



The Angolan Economy

Formidable Challenges Remain

Research

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Economic activity to stabilize after five years of recession

The Angolan government's 2021 budget proposal recently presented to parliament assumes that economic activity will stabilize next year after five consecutive years of recession. Activity in the non-oil sector is anticipated to advance 2.1%, while low oil prices and a continued decline in production lead to a further contraction in real GDP in the oil and gas sector (-6.2%). The government foresees inflation declining toward 18.7% by end-2021 after reaching 25.0% this year. Meanwhile, the budget proposal also assumes that crude prices will average US\$ 39 (the same forecast for this year), which is somewhat conservative bearing in mind the projections of institutions like the IMF that foresee average oil prices at close to US\$ 47 in 2021.

Economics

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The budget proposal assumes a deficit of 2.2% of GDP

The 2021 budget proposal amounts to AKZ 14,785 billion, standing 9.9% above this year's revised budget figure of AKZ 13,455 billion. The proposal assumes a fiscal deficit of 2.2% of GDP that compares with a deficit of 4.0% of GDP in the revised budget. Moreover, it assumes a primary surplus of 4.0% of GDP, above the surplus of 2.2% foreseen for this year. These projections reflect a marked improvement in tax receipts both in the oil and non-oil sectors. The expected higher non-oil revenues result from the tax reforms introduced in 2019-20, namely (1) expanding the base of VAT, (2) increasing the rates and progressivity of the property income tax, (3) reforming investment incentives for the corporate income tax, (4) strengthening transfer pricing rules, (5) improving property registration and (6) starting to integrate the informal sector. Overall, total revenues are forecasted to increase 29.3% and total expenditures 19.9% from this year's revised budget figures, representing 18.9% and 21.1% of GDP, respectively.

Allocation towards the social sector remains by far the largest

The government plans to increase spending on all sectors of the economy, raising its expenditures to AKZ 7,029 billion (16.7% of GDP) if excluding spending on public debt operations. This is 18.5% more than the 2020 revised budget figure. The social sector is expected to remain by far the most important sector, accounting for 39.5% of primary expenditures and 18.8% of total expenditures after an anticipated increase of 15.0%. The higher spending in the economic sector (15.4%) reflects a sharp increase in fuel and energy. Defense, security and social order is projected to rise by 13.6%, while spending on general public services sees an increase of 30.9%.

Fiscal consolidation remains imperative to bring down public debt levels

The government stated that public debt is expected to reach 123% of GDP this year, up from 113% of GDP in 2019. This is due to the country's economic downturn and larger budget financing needs that resulted from the impact that the oil price shocks in recent years have had on public receipts. The deterioration in public debt ratios also reflects the depreciation of the kwanza since about two-thirds of Angola's public debt is external. Although the country's public debt is considered sustainable, the risks associated with its high vulnerability to oil price and exchange rate shocks persist. The government reiterated its commitment to implement fiscal consolidation measures to invert this upward trajectory in public debt levels. Still, it is also critical to put Angola back on an economic growth trajectory in the next few years, as this too will help with the authorities' aim of bringing public debt down to a level equal to or below 60% of GDP over the long-term.

BUDGET PROPOSAL (2021)**Macroeconomic Projections**

The Angolan economy has been in recession since 2016, largely due to an adverse international backdrop as well as the impact from ongoing structural reforms implemented by the authorities that led to lower household consumption and public investment levels. In 2020, two key issues further aggravated the downward trajectory of the economy. These include Covid-19, and the confinement measures implemented to contain the spread of the pandemic, and the sharp drop in oil prices early in the year that came together with the continued decline in crude production witnessed in the country in recent years.

Covid-19 together with the sharp fall in oil prices and production further aggravated the downward trajectory of the economy

The government expects economic activity to contract 3.3% this year as a result of the negative trajectory in the oil and gas sector (-6.3%). This projection is lower than the forecast of -3.6% included in the 2020 revised budget presented in July and compares with contractions of -2.0% and -0.6% in 2018 and 2019, respectively. Moreover, the government anticipates activity in the non-oil sector to decline 2.0% this year after advancing 1.9% in 2019. This is mostly due to a sharp decline in activity in the extractive industry and commerce. Agriculture, construction and energy are all expected to improve from the previous year.

