



The Angolan Economy

Budget sets a better picture for 2023

Economic growth is expected to continue to improve

The Angolan government's 2023 budget proposal assumes that economic activity in the country will continue to accelerate this year (and beyond), with real GDP growth projected to reach 3.3% from an expected 2.7% in 2022. Despite all the risks and uncertainties, namely related to the international backdrop, we believe this growth estimate is reasonable and note that it is in line with the IMF's forecast of 3.4% for the period. The government also projects that real GDP growth will improve in the years after 2023, reaching an average of 4.1% annually during 2024-28. Meanwhile, the 2023 budget proposal assumes that crude prices will average US\$ 75 per barrel (vs. US\$ 100 estimated for 2022) and that oil production will increase 2.8% to 1.18 million bpd. Inflation is expected to continue to decelerate largely because of the persistently tight monetary policy followed by the central bank, with annual inflation forecasted to end the year at 11.1% (from 14.4% in 2022).

The government projects another budget surplus in 2023

The budget proposal amounts to AKZ 20,104 billion, standing 7.2% above the 2022 budget and 5.9% ahead of the expected figure for the year. The budget assumes that the government will reach a surplus of AKZ 560 billion (equivalent to 0.9% of GDP) following a surplus of 2.7% expected in 2022. The government also forecasts a primary surplus (excluding debt payments) equivalent to 4.9% of GDP, below the surplus of 6.7% expected in 2022.

Lower oil receipts to be offset by a larger contribution from the non-oil sector

The government projects that revenues will increase by only 0.7% to AKZ 13,462 billion (with oil receipts falling by nearly double digits) and expenditures will rise by 8.4% to AKZ 12,902 billion relatively to the figures anticipated for 2022. It is also worth highlighting the following projections: (1) a 16.1% increase in non-oil related revenues and 7.1% in primary expenditures, (2) oil-related tax receipts will continue to account for the majority of revenues (53.5% of the total), (3) a 12.4% increase in current expenditures due to higher public spending on goods and services, wages and interests and (4) capital expenditures will remain elevated, as the government plans to boost public investment to accelerate economic growth and improve job creation.

Nearly half of public spending to be allocated (again) to debt service payments

The government anticipates that 59.7% of the proceeds needed to finance its 2023 budget will come from taxes (35.8% from the oil sector), while a third will come from debt financing. We note that the amount of debt financing is expected to rise by 31.6%, with financing in overseas markets advancing at double the pace of domestic financing. Regarding expenditures, we highlight that 45% of public spending is to be allocated to debt service amortization (capital plus interest).

Public debt ratios have fallen significantly in 2021-22

Angola's public debt ratios kept a downward trajectory in 2022 after already seeing a sharp fall in the previous year. The government estimates that public debt should reach 56.1% of GDP by year-end, down from a historical high of 133.8% in 2020 and 82.9% in 2021. This evolution reflects the fiscal consolidation measures recently implemented together with a more stable kwanza exchange rate, as nearly two-thirds of public debt is denominated in foreign currency. That said, it remains imperative for the Angolan authorities to continue their fiscal consolidation path to help ensure that the target of a public debt ratio of 60% of GDP in the long-term is achievable.

Research

January 2023

Economics

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BUDGET PROPOSAL (2023)**Macroeconomic Projections**

Economic activity in Angola continued to improve in 2022 after having already shown some signs of stabilization in the previous year. Recall that 2021 marked the end of a prolonged five-year recession in the country, with real GDP advancing 0.7% in the period. Despite this modest growth, this figure was slightly above the 0.2% initially expected by the Angolan authorities.

Meanwhile, the latest figures published by the National Statistics Institute (INE) show that real GDP growth reached 3.4% YoY in the first nine months of 2022 due to a positive contribution from both the oil (2.4%) and non-oil (3.8%) sectors. This performance led the government to revise upwards its economic growth forecast for the year to 2.7% from the 2.4% projected in the 2022 budget proposal.

This improvement is justified by the higher oil production expected for the year (2%) as well as slightly better growth in the non-oil sector (3.2% vs. 3.1% previously projected). The latter was mainly boosted by faster growth in sectors like fishing (10%), the extractive industry (10%), energy (8.3%), transport and storage (8%), manufacturing (5%) and agriculture (4.9%).

