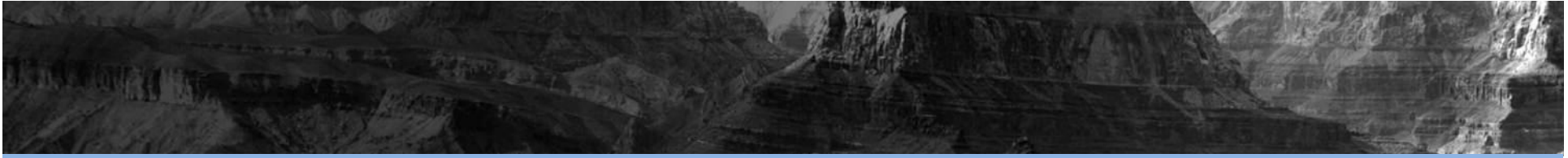




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African Legal Support Facility
Webinar Series - Invitation and Registration details



Financing Infrastructure Projects in the "New Normal"

Impact of the Covid-19 pandemic on the Lusophone economies in Africa

Tiago Dionisio

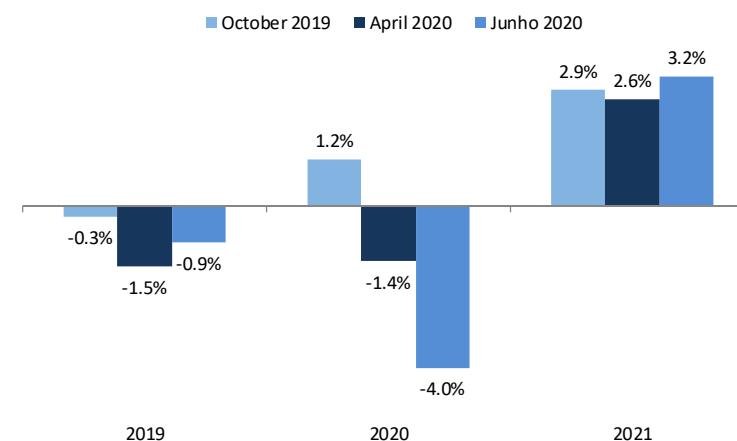
July 15th, 2020



Angola

- ❖ **The Angolan economy has clearly been hit with a double-whammy of markedly lower oil prices and the impact of Covid-19.** The pandemic led to a contraction in crude demand, which, together with a price war between Saudi Arabia and Russia, put additional pressure on oil prices and led them to the lowest level of the last two decades.
- ❖ **Angola remains largely dependent on the oil sector,** still representing more than 95% of its exports and nearly two-thirds of public receipts. As a result, the latest forecasts suggest that the economy will contract at least 3.5-4.0% this year as a result of the lower oil prices and the pandemic. This means that 2020 would be the fifth consecutive year of recession in the country and the worst in Angola's history.
- ❖ **The revised budget for 2020 includes a sharp reduction (28.9%) to public revenues,** in particular as a result of a strong cut (47.1%) in oil-related tax receipts. This impact will be partly offset by lower spending (8.7%), namely due to lower debt interest payments after Angola allegedly secured a three-year debt moratorium deal with China. Still, the budget deficit is expected to reach 4% of GDP this year, which compares with 1.2% of GDP projected in the initial budget presented in end-2019.
- ❖ **The government also expects to reallocate public expenditures to the sectors being relatively more impacted by the current environment.** In particular, the Angolan authorities anticipate to spend more on fuel and energy, transports and agriculture as well as on education and healthcare.