Economic activity is expected to contract 3.3% in 2020

The 2021 budget proposal anticipates a recovery in economic activity next year, but with real GDP growth remaining flat in the period. The oil and gas sector is expected to continue to be a drag on economic growth, as it is anticipated to record another contraction (-6.2%), while the non-oil sector is estimated to see a rebound of 2.1%. The recovery in the non-oil sector reflects the measures implemented in recent years, which, together with the accumulated depreciation of the kwanza, has helped shift part of domestic demand toward local production. In particular, the central bank increased the minimum allocation of credit to promote the production of essential products from 2% to 2.5% of commercial banks' net assets at a maximum total cost of 7.5% and instructed banks to provide credit in local currency to assist importers of essential goods.

The 2021 budget proposal assumes a recovery in the economy, but with flat real GDP growth

Overall, the government foresees all sectors of the local economy recording positive growth in 2021, as detailed in the table below. We highlight the slight recovery in the construction sector, which is the third largest sector (after the oil and gas and retail sectors) as it accounts for about 11.5% of GDP. The construction sector is expected to advance 1.3% as the Angolan authorities plan to strengthen investment in road infrastructure projects in order to increase activity in local companies and improve job creation. The government also said that it will bet on public-private partnerships (PPPs) as an alternative way to sustainably reduce public investment, transferring several projects to private initiative

All sectors are expected to record positive growth in 2021

ECONOMIC ACTIVITY	2017	2018	2019	2020 (1)	2020 (2)	2020 (3)	2021 (1)
Real GDP Growth	-0.1%	-2.0%	-0.6%	1.8%	-3.6%	-3.3%	0.0%
- Oil and Gas	-5.3%	-9.4%	-6.6%	1.5%	-7.0%	-6.3%	-6.2%
- Non-oil	1.2%	-0.1%	1.9%	1.9%	-1.2%	-2.0%	2.1%
Agriculture	1.4%	-2.0%	0.8%	3.1%	-1.2%	5.6%	2.5%
Fishing	-1.1%	-17.1%	-14.8%	4.0%	-1.3%	-1.3%	1.2%
Extractive Industry	-0.8%	-6.3%	8.5%	6.6%	-12.3%	-12.3%	14.3%
Manufacturing	1.2%	4.8%	0.8%	1.2%	-1.0%	-1.5%	1.9%
Construction	2.5%	0.4%	4.9%	1.3%	-1.4%	1.1%	1.3%
Energy	-1.7%	22.3%	5.4%	0.5%	7.8%	7.8%	5.0%
Commerce	1.5%	-0.2%	1.3%	1.2%	-1.9%	-3.3%	1.8%
Other	0.3%	2.2%	2.3%	1.5%	-2.3%	-3.2%	0.0%

(1) Initial Budget; (2) Revised Budget; (3) Estimate. Source: Angolan authorities.

Meanwhile, inflation interrupted a downward trajectory recorded since 2016 and is projected to reach 25% at end-2020. This is justified by the pass-through effect from the depreciation of the kwanza (after the adoption of a more flexible exchange rate in early-2018) and the introduction of the VAT in October 2019. These effects clearly outweighed the macroeconomic stabilization measures implemented in recent years, which allowed bringing inflation under control and on the aforementioned downward trajectory. In 2021, the government foresees inflation declining toward 18.7% by year-end.

Inflation is expected to decline to 18.7% by end-2021 after reaching 25% this year

Next year's budget proposal assumes that crude prices will average US\$ 39 per barrel, which is the same projection now expected for this year. We note that the government admits that this is a conservative assumption bearing in mind current average oil price projections by institutions

The budget proposal assumes that average oil prices will remain at

like the IMF or the US Energy Information Administration, which stand at about US\$ 47 per barrel for 2021. Recall that the Angolan authorities lowered their initial forecast of US\$ 55 to US\$ 33 in the 2020 revised budget disclosed earlier in July.

US\$ 39...

The government also expects average daily oil production to reach 1.220 million barrels in 2021, below the 1.288 million barrels estimated this year, also considering this a conservative assumption. Indeed, a lot of uncertainty remains about the strategy that OPEC and its partners (OPEC+) will adopt going forward. The latest reports suggest that these producers could delay the resumption of some production that is currently expected to take place at the start of 2021.