The Angolan government expects economic growth to continue to accelerate this year, with its budget proposal for 2023 assuming a real GDP growth forecast of 3.3%. This evolution reflects an improved performance in the oil & gas sector (3.0%), particularly a sharp recovery in the gas sector (17.8% vs. -9.7% in 2022) and a slightly better contribution from the non-oil sector (3.4%), as detailed below.

REAL GDP GROWTH					
	2020	2021	2022 (1)	2022 (2)	2023 (1)
Real GDP Growth	-5.6%	0.7%	2.4%	2.7%	3.3%
- Oil and Gas	-8.3%	-11.0%	1.6%	2.1%	3.0%
Oil	-8.1%	-11.5%	1.5%	2.1%	2.8%
Gas	-12.8%	11.1%	4.2%	-9.7%	17.8%
- Non-oil	-4.7%	6.4%	3.1%	3.2%	3.4%

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

Inflation has been mainly impacted by the higher cost of food items in international markets, as food imports still represent a large share of the supply of these essential goods to the domestic market. However, contrary to what happened in most other countries in the world, inflation in Angola followed a downward trajectory in 2022 after being under pressure in the previous two years. The annual inflation rate reached a level below the government's target of 18.0% for the year by October (16.7%) and is now expected to end the year at 14.4%. This compares with an inflation rate of 27.0% in 2021.

Inflation is expected to continue to trend downward largely due to a persistently tight monetary policy followed by the central bank. The government forecasts in its 2023 budget proposal that annual inflation will end the year at 11.1%.

The 2023 budget proposal assumes that oil prices will average US\$ 75 per barrel for the period. Although this forecast is well below the average of US\$ 100 expected for 2022, it stands above the US\$ 59 included in last year's budget. The government also foresees average daily crude production reaching 1.180 million barrels in 2023, which compares with 1.148 million in the previous year. This represents an increase of 32.8k barrels/day (or 2.8%) and reflects the increased activity in blocks 15/06 (8.6%), 14 (8.3%), 15 (8.2%), 31 (4.1%) and 17 (7.4%).

ECONOMIC INDICATORS					
	2020	2021	2022 (1)	2022 (2)	2023 (1)
Inflation	25.1%	27.0%	18.0%	14.4%	11.1%
Annual Oil and LNG Production	579.9	539.3	553.2	535.3	567.7
Oil Production (MBbl)	463.9	410.4	419.0	419.0	430.7
LNG Production (MBOE)	116.0	128.9	134.2	116.3	137.0
Daily Oil Production (Million Bbl/day)	1.271	1.124	1.148	1.148	1.180
Average Oil Price (US\$/Bbl)	41.3	71.2	59.0	100.0	75.0
Average LNG Price (US\$/BOE)	29.2	38.0	33.0	57.0	39.0
Nominal GDP (AKZ billion)	34,158.3	47,045.0	54,578.2	55,759.1	61,012.4
Oil	8,733.5	14,130.2	13,825.4	14,695.4	13,477.0
Non-oil	25,424.8	32,914.8	40,752.8	41,063.7	47,535.4

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

Economic activity continued to improve in 2022 after stabilizing in the previous year

The government revised upwards its real GDP growth forecast for 2022

The higher real GDP growth forecast is thanks to an improvement in activity in the oil and non-oil sectors

The government expects economic growth to continue to accelerate in 2023

Contrary to other countries, annual inflation in Angola decelerated in 2022

Inflation is expected to continue to decelerate in 2023

The 2023 budget proposal assumes that oil prices will average US\$ 75, and crude production will see a slight recovery from the previous year

The government disclosed in its 2023 budget proposal an economic growth scenario for the period 2024-28 whereby it expects real GDP growth to average about 4.0% a year (the IMF's current forecasts also suggest that economic growth will average 4.0% annually during 2024-27). Economic growth is expected to be entirely supported by an improved performance of the non-oil sector, which is projected to advance by 4.7% a year. This will offset the negative impact of an anticipated lower crude production to the tune of 1.5% annually during 2024 and 2027, before recovering the following year by a modest 2.0%.

The government expects real GDP growth will average about 4.0% a year during 2024-28

This economic growth scenario reflects the government's objective to intensify and accelerate the diversification of the local economy. This process is expected to be led by the private sector that will eventually be converted into the economic growth engine of the country.

