333	13,462	12,643	14,697	21.5%	-5.2%	9.2%	16.2%
Tax Revenues	10,324	12,212	11,999	11,857	13,050	18.3%	-2.9%	8.8%	10.1%
Oil Revenues	6,615	7,706	7,196	7,544	7,859	16.5%	-2.1%	9.2%	4.2%
% of Total Tax Revenues	64.1%	63.1%	60.0%	63.6%	60.2%	-1.0%	0.5%	0.3%	-3.4%
Non-oil Revenues	3,709	4,506	4,804	4,313	5,191	21.5%	-4.3%	8.1%	20.4%
Social Contributions	350	409	311	311	568	16.8%	-24.0%	82.6%	82.6%
Other Revenues	299	712	1,152	475	1,079	137.9%	-33.2%	-6.3%	126.9%
Capital Revenues	22	3	0	0	13	-86.8%	-100.0%	-	-
Expenditures	9,207	12,800	12,902	12,691	14,692	39.0%	-0.9%	13.9%	15.8%
Current Expenditures	6,727	9,326	9,769	10,255	12,092	38.6%	10.0%	23.8%	17.9%
Wages	2,095	2,360	2,825	2,702	3,062	12.7%	14.5%	8.4%	13.3%
Goods and Services	1,646	2,054	2,840	1,787	2,659	24.8%	-13.0%	-6.4%	48.8%
Interests	2,445	2,277	2,441	3,272	4,558	-6.8%	43.7%	86.8%	39.3%
Transfers	542	2,635	1,663	2,494	1,813	386.0%	-5.3%	9.0%	-27.3%
Subsidies	62	2,071	964	1,868	880	3224.1%	-9.8%	-8.8%	-52.9%
Capital Expenditure	2,480	3,473	3,133	2,436	2,600	40.1%	-29.9%	-17.0%	6.7%
Public Investment	2,392	3,139	3,119	2,337	2,577	31.2%	-25.5%	-17.4%	10.2%
Primary Fiscal Balance	4,233	2,813	3,001	3,224	4,576	-33.5%	14.6%	52.5%	41.9%
% of GDP	9.5%	5.4%	4.9%	5.1%	6.2%	-4.1%	-0.3%	1.3%	1.1%
Overall Fiscal Balance	1,788	536	560	-47	17	-70.0%	n.m.	-96.9%	n.m.
% of GDP	4.0%	1.0%	0.9%	-0.1%	0.0%	-3.0%	-1.1%	-0.9%	0.1%

(1) Preliminary; (2) Initial Budget. Sources: Angolan authorities and Eaglestone Securities.

The higher expenditure projected for the year comes on the back of a 17.9% increase in current expenditures, namely higher government spending on goods and services (48.8%) as well as interests (39.3%). Wages are forecasted to increase by 13.3% from the expected level in 2023 thanks to the 5% adjustment (across the board) in the salaries of public sector employees as well as promotions and some limited new hirings, namely in the education and healthcare sectors.

The government plans to spend a significantly higher amount on goods and services as well as interest payments

On the other hand, the government expects to significantly reduce the amount of spending on transfers (-27.3%), namely subsidies (-52.9%). This evolution is related to the continued decline in fuel subsidies planned for next year. Capital expenditures, including public investment, are anticipated to recover in 2024 after declining this year.

Spending on transfers, including subsidies, is expected to fall sharply

Overall, total revenues and expenditures are both projected to represent 20.1% of GDP (roughly unchanged from 2023), with oil-related tax receipts reaching 10.7% (down from 12.0% expected in 2023). On the other hand, current expenditures are expected to account for a slightly higher 16.5% of GDP (vs. 16.3% in the previous year) because of the sharp increases in spending on goods and services as well as interest payments, which more than offset the decline in subsidies.