...while crude production is expected to continue to decline

ECONOMIC INDICATORS							
	2017	2018	2019	2020 (1)	2020 (2)	2020 (3)	2021 (1)
Inflation	23.7%	18.6%	17.1%	25.0%	25.0%	25.0%	18.7%
Diamond Production (Thousand Carats)	8,964.1	9,433.9	9,121.5	10,175.0	8,000.0	8,000.0	9,141.0
Diamond Average Price (US\$/Carat)	115.1	144.1	142.3	162.1	103.0	180.9	184.6
Annual Oil and LNG Production	722.6	658.2	638.7	624.3	597.2	614.0	558.7
Oil Production (Mbbbl)	597.6	539.8	504.8	524.5	467.7	471.2	445.3
LNG Production (MBOE)	125.0	118.4	133.9	99.8	129.5	142.8	113.4
Daily Oil Production (Million Bbl/day)	1.637	1.479	1.383	1.437	1.284	1.288	1.220
Average Oil Price (US\$/Bbl)	53.9	70.6	65.2	55.0	33.0	39.0	39.0
Average LNG Price (US\$/BOE)	29.0	47.9	29.2	50.9	19.0	24.0	27.0
Nominal GDP (AKZ billion)	20,262.3	25,627.7	30,625.0	42,126.5	31,894.7	34,075.4	41,999.4
Oil	4,240.0	7,652.7	9,454.6	13,257.1	6,976.6	8,492.1	10,036.3
Non-oil	16,022.3	17,975.0	21,170.4	28,869.4	24,918.1	25,583.3	31,963.1

(1) Initial Budget; (2) Revised Budget; (3) Estimate. Source: Angolan authorities.

Government Accounts

The 2021 budget proposal amounts to AKZ 14,785 billion, standing 9.9% above this year's revised budget figure of AKZ 13,455 billion. The proposal assumes a fiscal deficit of 2.2% of GDP that compares with a deficit of 4.0% of GDP included in the revised budget. Moreover, it assumes a primary surplus 4.0% of GDP, above the 2.2% surplus foreseen for this year.

The 2021 budget proposal assumes a fiscal deficit of 2.2% of GDP

In the budget proposal, the government anticipates that total revenues and total expenditures will reach AKZ 7,922 billion and AKZ 8,861 billion, respectively. This represents an increase of 29.3% in revenues and 19.9% in expenditures relatively to the 2020 revised budget figures. The overall fiscal deficit is expected to reach AKZ 938 billion while the primary fiscal balance, which excludes interest payments, is forecasted to see a surplus of AKZ 1,664 billion.

Revenues and expenditures are expected to rise 29.3% and 19.9%, respectively, when compared with the 2020 revised budget figures

The significantly higher revenue projections reflect a marked improvement in tax receipts, both oil and non-oil related. In particular, tax revenues from the oil sector are expected to increase 37.5% compared with the 2020 revised budget figure. This is due to the higher assumption for crude prices, which more than offset the impact from lower production.

The strong increase in revenues reflects a sharp improvement in the contribution from tax receipts

GOVERNMENT ACCOUNTS AKZ BILLION						Change			
	2018	2019 (1)	2020 (2)	2020 (3)	2021 (2)	2019 (1) / 2018	2020 (2) / 2019 (1)	2020 (3) / 2019 (1)	2021 (2) / 2020 (3)
Revenues	5,860	6,547	8,615	6,125	7,922	11.7%	31.6%	-6.5%	29.3%
Tax Revenues	5,408	6,075	8,097	5,280	7,123	12.3%	33.3%	-13.1%	34.9%
Oil Revenues	3,715	3,953	5,581	2,952	4,059	6.4%	41.2%	-25.3%	37.5%
Non-oil Revenues	1,693	2,122	2,517	2,329	3,063	25.4%	18.6%	9.7%	31.5%
Non-tax Revenues	452	473	518	845	800	4.6%	9.5%	78.7%	-5.3%
Expenditures	5,319	6,336	8,096	7,393	8,861	19.1%	27.8%	16.7%	19.9%
Current Expenditures	4,130	5,209	6,759	5,931	7,350	26.1%	29.7%	13.8%	23.9%
Wages	1,539	1,999	2,218	2,182	2,472	29.9%	10.9%	9.1%	13.3%
Goods and Services	884	844	1,187	1,028	1,382	-4.4%	40.6%	21.8%	34.4%
Interests	1,212	1,794	2,474	1,967	2,602	47.9%	37.9%	9.7%	32.3%
Transfers	496	572	881	753	894	15.5%	53.9%	31.6%	18.7%
Capital Expenditure	1,189	1,127	1,337	1,462	1,511	-5.2%	18.7%	29.8%	3.3%
Primary Fiscal Balance	1,754	2,005	2,992	700	1,664	14.3%	49.2%	-65.1%	137.8%
Overall Fiscal Balance	541	211	519	-1,268	-938	-61.0%	145.4%	n.m.	-26.0%

(1) Estimate; (2) Initial Budget; (3) Revised Budget. Sources: Angolan authorities and Eaglestone Securities.