The government expects the private sector to become the growth engine of the country

GDP FORECASTS					
	2024	2025	2026	2027	2028
Real GDP Growth	3.9%	2.4%	3.7%	4.7%	5.6%
- Oil and Gas	0.6%	-5.3%	-6.2%	-3.3%	2.0%
Oil	0.3%	-5.5%	-6.1%	-3.8%	2.0%
Gas	18.2%	0.6%	-8.4%	9.7%	2.5%
- Non-oil	4.8%	4.1%	5.5%	5.9%	6.1%
Nominal GDP (AKZ billion)	65,989.2	71,856.0	79,453.6	88,765.5	100,391.7
Oil	11,104.2	10,444.0	9,790.3	9,259.2	9,259.2
Gas	323.7	368.5	369.9	407.9	407.9
Non-oil and Gas	54,561.4	61,043.5	69,293.5	79,098.4	90,724.7

Source: Angolan authorities.

Government Accounts

The government accounts for 2022 were particularly impacted by the international environment during the year, namely a significantly higher oil price than initially envisaged for the period. Indeed, as stated above, the Angolan authorities initially assumed in their 2022 budget proposal that crude prices would average US\$ 59 per barrel for the year. It turns out that this average could end up reaching US\$ 100. This obviously has a quite material (favorable) effect on the government's oil receipts. However, it also means that the Angolan authorities have had to spend a significantly higher than expected amount on fuel subsidies to help offset the impact of these higher oil prices on the local population.

Significantly higher than expected oil prices have had a material impact on the government's accounts for 2022

Preliminary figures disclosed by the government show that tax revenues related to the oil sector could reach AKZ 7,973 billion in 2022 and stand 30.3% above the budgeted figure for the year. This represents an increase of 20.5% relatively to the 2021 preliminary estimate. On the other hand, non-oil related tax revenues are expected to miss the budget estimate by 5% after rising 18.2% YoY to AKZ 4,382 billion. With non-tax revenues projected to stand (12%) ahead of expectations, this means that the total revenues for the year are forecasted to reach AKZ 13,371 billion and surpass the budgeted figure by 14.9% while also rise 21.6% YoY in the period.

Tax revenues related to the oil sector are expected to stand 30.3% above the budgeted figure for 2022

GOVERNMENT ACCOUNTS AKZ BILLION					Change			
	2020 (1)	2021 (1)	2022 (2)	2022 (1)	2021 (1) / 2020 (1)	2022 (2) / 2021 (1)	2022 (1) / 2021 (1)	2022 (2) / 2022 (1)
Revenues								
Tax Revenues (Oil)	3,612	6,615	6,118	7,973	83.1%	-7.5%	20.5%	30.3%
Tax Revenues (Non-Oil)	2,993	3,709	4,612	4,382	23.9%	24.4%	18.2%	-5.0%
Non-tax Revenues	449	671	908	1,016	49.5%	35.2%	51.4%	12.0%
Total Revenues	7,054	10,995	11,637	13,371	55.9%	5.8%	21.6%	14.9%
Expenditures								
Current Expenditures	5,928	6,727	9,663	8,729	13.5%	43.6%	29.8%	-9.7%
Wages	2,067	2,095	2,677	2,391	1.3%	27.8%	14.2%	-10.7%
Goods and Services	966	1,646	2,430	2,112	70.4%	47.7%	28.4%	-13.1%
Interests	2,300	2,445	3,021	2,135	6.3%	23.6%	-12.7%	-29.3%
Transfers	595	542	1,535	2,091	-8.9%	183.1%	285.6%	36.2%
Subsidies	48	62	873	1,523	30.3%	1301.0%	2344.1%	74.5%
Capital Expenditure	1,772	2,480	1,973	3,171	39.9%	-20.4%	27.9%	60.7%
Total Expenditures	7,700	9,207	11,636	11,899	19.6%	26.4%	29.2%	2.3%

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

In terms of expenditures, the government now forecasts that these will stand at AKZ 11,899 billion in 2022. This figure is 2.3% above the government's initial forecast for the year and