Revenues and expenditures are both expected to represent 20.1% of GDP

GOVERNMENT ACCOUNTS	% of GDP									
	2016	2017	2018	2019	2020	2021	2022 (1)	2023 (2)	2023 (1)	2024 (2)
Revenues	17.6%	17.5%	22.9%	21.4%	21.4%	24.7%	25.6%	22.1%	20.0%	20.1%
Tax Revenues	15.8%	15.8%	21.1%	19.8%	20.0%	23.2%	23.4%	19.7%	18.8%	17.8%
Oil Revenues	8.3%	9.9%	14.5%	12.9%	10.9%	14.9%	14.8%	11.8%	12.0%	10.7%
Non-oil Revenues	7.5%	5.9%	6.6%	6.9%	9.1%	8.3%	8.6%	7.9%	6.8%	7.1%
Non-tax Revenues	1.8%	1.7%	1.8%	1.5%	1.4%	1.5%	2.2%	2.4%	1.2%	2.3%
Expenditures	22.2%	23.8%	20.8%	20.8%	23.2%	20.7%	24.5%	21.1%	20.1%	20.1%
Current Expenditures	18.3%	17.3%	16.1%	17.1%	17.9%	15.1%	17.9%	16.0%	16.3%	16.5%
Wages	8.5%	7.4%	6.0%	6.5%	6.3%	4.7%	4.5%	4.6%	4.3%	4.2%
Goods and Services	3.8%	4.1%	3.4%	2.8%	2.9%	3.7%	3.9%	4.7%	2.8%	3.6%
Interests	2.9%	3.3%	4.7%	5.9%	6.9%	5.5%	4.4%	4.0%	5.2%	6.2%
Transfers	3.1%	2.3%	1.9%	2.0%	1.8%	1.2%	5.0%	2.7%	4.0%	2.5%
Subsidies	1.0%	0.5%	0.3%	0.3%	0.1%	0.1%	4.0%	1.6%	3.0%	1.2%
Capital Expenditure	3.9%	6.5%	4.6%	3.7%	5.4%	5.6%	6.7%	5.1%	3.9%	3.6%
Public Investment	3.9%	5.9%	4.6%	3.7%	4.0%	5.4%	6.0%	5.1%	3.7%	3.5%
Primary Fiscal Balance	-1.7%	-3.0%	6.8%	6.5%	5.0%	9.5%	5.4%	4.9%	5.1%	6.2%
Overall Fiscal Balance	-4.5%	-6.3%	2.1%	0.6%	-1.9%	4.0%	1.0%	0.9%	-0.1%	0.0%
Non-oil Primary Balance	-10.0%	-12.9%	-7.7%	-6.5%	-5.9%	-5.3%	-9.4%	-6.9%	-6.8%	-4.5%
Non-oil Total Balance	-12.9%	-16.2%	-12.4%	-12.3%	-12.8%	-10.8%	-13.7%	-10.9%	-12.0%	-10.7%

(1) Preliminary; (2) Initial Budget. Sources: Angolan authorities and Eaglestone Securities.

Oil-related tax receipts are expected to continue to represent most revenues, standing at 53.4% of the total in 2024. However, this figure is well below the 59.7% projected for 2023, although

Tax receipts from the oil sector will continue to represent most revenues

in line with the 53.5% in the 2023 budget proposal. This decline is due to the lower oil price and production assumed in the 2024 budget proposal and the impact that it is expected to have on fiscal receipts. On the other hand, the contribution from non-oil tax and non-tax receipts are projected to increase compared with the forecasts for 2023, especially the latter, which is expected to increase from 6.2% to 11.3% of the total revenues.

Also worth noting is the proportion of public spending going toward interest payments, which is expected to amount to 31.0% of the total expenditure (vs. 25.8% forecasted in the previous year). As in 2023, the amount of public spending on interest payments is once again expected to surpass what the government spends on the wages of public sector employees. Indeed, this has happened every year since 2020, except for the year 2022 that saw a favorable evolution of the kwanza exchange rate that benefited interest payments on external debt.