Moreover, the increase in receipts from the non-oil sector (+31.5%) reflects (1) the expansion of the base of the VAT at customs and the removal of some VAT exemptions, (2) higher revenues resulting from the implementation of a new code on the labor income tax, (3) the reform on the incentives associated with investments in the industrial tax domain, (4) the

Non-oil tax receipts are expected to increase by 31.5% in 2021

strengthening of transfer pricing rules, (5) the improvement of property registry and (6) the start of integrating the informal sector. Non-tax revenues are anticipated to see a decline of 5.3% after surging this year.

In terms of expenditures, the government is anticipating current expenditures to increase 23.9% and capital expenditures to advance by a more modest 3.3% when compared with the 2020 revised budget figures. We note the sharp increase in interest payments (32.3%) and spending on goods and services (34.4%). In terms of interest payments, these are anticipated to record a material reduction in 2020 due to the fact that the government reached several agreements with creditors to restructure the debt service profile.

The government stated that it plans to continue to undertake several reforms in terms of public expenditures in 2021. These include the next phase of subsidy reform, which involves raising public transportation tariffs and the prices of gasoline and diesel, when a critical number of low-income households are reached by the cash-transfer program, with the ultimate objective of introducing an automatic fuel-pricing mechanism. The Angolan authorities also plan to (1) eliminate arrears, (2) reform several state-owned enterprises and (3) implement public financial management reforms.

Overall, total revenues are projected to represent 18.9% of GDP (vs. 19.2% in the 2020 revised budget), with oil-related tax receipts (as a percent of GDP) remaining in single-digits (9.7%). On the other hand, total expenditures are expected to account for 21.1% of GDP, which, despite the higher spending levels anticipated next year, represents a decrease from the revised budget projection (23.2% of GDP).

Current expenditures are expected to see a strong increase while capital expenditures advance at a more moderate pace

The government plans to continue to implement several reforms in terms of public expenditures

Revenues and expenditures are expected to represent 18.9% and 21.1% of GDP, respectively

GOVERNMENT ACCOUNTS	% of GDP									
	2013	2014	2015	2016	2017	2018	2019 (1)	2020 (2)	2020 (3)	2021 (2)
Revenues	40.2%	35.3%	27.3%	17.4%	17.5%	22.9%	21.4%	20.4%	19.2%	18.9%
Tax Revenues	38.2%	32.9%	24.7%	15.6%	15.8%	21.1%	19.8%	19.2%	16.6%	17.0%
Oil Revenues	30.1%	23.8%	15.4%	8.2%	9.9%	14.5%	12.9%	13.2%	9.3%	9.7%
Non-oil Revenues	8.1%	9.1%	9.3%	7.4%	5.9%	6.6%	6.9%	6.0%	7.3%	7.3%
Non-tax Revenues	2.0%	2.4%	2.6%	1.8%	1.7%	1.8%	1.5%	1.2%	2.6%	1.9%
Expenditures	39.9%	41.9%	30.6%	21.9%	23.8%	20.8%	20.7%	19.2%	23.2%	21.1%
Current Expenditures	28.5%	29.4%	24.7%	18.0%	17.3%	16.1%	17.0%	16.0%	18.6%	17.5%
Wages	9.6%	10.6%	11.3%	8.4%	7.4%	6.0%	6.5%	5.3%	6.8%	5.9%
Goods and Services	10.2%	10.0%	6.4%	3.7%	4.1%	3.4%	2.8%	2.8%	3.2%	3.3%
Interests	0.8%	1.2%	2.0%	2.8%	3.3%	4.7%	5.9%	5.9%	6.2%	6.2%
Transfers	7.9%	7.6%	5.0%	3.1%	2.3%	1.9%	1.9%	2.1%	2.4%	2.1%
Capital Expenditure	11.4%	12.5%	6.0%	3.9%	6.5%	4.6%	3.7%	3.2%	4.6%	3.6%
Primary Fiscal Balance	1.1%	-5.4%	-1.3%	-1.7%	-3.0%	6.8%	6.5%	7.1%	2.2%	4.0%
Overall Fiscal Balance	0.3%	-6.6%	-3.3%	-4.5%	-6.3%	2.1%	0.7%	1.2%	-4.0%	-2.2%

(1) Preliminary; (2) Initial Budget; (3) Revised Budget. Sources: Angolan authorities and Eaglestone Securities.