Total expenditures are expected to stand only 2.3% above the initially

29.2% higher than the previous year's estimate. This slight deviation occurs because of an acceleration in the execution of capital expenditures (i.e., public investment), which means that these expenditures are expected to stand 60.7% above their initial projection and more than offset lower current expenditures (-9.7%). The sharp increase in capital expenditures is likely to be largely related to the fact that 2022 was an election year in Angola.

projected figure for 2022

Meanwhile, the 2023 budget proposal amounts to AKZ 20,104 billion, representing an increase of 7.2% from the 2022 initial budget proposal and standing 5.9% above the government's expected figure for the year. The proposal assumes that the government will reach a budget surplus of AKZ 560 billion (equivalent to 0.9% of GDP) following a surplus of 2.7% of GDP expected in 2022. The government also projects a primary surplus equivalent to 4.9% of GDP, below the surplus of 6.7% expected in 2022. We recall that the 2022 budget proposal assumed an overall balanced budget and a primary surplus equivalent to 5.5% of GDP.

The 2023 budget proposal assumes an overall fiscal surplus equivalent to 0.9% of GDP

In the 2023 budget proposal, the government forecasts that total revenues and expenditures will reach AKZ 13,462 billion and AKZ 12,902 billion, respectively. This represents an increase of 0.7% in revenues and 8.4% in expenditures relatively to the figures expected for 2022. It is also worth mentioning that the budget proposal assumes that non-oil related revenues will increase by 16.1% and primary expenditures (excluding interests) by a more modest 7.1% relatively to the expected figures for 2022.

Revenues are forecasted to increase by 0.7% and expenditures by 8.4% from the figures expected for 2022

The table below details the revenues and expenditures projected by the government for 2023. As previously stated, revenues are expected to remain relatively stable when compared with the previous year, as the decline in oil receipts (-9.8%) is expected to be offset by an improvement in non-oil tax revenues (9.6%) and other revenues, which are forecasted to nearly double (no details were provided explaining this sharp increase).

The decline in oil receipts is expected to be offset by an improvement in non-oil tax revenues and other revenues

On the other hand, the higher expenditures projected for the year come on the back of a 12.4% increase in current expenditures, namely higher government spending on goods and services (36.6%), wages (18.2%) and interests (14.3%). Capital expenditures are expected to remain at an elevated level, as the government plans to boost structuring public investment to accelerate economic growth and improve job creation. Recall that public investment remains crucial to Angola's economic growth considering that the country is still largely deficient in terms of infrastructures.

Public expenditures are expected to increase in 2023 relatively to the previous year

GOVERNMENT ACCOUNTS AKZ BILLION						Change			
	2020 (1)	2021 (1)	2022 (2)	2022 (1)	2023 (2)	2022 (2) / 2021 (1)	2022 (1) / 2021 (1)	2023 (2) / 2022 (2)	2023 (2) / 2022 (1)
Revenues	7,054	10,995	11,637	13,371	13,462	5.8%	21.6%	15.7%	0.7%
Current Revenues	7,050	10,973	11,637	13,332	13,462	6.1%	21.5%	15.7%	1.0%
Tax Revenues	6,605	10,324	10,730	12,355	11,999	3.9%	19.7%	11.8%	-2.9%
Oil Revenues	3,612	6,615	6,118	7,973	7,196	-7.5%	20.5%	17.6%	-9.8%
<i>% of Total Tax Revenues</i>	<i>54.7%</i>	<i>64.1%</i>	<i>57.0%</i>	<i>64.5%</i>	<i>60.0%</i>	<i>-7.1%</i>	<i>0.5%</i>	<i>2.9%</i>	<i>-4.6%</i>
Non-oil Revenues	2,993	3,709	4,612	4,382	4,804	24.4%	18.2%	4.2%	9.6%
Social Contributions	320	350	336	390	311	-4.1%	11.3%	-7.4%	-20.2%
Other Revenues	124	299	572	587	1,152	91.1%	96.1%	101.3%	96.2%
Capital Revenues	5	22	0	39	0	-100.0%	79.5%	-	-100.0%
Expenditures	7,700	9,207	11,636	11,899	12,902	26.4%	29.2%	10.9%	8.4%
Current Expenditures	5,928	6,727	9,663	8,729	9,808	43.6%	29.8%	1.5%	12.4%
Wages	2,067	2,095	2,677	2,391	2,825	27.8%	14.2%	5.5%	18.2%
Goods and Services	966	1,646	2,430	2,112	2,885	47.7%	28.4%	18.7%	36.6%
Interests	2,300	2,445	3,021	2,135	2,441	23.6%	-12.7%	-19.2%	14.3%
Transfers	595	542	1,535	2,091	1,657	183.1%	285.6%	8.0%	-20.7%
Subsidies	48	62	873	1,523	964	1301.0%	2344.1%	10.5%	-36.7%
Capital Expenditure	1,772	2,480	1,973	3,171	3,094	-20.4%	27.9%	56.8%	-2.4%
Public Investment	1,337	2,392	1,973	-	3,081	-17.5%	-	56.1%	-
Primary Fiscal Balance	1,654	4,233	3,022	3,607	3,001	-28.6%	-14.8%	-0.7%	-16.8%
<i>% of GDP</i>	<i>5.0%</i>	<i>9.0%</i>	<i>5.5%</i>	<i>6.7%</i>	<i>4.9%</i>	<i>-3.4%</i>	<i>-2.3%</i>	<i>-0.6%</i>	<i>-1.7%</i>
Overall Fiscal Balance	-646	1,788	2	1,472	560	-99.9%	-17.7%	n.m.	-62.0%
<i>% of GDP</i>	<i>-2.0%</i>	<i>3.8%</i>	<i>0.0%</i>	<i>2.7%</i>	<i>0.9%</i>	<i>-3.8%</i>	<i>-1.1%</i>	<i>0.9%</i>	<i>-1.8%</i>