Interest payments are expected to represent 31% of total expenditures

Spending on goods and services is also anticipated to take a higher share of the total expenditure while spending on transfers, including subsidies, should see a material decline from the previous year. The same is expected to happen to capital expenditure, as its relative share falls to 17.7% of the total (vs. 19.2% in 2023).

Spending on goods and services is also anticipated to take a higher share of total expenditures

GOVERNMENT ACCOUNTS	% of Total									
	2016	2017	2018	2019	2020	2021	2022 (1)	2023 (2)	2023 (1)	2024 (2)
Revenues										
Tax Revenues (Oil)	47.3%	56.7%	63.4%	60.4%	51.2%	60.2%	57.8%	53.5%	59.7%	53.4%
Tax Revenues (Non-Oil)	42.3%	33.7%	28.9%	32.4%	42.4%	33.7%	33.8%	35.7%	34.1%	35.3%
Non-tax Revenues	10.4%	9.6%	7.7%	7.2%	6.4%	6.1%	8.4%	10.9%	6.2%	11.3%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures										
Current Expenditures	82.3%	72.6%	77.7%	82.3%	76.9%	73.1%	72.9%	75.7%	80.8%	82.3%
Wages	38.3%	31.3%	28.9%	31.4%	26.9%	22.7%	18.4%	21.9%	21.3%	20.8%
Goods and Services	17.1%	17.4%	16.6%	13.3%	12.6%	17.9%	16.0%	22.0%	14.1%	18.1%
Interests	12.9%	14.0%	22.8%	28.2%	29.7%	26.6%	17.8%	18.9%	25.8%	31.0%
Transfers	14.0%	9.8%	9.3%	9.4%	7.7%	5.9%	20.6%	12.9%	19.7%	12.3%
Subsidies	4.4%	1.9%	1.6%	1.2%	0.6%	0.7%	16.2%	7.5%	14.7%	6.0%
Capital Expenditure	17.7%	27.4%	22.3%	17.7%	23.1%	26.9%	27.1%	24.3%	19.2%	17.7%
Total Expenditures	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary; (2) Initial Budget. Sources: Angolan authorities and Eaglestone Securities.

In terms of expenditures by sector, the government expects to spend AKZ 10,134 billion in 2024 if excluding spending on public debt operations. This is a reduction of -8.2% from what it forecasted in the 2023 budget and mainly results from the significantly lower expenditures in the economic sector (-38.2%). Spending on general public services and other is also expected to fall in the period (-12.5%), but the other sectors are expected to see higher expenditure. Spending on the social sector is projected to increase 2.9% and spending on defense, security and social order should see a slight increase of 1.2% relative to the figure in 2023 budget proposal. We also note that public debt amortization is anticipated to see a sharp increase of 60.9% and account for 59.0% of total budgeted expenditures (vs. 45.1% of the total projected in the 2023 budget).

Total expenditures (excluding spending on public debt operations) are expected to fall -8.2% from the 2023 budget

As detailed in the table below, spending on the social sector is projected to once again account for the largest share of total expenditures, representing 49.0% of primary expenditure (excluding public debt operations) and 20.1% of total expenditure.