The sharp increase in oil-related tax receipts expected next year means that these are forecasted to represent 51.2% of total revenues. This figure is higher than the 48.2% projected in the 2020 revised budget, but remains significantly less than the figures recorded in recent years. On the other hand, the contribution from non-tax revenues is expected to represent 10.1% of the total, below the 13.8% foreseen this year. Also worth noting is the proportion of public spending going toward debt interest payments. This is forecasted to represent 29.4% of total spending, surpassing the amount allocated to pay the salaries of public sector workers.

Oil-related tax receipts are projected to represent 51.2% of total revenues

GOVERNMENT ACCOUNTS	% of Total									
	2013	2014	2015	2016	2017	2018	2019 (1)	2020 (2)	2020 (3)	2021 (2)
Revenues										
Tax Revenues (Oil)	74.9%	67.5%	56.4%	47.3%	56.7%	63.4%	60.4%	64.8%	48.2%	51.2%
Tax Revenues (Non-Oil)	20.1%	25.6%	34.0%	42.3%	33.7%	28.9%	32.4%	29.2%	38.0%	38.7%
Non-tax Revenues	5.1%	6.9%	9.6%	10.4%	9.6%	7.7%	7.2%	6.0%	13.8%	10.1%
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	71.4%	70.2%	80.5%	82.3%	72.6%	77.7%	82.2%	83.5%	80.2%	82.9%
Wages	24.0%	25.3%	36.8%	38.3%	31.3%	28.9%	31.6%	27.4%	29.5%	27.9%
Goods and Services	25.5%	23.9%	20.9%	17.1%	17.4%	16.6%	13.3%	14.7%	13.9%	15.6%
Interests	2.1%	2.8%	6.6%	12.9%	14.0%	22.8%	28.3%	30.6%	26.6%	29.4%
Transfers	19.8%	18.2%	16.2%	14.0%	9.8%	9.3%	9.0%	10.9%	10.2%	10.1%
Capital Expenditure	28.6%	29.8%	19.5%	17.7%	27.4%	22.3%	17.8%	16.5%	19.8%	17.1%
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; (3) Revised Budget. Sources: Angolan authorities and Eaglestone Securities.

In terms of expenditures by sector, the government expects to spend AKZ 7,029 billion in 2021 if excluding spending on public debt operations. This is 18.5% more than what it forecasted in the 2020 revised budget and results from higher expenditures in all sectors (social, economic, defense, security and social order as well as general public services). We note that public debt amortization is anticipated to see an increase of 3.1% in the period and account for 52.5% of total budgeted expenditures (vs. 55.9% of the total projected in the 2020 revised budget).

The government plans to spend more on all sectors

As detailed in the table below, planned expenditures on the social sector are projected to stand 15.0% above the 2020 revised budget forecasts after strong increases in spending on education, social protection and housing. The social sector is expected to remain by far the most relevant in terms of expenditures, representing 39.5% of primary expenditures (excluding public debt operations) and 18.8% of total expenditures.

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

The higher spending in the economic sector (15.4%) reflects a sharp increase in fuel and energy (31.6%), with this sector accounting for 15.5% of primary expenditures and 7.4% of total expenditures. Defense, security and social order is anticipated to rise by 13.6% while spending on general public services sees an increase of 30.9%. These sectors are expected to represent 19.0% and 26.0% of primary expenditures, respectively.

Higher spending in the economic sector mostly reflects the sharp increase in fuel and energy