Real GDP Growth Forecasts

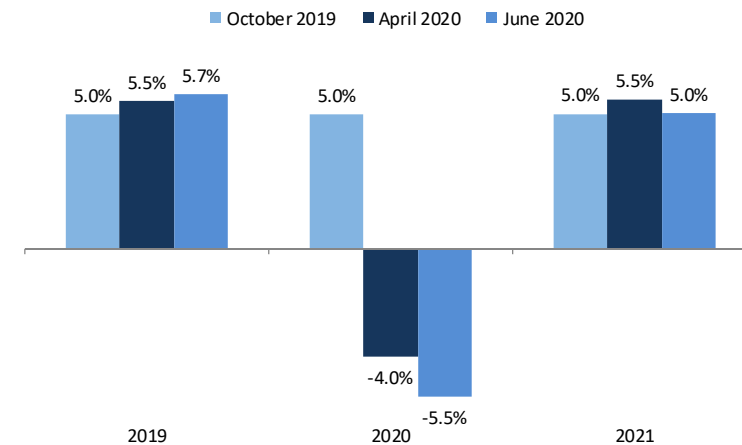


PUBLIC ACCOUNTS				2020 Revised	
	2019	2020 Initial	2020 Revised	vs. 2019	vs. 2020 Initial
Revenues	6,512	8,615	6,125	-5.9%	-28.9%
<i>% of GDP</i>	<i>21.3%</i>	<i>20.4%</i>	<i>19.2%</i>		
Taxes (oil sector)	3,953	5,581	2,952	-25.3%	-47.1%
Taxes (non-oil sector)	2,105	2,517	2,329	10.6%	-7.5%
Other revenues	455	518	845	85.6%	63.2%
Expenditures	6,270	8,096	7,393	17.9%	-8.7%
<i>% of GDP</i>	<i>20.5%</i>	<i>19.2%</i>	<i>23.2%</i>		
Current expenditures	5,143	6,759	5,931	15.3%	-12.3%
Capital expenditures	1,127	1,337	1,462	29.8%	9.3%
Budget Balance	243	519	-1,268	n.m.	n.m.
<i>% of GDP</i>	<i>0.8%</i>	<i>1.2%</i>	<i>-4.0%</i>		

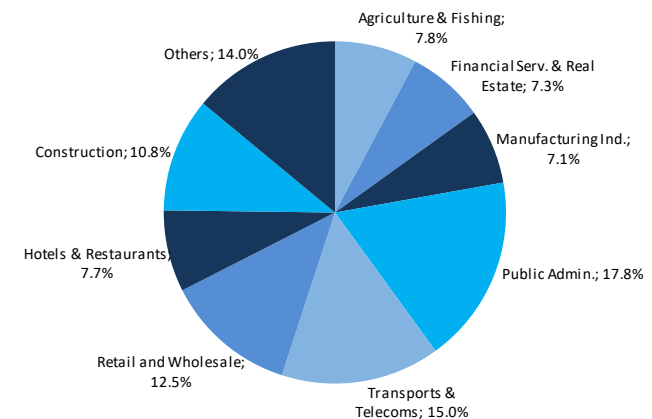
Cabo Verde

- ❖ **The economic impact of Covid-19 should be quite significant due to the country's large dependence on the tourism sector.** It is estimated that activities related to this sector account for about 25% of GDP and 50% of export receipts, with the largest part of tourists coming from the UK and the euro zone. The current global recession, together with the travelling restrictions and border control measures still imposed by several countries, will have a significant impact on tourism flows
- ❖ **The sharp fall in tourism entries into the country will also affect the transport sector,** which, together with the telecoms sector, account for about 15% of GDP. Activity in the sector is expected to contract due to the travelling restrictions and the reduction in tourism that will also impact the activity of the country's airline company (CVA).
- ❖ **The pandemic will have a significant impact on the country's external accounts** namely the services balance due to the sharp drop in receipts from the tourism sector. This impact should be partly offset by the recent fall in commodity prices, especially oil, which will benefit the trade balance. A likely drop in demand for capital and intermediate goods (representing 30% of total imports) could also help reduce the external imbalance.
- ❖ **The current global economic backdrop and the uncertainties related to a possible recovery in the foreseeable future,** particularly in the US and Europe (where most of the diaspora is located), could affect the remittances from emigrants. This despite the fact that, in the past, the level of remittances actually increased in periods of crisis due to the help that emigrants provide to their families.