The social sector will remain by far the most relevant in terms of expenditures

EXPENDITURES BY SECTOR	AKZ Billion		Change	% Total Exp. (1)		% Total Exp.		% of GDP	
	2023	2024	2024 / 2023	2023	2024	2023	2024	2023	2024
Social Sector	4,827	4,965	2.9%	43.7%	49.0%	24.0%	20.1%	7.9%	6.8%
Education	1,556	1,572	1.0%	14.1%	15.5%	7.7%	6.4%	2.6%	2.1%
Health	1,342	1,365	1.7%	12.2%	13.5%	6.7%	5.5%	2.2%	1.9%
Social Protection	689	869	26.1%	6.2%	8.6%	3.4%	3.5%	1.1%	1.2%
Housing	1,115	1,048	-6.0%	10.1%	10.3%	5.5%	4.2%	1.8%	1.4%
Other	125	112	-9.9%	1.1%	1.1%	0.6%	0.5%	0.2%	0.2%
Economic Sector	1,959	1,211	-38.2%	17.7%	11.9%	9.7%	4.9%	3.2%	1.7%
Agriculture, Fishing	412	163	-60.5%	3.7%	1.6%	2.0%	0.7%	0.7%	0.2%
Transports	608	543	-10.7%	5.5%	5.4%	3.0%	2.2%	1.0%	0.7%
Fuel and Energy	786	269	-65.7%	7.1%	2.7%	3.9%	1.1%	1.3%	0.4%
Extractive Ind., Manufacturing, Construction	44	76	74.5%	0.4%	0.8%	0.2%	0.3%	0.1%	0.1%
General Economic Matters	77	120	55.7%	0.7%	1.2%	0.4%	0.5%	0.1%	0.2%
Other	33	40	21.3%	0.3%	0.4%	0.2%	0.2%	0.1%	0.1%
Defense, Security and Social Order	1,723	1,744	1.2%	15.6%	17.2%	8.6%	7.1%	2.8%	2.4%
Defense	855	807	-5.7%	7.7%	8.0%	4.3%	3.3%	1.4%	1.1%
Security and Social Order	867	937	8.0%	7.9%	9.2%	4.3%	3.8%	1.4%	1.3%
General Public Services and Other	2,532	2,214	-12.5%	22.9%	21.8%	12.6%	9.0%	4.1%	3.0%
General Services	939	836	-10.9%	8.5%	8.3%	4.7%	3.4%	1.5%	1.1%
Executive Branches	935	868	-7.2%	8.5%	8.6%	4.7%	3.5%	1.5%	1.2%
Other	658	510	-22.5%	6.0%	5.0%	3.3%	2.1%	1.1%	0.7%
Total Expend. (Ex. Public Debt Operations)	11,040	10,134	-8.2%	100.0%	100.0%	54.9%	41.0%	18.1%	13.8%
Public Debt Operations	9,064	14,581	60.9%			45.1%	59.0%	14.9%	19.9%
Domestic	3,994	5,940	48.7%			19.9%	24.0%	6.5%	8.1%
Overseas	5,070	8,341	64.5%			25.2%	33.7%	8.3%	11.4%
Other Expenses and Transfers	-	300	-			-	1.2%	-	0.4%
Total Expenditures	20,104	24,715	22.9%			100.0%	100.0%	33.0%	33.7%

(1) Excluding Public Debt Operations. Sources: Angolan authorities and Eaglestone Securities.

The government expects to finance its 2024 budget by once again relying comparatively more on current receipts, mainly taxes (52.8% of the total receipts), as opposed to debt financing. Still, the projected amount of debt financing is expected to increase by 18.2% relative to the forecasted figure for 2023 and stand 51.1% above the projection included in the 2023 initial budget.

Tax revenues are expected to represent 52.8% of the total receipts for 2024

The government also expects to see an increase of 39.3% in debt interest payments and 29.6% in debt amortization relative to the 2023 forecasted figures and for these to represent 18.4% and 39.3% of the total expenditures, respectively. In other words, 57.8% of total expenditures are projected to be allocated to debt service payments (debt amortization plus interest).