EXPENDITURES BY SECTOR AKZ BILLION			Change	% Total Exp. (3)		% Total Exp.		% of GDP	
	2020 (1)	2021 (2)	2021 (2) / 2020 (1)	2020 (1)	2021 (2)	2020 (1)	2021 (2)	2020 (1)	2021 (2)
Social Sector	2,414	2,776	15.0%	40.7%	39.5%	17.9%	18.8%	7.6%	6.6%
Education	870	1,009	16.0%	14.7%	14.4%	6.5%	6.8%	2.7%	2.4%
Health	817	842	3.0%	13.8%	12.0%	6.1%	5.7%	2.6%	2.0%
Social Protection	423	560	32.6%	7.1%	8.0%	3.1%	3.8%	1.3%	1.3%
Housing	244	310	27.1%	4.1%	4.4%	1.8%	2.1%	0.8%	0.7%
Other	60	55	-9.6%	1.0%	0.8%	0.4%	0.4%	0.2%	0.1%
Economic Sector	944	1,089	15.4%	15.9%	15.5%	7.0%	7.4%	3.0%	2.6%
Agriculture, Fishing	257	273	6.3%	4.3%	3.9%	1.9%	1.8%	0.8%	0.6%
Transports	306	325	6.0%	5.2%	4.6%	2.3%	2.2%	1.0%	0.8%
Fuel and Energy	306	402	31.6%	5.2%	5.7%	2.3%	2.7%	1.0%	1.0%
Extractive Ind., Manufacturing, Construction	38	32	-14.5%	0.6%	0.5%	0.3%	0.2%	0.1%	0.1%
General Economic Matters	19	39	110.8%	0.3%	0.6%	0.1%	0.3%	0.1%	0.1%
Other	19	18	-6.8%	0.3%	0.3%	0.1%	0.1%	0.1%	0.0%
Defense, Security and Social Order	1,175	1,335	13.6%	19.8%	19.0%	8.7%	9.0%	3.7%	3.2%
Defense	586	627	7.0%	9.9%	8.9%	4.4%	4.2%	1.8%	1.5%
Security and Social Order	589	707	20.1%	9.9%	10.1%	4.4%	4.8%	1.8%	1.7%
General Public Services and Other	1,398	1,830	30.9%	23.6%	26.0%	10.4%	12.4%	4.4%	4.4%
Total Expend. (Ex. Public Debt Operations)	5,930	7,029	18.5%	100.0%	100.0%	44.1%	47.5%	18.6%	16.7%
Public Debt Operations	7,525	7,757	3.1%			55.9%	52.5%	23.6%	18.5%
Domestic	4,630	3,953	-14.6%			34.4%	26.7%	14.5%	9.4%
Overseas	2,895	3,804	31.4%			21.5%	25.7%	9.1%	9.1%
Total Expenditures	13,455	14,785	9.9%			100.0%	100.0%	42.2%	35.2%

(1) Revised Budget; (2) Initial Budget; (3) Excl. Public Debt Operations. Sources: Angolan authorities and Eaglestone Securities.

The higher current revenues projected for 2021 relatively to this year's revised budget (29.3%) means that the government expects to finance its budget by once again relying comparatively more on public receipts, mainly taxes (48.2% of the total), as opposed to debt financing. The projected amount of debt financing is expected to decline by 15.6% to AKZ 6,187 billion and account for 41.8% of total receipts (vs. 54.5% previously). In particular, debt financing in the domestic market is anticipated to stand 46.1% below the 2020 revised budget figure, while overseas financing is forecasted to see an increase of 22.5%.

The government expects to rely relatively more on public receipts as opposed to debt financing

On the other hand, the government expects to see a sharp increase of 32.3% in debt interest payments (mostly on external debt), but a 7.2% drop in debt amortization. These are expected to represent 17.6% and 34.9% of the total receipts, respectively. It is also planning to spend more on wages of public sector employees as well as on goods and services.

Debt interest payments are expected to see a sharp increase, while debt amortization is anticipated to fall