Real GDP Growth Forecasts



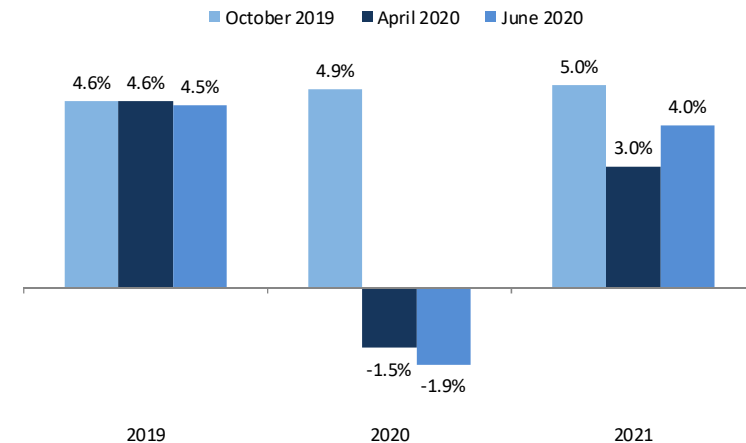
GDP Structure



Guiné-Bissau

- ❖ **The country's economy largely depends on the agriculture sector, namely on the production and commercialization of cashew nuts.** Agriculture represents more than 45% of GDP and is the key engine of the economy, of which depend (directly and indirectly) about 80% of the population. More than 90% of exports also come from agriculture, more specifically from cashew nuts.
- ❖ **Restrictions imposed by the Covid-19 pandemic limit circulation in the country** and, as a result, these have also affected production, distribution and commercialization of cashew nuts. Farmers have been obliged to retain their products due to the inability to sell them, causing many economic agents to go through very significant difficulties in the current environment.
- ❖ **The government has announced some measures to help mitigate the impact of the pandemic.** One of these measures is to provide funds to the five commercial banks so that they are able to finance the cashew nut campaign. Another one was to diversify the options available for the banking sector to access refinancing from the central bank, through the quotes of private companies that can be used as collateral.
- ❖ **The latest forecasts suggest that economic activity in the country could contract 1.9% this year after expanding 4.5% in 2019.** The pandemic will not only have an impact on the external account deficit, due to the expected decline in exports this year, but also on the country public accounts bearing in mind that the agriculture sector represents the largest share of public receipts.

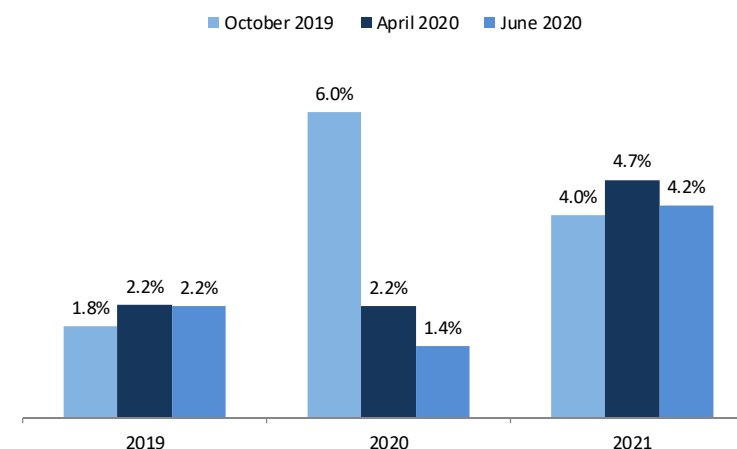
Real GDP Growth Forecasts



Mozambique

- ❖ **The economic consequences of Covid-19 are likely to be significant** at a time when the Mozambican economy was already being impacted by the effects of cyclones Idai and Kenneth and military instability in the northern and central parts of the country. The combination of these effects will likely lead to a contraction in activity in the extractive and manufacturing industries, as well as the transports, retail and services, hotels and restaurants sectors. Together, these sectors represent nearly 58% of GDP. The favorable performance in the agriculture sector, which represents about 25% of GDP, might not be enough to smoothen the negative effects on the other economic sectors.
- ❖ **The pandemic will also have impact the country's public accounts.** The government expects in its budget a double-digit drop in public revenues relatively to 2019 largely due to the drop in tax receipts. It also expects a near 13% increase in public spending to help respond to the health crisis and the needs of the local population and companies that are being more affected by Covid-19.
- ❖ **The public debt relief of about US\$ 15 million provided by the IMF** will be directed towards combating Covid-19, but the large requirements of the local economy could put further pressure on public spending. The government expects that the budget deficit will reach 7.7% of GDP this year, significantly above the 2.1% of GDP reported in 2019.
- ❖ **The external account imbalance will also likely worsen this year,** with the current account deficit possibly reaching 29.4% of GDP (vs. 27.5% of GDP in 2019). This deterioration results from a drop in export receipts from commodities (coal and aluminum), especially following the lower price and volumes sold overseas. This impact will be smoothened by lower fuel imports.