Total debt amortization (interest and capital) is expected to represent 57.8% of total expenditures

FINANCING	AKZ Billion			YoY Change		% of Total			% of GDP		
	2023 (1)	2023 (2)	2024 (1)	2024(1) / 2023(1)	2024(1) / 2023(2)	2023 (1)	2023 (2)	2024 (1)	2023 (1)	2023 (2)	2024 (1)
Receipts											
Current Revenues	13,462	12,643	14,697	9.2%	16.2%	67.0%	57.6%	59.5%	22.1%	20.0%	20.1%
Taxes	11,999	11,857	13,050	8.8%	10.1%	59.7%	54.1%	52.8%	19.7%	18.8%	17.8%
Oil Sector	7,196	7,544	7,859	9.2%	4.2%	35.8%	34.4%	31.8%	11.8%	12.0%	10.7%
Non-oil Sector	4,804	4,313	5,191	8.1%	20.4%	23.9%	19.7%	21.0%	7.9%	6.8%	7.1%
Social Contributions	311	311	568	82.6%	82.6%	1.5%	1.4%	2.3%	0.5%	0.5%	0.8%
Other	1,152	475	1,079	-6.3%	126.9%	5.7%	2.2%	4.4%	1.9%	0.8%	1.5%
Capital Revenues	0	0	13	-	-	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Asset Sales	20	12	2	-91.3%	-85.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Financing	6,623	8,463	10,004	51.1%	18.2%	32.9%	38.6%	40.5%	10.9%	13.4%	13.7%
Domestic	3,097	6,847	3,833	23.8%	-44.0%	15.4%	31.2%	15.5%	5.1%	10.9%	5.2%
International	3,526	1,615	6,171	75.0%	282.0%	17.5%	7.4%	25.0%	5.8%	2.6%	8.4%
Treasury Reserves	0	818	0	-	-100.0%	0.0%	3.7%	0.0%	0.0%	1.3%	0.0%
Total Receipts	20,104	21,935	24,715	22.9%	12.7%	100.0%	100.0%	100.0%	33.0%	34.8%	33.7%
Expenditures											
Staff Costs	2,825	2,702	3,062	8.4%	13.3%	14.1%	12.3%	12.4%	4.6%	4.3%	4.2%
Goods and Services	2,840	1,787	2,659	-6.4%	48.8%	14.1%	8.1%	10.8%	4.7%	2.8%	3.6%
Interests	2,441	3,272	4,558	86.8%	39.3%	12.1%	14.9%	18.4%	4.0%	5.2%	6.2%
Domestic	1,145	1,370	1,750	52.8%	27.7%	5.7%	6.2%	7.1%	1.9%	2.2%	2.4%
External	1,296	1,901	2,809	116.8%	47.7%	6.4%	8.7%	11.4%	2.1%	3.0%	3.8%
Transfers	1,663	2,494	1,813	9.0%	-27.3%	8.3%	11.4%	7.3%	2.7%	4.0%	2.5%
Subsidies	964	1,868	880	-8.8%	-52.9%	4.8%	8.5%	3.6%	1.6%	3.0%	1.2%
Capital Expenditures	3,133	2,436	2,600	-17.0%	6.7%	15.6%	11.1%	10.5%	5.1%	3.9%	3.6%
Debt Amortization	6,623	7,502	9,723	46.8%	29.6%	32.9%	34.2%	39.3%	10.9%	11.9%	13.3%
Domestic	2,849	4,336	4,190	47.1%	-3.4%	14.2%	19.8%	17.0%	4.7%	6.9%	5.7%
External	3,774	3,166	5,533	46.6%	74.8%	18.8%	14.4%	22.4%	6.2%	5.0%	7.6%
Other Financial Investments	579	198	300	-48.1%	51.6%	2.9%	0.9%	1.2%	0.9%	0.3%	0.4%
Treasury Operations	0	1,544	0	-	-100.0%	0.0%	7.0%	0.0%	0.0%	2.4%	0.0%
Total Expenditures	20,104	21,935	24,715	22.9%	12.7%	100.0%	100.0%	100.0%	33.0%	34.8%	33.7%

(1) Initial Budget; (2) Estimate. Sources: Angolan authorities and Eaglestone Securities.

The table below summarizes the government’s financing needs for 2024. Gross financing needs are expected to amount to AKZ 10,023 billion in the period, representing 13.7% of GDP. These include (1) net financing needs of AKZ 300 billion (0.4% of GDP) and (2) debt amortization of AKZ 9,723 billion (13.3% of GDP). We note that 97.0% of the gross financing needs relate to debt amortization, which compares with 80.7% of the total expected in the previous year.