FINANCING	AKZ Billion			% of Total			% of GDP		
	2020 (US\$ 33)	2021 (US\$ 39)	Change	2020 (US\$ 33)	2021 (US\$ 39)	Change	2020 (US\$ 33)	2021 (US\$ 39)	Change
Receipts									
Current Revenues	6,125	7,922	29.3%	45.5%	53.6%	8.1%	19.2%	18.9%	-0.3%
Taxes	5,280	7,123	34.9%	39.2%	48.2%	8.9%	16.6%	17.0%	0.4%
Oil Sector	2,952	4,059	37.5%	21.9%	27.5%	5.5%	9.3%	9.7%	0.4%
Non-oil Sector	2,329	3,063	31.5%	17.3%	20.7%	3.4%	7.3%	7.3%	0.0%
Social Contributions	281	328	16.6%	2.1%	2.2%	0.1%	0.9%	0.8%	-0.1%
Other	563	472	-16.2%	4.2%	3.2%	-1.0%	1.8%	1.1%	-0.6%
Asset Sales	1	156	n.m.	0.0%	1.1%	1.0%	0.0%	0.4%	0.4%
Financing	7,329	6,187	-15.6%	54.5%	41.8%	-12.6%	23.0%	14.7%	-8.2%
Domestic	4,067	2,191	-46.1%	30.2%	14.8%	-15.4%	12.8%	5.2%	-7.5%
International	3,262	3,996	22.5%	24.2%	27.0%	2.8%	10.2%	9.5%	-0.7%
Treasury Reserves	0	520	n.m.	0.0%	3.5%	3.5%	0.0%	1.2%	1.2%
Total Receipts	13,455	14,785	9.9%	100.0%	100.0%	0.0%	42.2%	35.2%	-7.0%
Expenditures									
Staff Costs	2,182	2,472	13.3%	16.2%	16.7%	0.5%	6.8%	5.9%	-1.0%
Wages	2,071	2,351	13.5%	15.4%	15.9%	0.5%	6.5%	5.6%	-0.9%
Goods and Services	1,028	1,382	34.4%	7.6%	9.3%	1.7%	3.2%	3.3%	0.1%
Interests	1,967	2,602	32.3%	14.6%	17.6%	3.0%	6.2%	6.2%	0.0%
Domestic	927	1,032	11.4%	6.9%	7.0%	0.1%	2.9%	2.5%	-0.4%
External	1,041	1,570	50.8%	7.7%	10.6%	2.9%	3.3%	3.7%	0.5%
Transfers	753	894	18.7%	5.6%	6.0%	0.4%	2.4%	2.1%	-0.2%
Subsidies	217	210	-3.2%	1.6%	1.4%	-0.2%	0.7%	0.5%	-0.2%
Acquisition of Non-Fin. Assets	1,462	1,511	3.3%	10.9%	10.2%	-0.6%	4.6%	3.6%	-1.0%
Debt Amortization	5,557	5,156	-7.2%	41.3%	34.9%	-6.4%	17.4%	12.3%	-5.1%
Domestic	3,703	2,921	-21.1%	27.5%	19.8%	-7.8%	11.6%	7.0%	-4.7%
External	1,854	2,235	20.5%	13.8%	15.1%	1.3%	5.8%	5.3%	-0.5%
Other Financial Investments	506	769	52.0%	3.8%	5.2%	1.4%	1.6%	1.8%	0.2%
Total Expenditures	13,455	14,785	9.9%	100.0%	100.0%	0.0%	42.2%	35.2%	-7.0%

Sources: Angolan authorities and Eaglestone Securities.

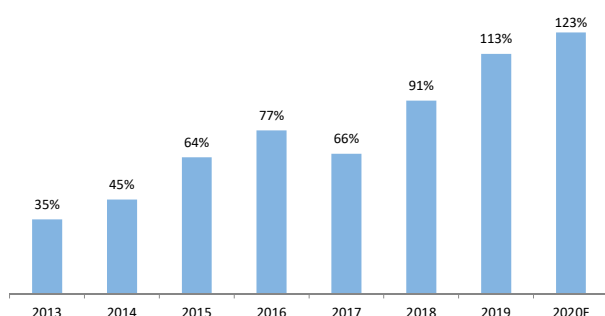
Meanwhile, the government stated that Angola's public debt is expected to reach 123% of GDP this year, up from 113% of GDP in 2019. This is due to the country's economic downturn and larger budget financing needs, which reflect the impact that the oil price shocks in recent years have had on public receipts. The deterioration in public debt ratios also reflects the depreciation of the kwanza since about two-thirds of the country's public debt is external debt and, as a result, it is denominated in foreign currency.

Public debt is expected to reach 123% of GDP this year, up from 113% of GDP in 2019

The government also expects debt service payments (debt amortization plus interest payments) to increase 3.1% relatively to the 2020 revised budget forecast, reaching AKZ 7,757 billion and 18.5% of GDP next year.

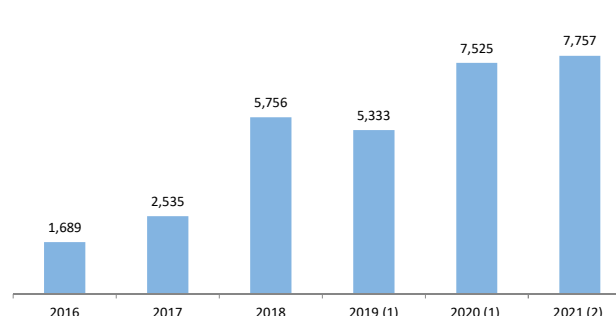
Debt service payments are expected to increase slightly in 2021

PUBLIC DEBT (% OF GDP)



Source: Angolan authorities.

DEBT SERVICE PAYMENTS (AKZ BILLION)



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

Other metrics clearly show the increased burden on Angola's public debt levels in recent years. For example, according to our calculations, the public debt-to-revenues and interest payments-to-revenues ratios are expected to surge to a level above 650% and 30%, respectively, in 2020. These ratios clearly exceed the average estimated ratios of other countries with similar sovereign ratings.