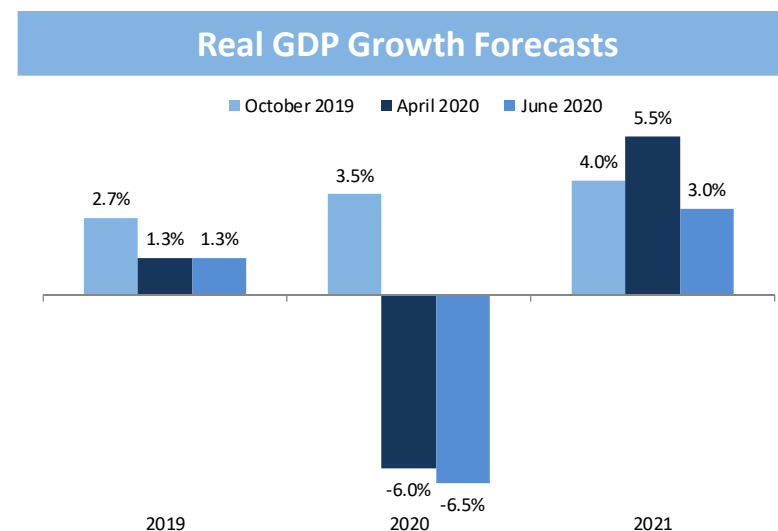
Real GDP Growth Forecasts



IMPACT OF COVID-19	2020		2021	
	October 2019	April 2020	October 2019	April 2020
Real GDP growth (%)	6.0%	2.2%	4.0%	4.7%
Nominal GDP (MZM billion)	1,084	1,017	1,198	1,124
Primary Balance (before grants) (% of GDP)	-5.8%	-8.6%	-3.5%	-5.8%
Primary Balance (after grants) (% of GDP)	-1.0%	-2.4%	-0.5%	-0.8%
Exports (excl. megaprojects) (% of GDP)	9.3%	6.3%	9.6%	8.1%
Imports (excl. megaprojects) (% of GDP)	33.9%	37.5%	31.6%	35.5%
Current Acc. (ex-megaprojects) (% of GDP)	-23.2%	-29.4%	-22.5%	-25.6%
Gross Int. Reserves (US\$ million)	2,991	3,012	3,078	3,018
In months of imports	5.2	5.1	5.1	4.9

São Tomé e Príncipe

- ❖ **Covid-19 is expected to lead to a sharp contraction in the economy in 2020 and widen the imbalances in the country's public and external accounts.** Tourism, which has an estimated direct contribution to the country's GDP of 6-8%, has come to halt in recent months while several projects with external financing have been interrupted.
- ❖ **The IMF forecasts that the Covid-19 pandemic will have an impact on public receipts of 1.5% of GDP this year** while the required spending to help mitigate its effects will reach 1.3% of GDP. This includes higher expenditures on healthcare, social support to the more vulnerable part of the population, support to the workers that have been laid off and the companies in the tourism sector.
- ❖ **In April, the IMF projected that activity in the tourism sector would see a fall of 70% and that real GDP would contract 6% this year.** This was assuming that the effects of the pandemic would slowdown in the third quarter, that tourists would start returning to the country and that some projects would be resumed. More recently, in June, the IMF cut its projection to -6.5%.
- ❖ **The IMF provided financial aid of US\$ 12.3 million to the country** to help to address the more urgent needs of the local authorities in rebalancing public and external accounts affected by the pandemic.
- ❖ **The country will also benefit from a debt service moratorium** with the IMF during the second half of 2020 (extensible for two years).



IMPACT OF COVID-19 (% of GDP)	2020		2021
	Pre-Covid	Forecast	Forecast
Domestic Receipts	16.4%	14.9%	16.1%
Import Taxes	5.6%	6.1%	6.1%
Others	10.8%	8.8%	10.0%
Domestic Expenditures	19.7%	21.0%	18.4%
Wages	10.0%	9.8%	9.2%
Goods and Services	2.8%	3.5%	2.8%
Transfers	3.2%	4.1%	3.2%
Others	3.6%	3.6%	3.2%
Domestic Balance	-3.3%	-6.1%	-2.2%
Primary Balance	-2.8%	-5.6%	-2.0%
Budget Balance	0.0%	-4.2%	-0.3%
External Balance	0.0%	-5.9%	-1.2%