Gross financing needs are expected to represent 13.7% of GDP

FINANCING	AKZ Billion			YoY Change		% of Total			% of GDP		
	2023 (1)	2023 (2)	2024 (1)	2024(1) / 2023(1)	2024(1) / 2023(2)	2023 (1)	2023 (2)	2024 (1)	2023 (1)	2023 (2)	2024 (1)
Gross Financing Needs											
Net Financing Needs	579	1,790	300	-48.1%	-83.2%	8.0%	19.3%	3.0%	0.9%	2.8%	0.4%
Fiscal Deficit	0	47	0	-	-100.0%	0.0%	0.5%	0.0%	0.0%	0.1%	0.0%
Treasury Operations	0	1,544	0	-	-100.0%	0.0%	16.6%	0.0%	0.0%	2.4%	0.0%
Financial Investments	579	198	300	-48.1%	51.6%	8.0%	2.1%	3.0%	0.9%	0.3%	0.4%
Debt Amortization	6,623	7,502	9,723	46.8%	29.6%	92.0%	80.7%	97.0%	10.9%	11.9%	13.3%
Domestic	2,849	4,336	4,190	47.1%	-3.4%	39.6%	46.7%	41.8%	4.7%	6.9%	5.7%
External	3,774	3,166	5,533	46.6%	74.8%	52.4%	34.1%	55.2%	6.2%	5.0%	7.6%
Total Gross Financing Needs	7,202	9,292	10,023	39.2%	7.9%	100.0%	100.0%	100.0%	11.8%	14.7%	13.7%
Receipts											
Asset Sales	20	12	2	-91.3%	-85.2%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%
Financing	6,623	8,463	10,004	51.1%	18.2%	92.0%	91.1%	99.8%	10.9%	13.4%	13.7%
Domestic	3,097	6,847	3,833	23.8%	-44.0%	43.0%	73.7%	38.2%	5.1%	10.9%	5.2%
International	3,526	1,615	6,171	75.0%	282.0%	49.0%	17.4%	61.6%	5.8%	2.6%	8.4%
Fiscal Surplus	560	0	17	-96.9%	-	7.8%	0.0%	0.2%	0.9%	0.0%	0.0%
Treasury Reserve	0	818	0	-	-100.0%	0.0%	8.8%	0.0%	0.0%	1.3%	0.0%
Total Receipts	7,202	9,292	10,023	39.2%	7.9%	100.0%	100.0%	100.0%	11.8%	14.7%	13.7%

(1) Initial Budget; (2) Estimate. Sources: Angolan authorities and Eaglestone Securities.

Meanwhile, Angola’s public debt is expected to increase in 2023 after maintaining a downward trajectory in the previous two years. The government’s current estimates indicate that public debt could reach 83.9% of GDP by December 2023, while government debt could stand at 79.9% of GDP. These figures compare with 69.9% and 65.8% of GDP, respectively, in 2022.

Public debt is expected to increase to 83.9% of GDP in 2023

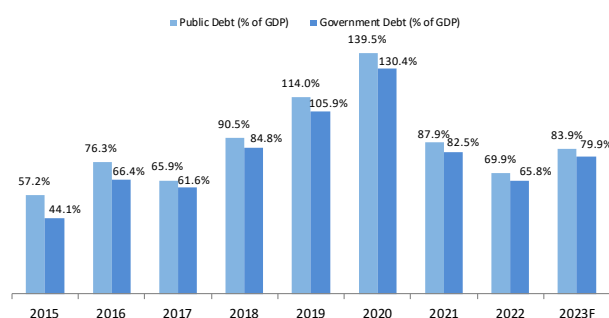
Angola’s debt structure is characterized by high exposure to exchange rate and interest rate fluctuations, particularly regarding external debt as it accounts for about 70% of total government debt. Public debt levels worsened this year because of (1) a weaker exchange rate, considering the depreciation of the kwanza in the period between mid-May and end-June and (2) a less favorable differential between interest rate and economic growth due to less vigorous GDP growth (which was revised downwards).