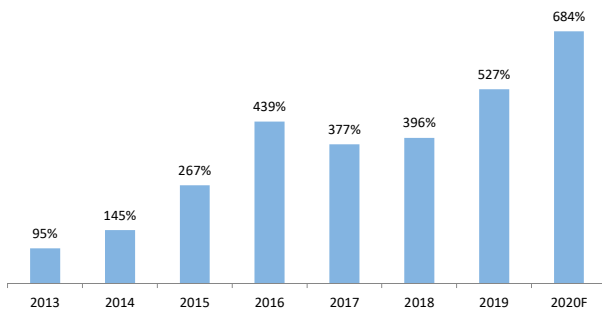
Angola's public debt burden has surged in recent years

This makes it imperative for the Angolan authorities to continue to adopt measures to invert this upward trajectory in public debt levels. For this reason, the government reiterated its commitment to continue to implement fiscal consolidation measures, aiming to bring public debt down to a level equal to or below 60% of GDP over the long-term. In order to reach this

The government remains committed to gradually reducing public debt to a level equal to or below 60% of GDP over the long-term

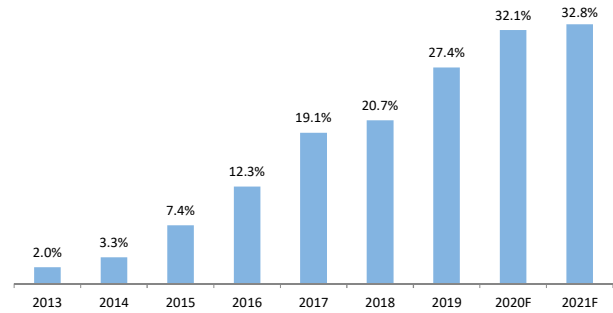
objective, the non-oil sector primary fiscal deficit will have to be consistently lowered until it reaches a level equal to or below 5% of GDP in the next five years, remaining at this level in subsequent years.

PUBLIC DEBT (% OF REVENUES)



Sources: Angolan authorities and Eaglestone Securities.

INTEREST PAYMENTS (% OF REVENUES)



Sources: Angolan authorities and Eaglestone Securities.

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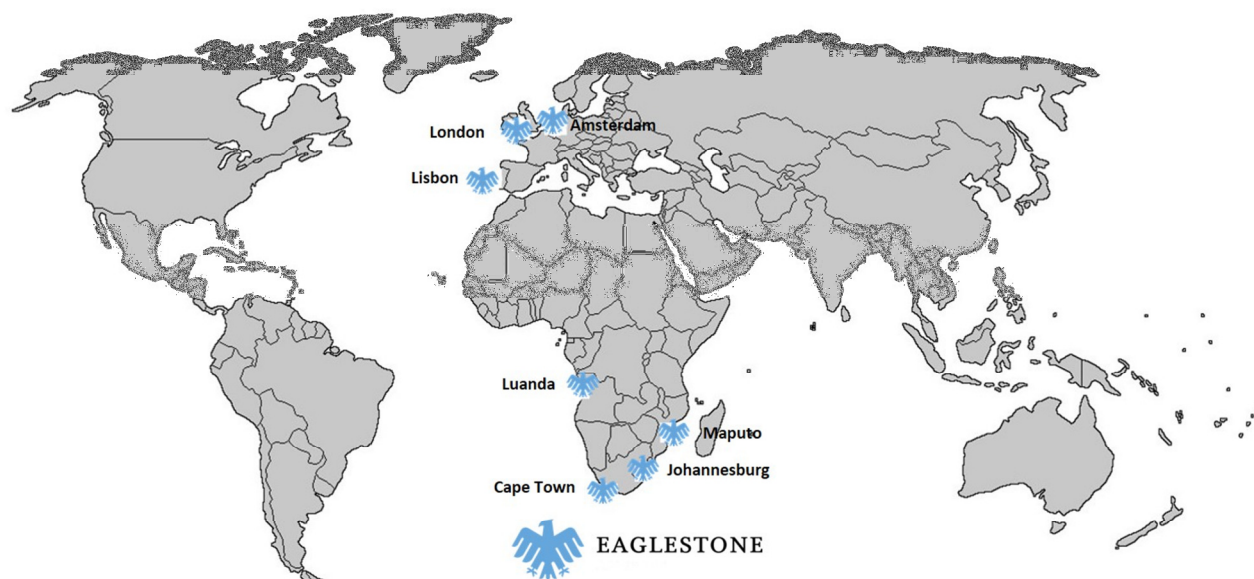
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Disclosures

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.

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