African Eurobonds

AFRICAN EURO BONDS		Yields		Change				Last 12 Months	
Country	Maturity	Coupon	15/07/2020	1 Week	1 Month	1 Year	Year-to-date	Low	High
Angola	12/11/2025	9.500%	12.925%	0.234%	-1.958%	9.427%	10.927%	5.727%	35.084%
Angola	09/05/2028	8.250%	12.270%	0.156%	-1.504%	5.962%	6.238%	6.694%	28.797%
Angola	08/05/2048	9.375%	12.079%	0.163%	-1.245%	4.119%	3.979%	8.177%	26.162%
Angola	26/11/2029	8.000%	11.642%	0.193%	-1.315%	3.675%	5.276%	6.806%	26.587%
Angola	26/11/2049	9.125%	11.740%	0.133%	-1.212%	2.638%	3.541%	8.297%	26.062%
Democratic Republic of Congo	30/06/2029	4.000%	9.505%	0.058%	-0.028%	0.904%	0.823%	7.529%	9.655%
Ethiopia	11/12/2024	6.625%	6.612%	0.166%	-0.670%	1.131%	2.636%	4.370%	10.883%
Gabon	16/06/2025	6.950%	8.355%	0.116%	-0.501%	1.500%	3.186%	5.022%	17.947%
Ghana	07/08/2023	7.875%	5.724%	0.037%	-1.399%	0.600%	1.515%	3.958%	14.441%
Ivory Coast	03/03/2028	6.375%	6.096%	0.292%	-0.307%	-0.286%	0.707%	4.751%	8.607%
Kenya	24/06/2024	6.875%	6.672%	0.239%	-0.274%	2.066%	2.784%	4.403%	10.196%
Namibia	29/10/2025	5.250%	5.258%	0.335%	0.279%	0.328%	1.031%	3.970%	8.876%
Nigeria	12/07/2023	6.375%	5.600%	0.142%	-0.511%	1.371%	2.016%	3.421%	15.173%
Rwanda	02/05/2023	6.625%	6.443%	0.100%	-0.918%	2.341%	3.426%	3.643%	10.515%
Senegal	30/07/2024	6.250%	4.999%	0.321%	-0.795%	0.829%	2.372%	3.320%	8.648%
Seychelles	01/01/2026	7.000%	11.050%	-0.008%	-1.969%	3.545%	3.909%	6.861%	15.612%
South Africa	16/09/2025	5.875%	4.503%	0.064%	0.185%	0.503%	1.030%	3.592%	7.192%
Zambia	30/07/2027	8.970%	21.828%	-0.089%	-1.571%	4.027%	3.142%	14.030%	37.223%

Source: Bloomberg.

Exchange Rates

EXCHANGE RATES	15/07/2020	Change				Last 12 Months	
		1 Week	1 Month	1 Year	Year-to-date	Low	High
KWANZA (ANGOLA)							
Dollar (USA)	580.66	-1.29%	3.20%	-40.47%	-16.95%	344.64	610.50
Euro	664.27	-2.24%	2.14%	-41.41%	-19.14%	385.06	688.24
Pound (UK)	732.05	-1.27%	3.19%	-40.90%	-13.24%	421.36	762.70
Rand (South Africa)	34.92	-3.09%	0.28%	-28.80%	-2.01%	23.12	36.08
Renminbi (China)	83.06	-1.48%	1.75%	-39.48%	-17.17%	49.93	86.29
Dolla (Namibia)	34.92	-3.09%	0.28%	-28.80%	-2.00%	23.14	36.10
Real (Brazil)	108.17	-0.76%	7.46%	-14.94%	10.17%	86.01	126.33
METICAL (MOZAMBIQUE)							
Dollar (USA)	70.41	-0.50%	-1.79%	-11.83%	-12.63%	60.40	70.56
Euro	80.55	-1.22%	-1.97%	-13.24%	-14.19%	66.93	80.57
Pound (UK)	88.76	-0.23%	-0.96%	-12.46%	-7.93%	72.62	89.36
Rand (South Africa)	4.23	-2.07%	-3.74%	5.45%	3.99%	0.29	4.49
Renminbi (China)	10.07	-0.45%	-2.33%	-10.38%	-12.10%	8.30	10.17
ESCUDO (CABO VERDE)							
Dollar (USA)	98.75	0.34%	0.24%	-0.40%	0.51%	96.47	103.84
Euro	110.27	0.00%	0.00%	0.00%	0.00%	110.26	110.27
Pound (UK)	124.50	0.36%	0.23%	-1.12%	5.70%	116.39	134.77
RESTO DO MUNDO							
EUR/USD	1.14	0.97%	1.03%	1.62%	2.02%	1.06	1.15
USD/JPY	107.00	0.24%	0.31%	0.85%	1.50%	101.19	112.23
GBP/USD	1.26	-0.02%	0.02%	0.74%	-4.90%	1.14	1.35
EUR/GBP	0.91	-0.98%	-1.01%	-0.87%	-6.78%	0.83	0.95
EUR/CHF	1.07	-0.91%	0.17%	3.31%	1.18%	1.05	1.11
EUR/JPY	122.41	-0.73%	-0.72%	-0.75%	-0.52%	114.43	124.43

Source: Bloomberg.