Angola’s public debt is highly exposed to exchange rate and interest rate fluctuations

Preliminary figures for September 2023 showed that government debt surged 54% from the level recorded in December 2022, increasing from AKZ 32.3 trillion to AKZ 52.9 trillion in the period. This resulted from the sharp depreciation of the Angolan currency, as external debt denominated in dollars actually declined 3.8% to US\$ 46.4 billion.

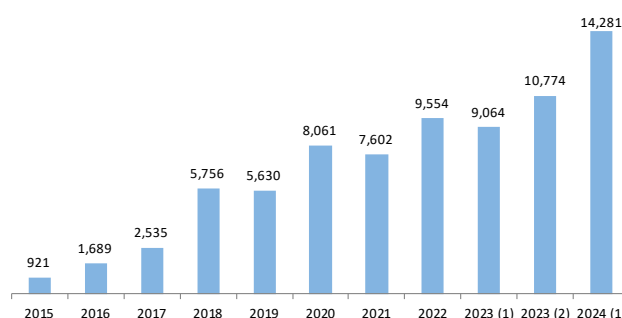
Debt levels denominated in kwanzas surged from the levels in December 2022 because of the sharp depreciation of the currency

PUBLIC DEBT AND GOVERNMENT DEBT (% OF GDP)



Source: Angolan authorities.

DEBT SERVICE PAYMENTS (AKZ BILLION)



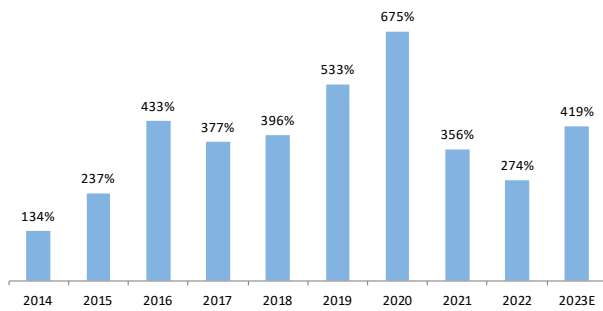
(1) Initial Budget; (2) Estimate. Source: Angolan authorities.

We also note that the burden caused by Angola’s public debt levels on the government’s accounts deteriorated once again this year following the improvement recorded in 2021-22. For example, according to our calculations, the public debt-to-revenues ratio is expected to increase to 419% in 2023, standing well above the 274% recorded in 2022. We recall that this ratio reached 675%

Some metrics show a deterioration in terms of the burden caused by public debt levels on the government’s accounts

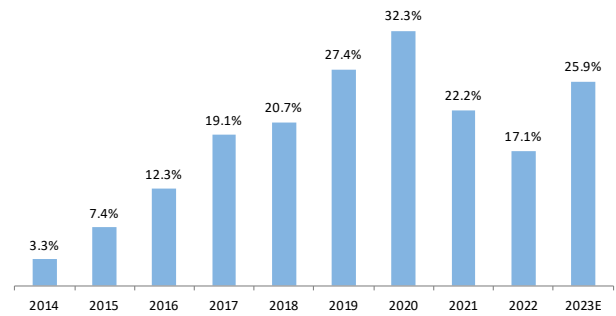
in 2020 and then fell to 356% in 2021. Moreover, the ratio of interest payments-to-revenues is expected to increase to 25.9% in 2023 from 17.1% in the previous year.

PUBLIC DEBT (% OF REVENUES)



Sources: Angolan authorities and Eaglestone Securities.

INTEREST PAYMENTS (% OF REVENUES)



Sources: Angolan authorities and Eaglestone Securities.

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

EAGLESTONE SECURITIES

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