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

The government plans to continue to implement several measures to improve its revenue base, namely related to increasing the tax base and improving fiscal oversight and procedures. These include (1) implement measures aimed at improving the competitiveness and efficiency of the Angolan tax system, (2) strengthen oversight and adjustment of procedures in order to improve

The government plans to continue to implement several measures to improve its revenue base

efficiency and efficacy of tax collection, (3) continue to implement actions that will lead to the digital and gradual transformation of the Angolan tax system, (4) strengthen actions to educate and promote fiscal citizenship, (5) monitor, control and compliance of fiscal procedures and (6) continue to promote the massive register of people and assets (real estate and motor vehicles). The government will also continue its privatization program (PROPRIV), with 46 assets and companies expected to see their privatization process concluded in 2023 (18 of them already saw their privatization process initiated in 2022). These assets and companies are in the industrial, mineral resources and oil, telecommunications, and transport sectors.

The reforms planned in terms of public expenditures include (1) accelerate the reforms of state-owned enterprises, (2) accelerate the reform of public funds, namely implement Presidential Decree n: 61/22 of 22nd of February whereby the number of these funds was cut from 16 to five (infrastructure development, loan support, social development support, productive sector development and venture capital), (3) continue the financial decentralization, providing more financial power to the local governments, (4) continue to strengthen the management of public investment and (5) implement structural improvements in the public sector hiring process.

Several reforms are also planned on the public expenditures side

Overall, total revenues and expenditures are projected to represent 22.1% and 21.1% of GDP, respectively (vs. 24.7% and 21.9% of GDP expected in 2022, respectively), with oil-related tax receipts reaching 11.8%. On the other hand, current expenditures are expected to account for 16.1% of GDP (unchanged from 2022).

Revenues and expenditures are expected to represent 22.1% and 21.1% of GDP, respectively, in 2023

GOVERNMENT ACCOUNTS	% of GDP									
	2015	2016	2017	2018	2019 (1)	2020 (1)	2021 (1)	2022 (2)	2022 (1)	2023 (2)
Revenues	24.1%	17.6%	17.5%	22.9%	21.4%	21.4%	23.3%	21.3%	24.7%	22.1%
Tax Revenues	21.8%	15.8%	15.8%	21.1%	19.8%	20.0%	21.9%	19.7%	22.8%	19.7%
Oil Revenues	13.6%	8.3%	9.9%	14.5%	12.9%	10.9%	14.0%	11.2%	14.7%	11.8%
Non-oil Revenues	8.2%	7.5%	5.9%	6.6%	6.9%	9.1%	7.9%	8.4%	8.1%	7.9%
Non-tax Revenues	2.3%	1.8%	1.7%	1.8%	1.5%	1.4%	1.4%	1.7%	1.9%	2.4%
Expenditures	27.1%	22.2%	23.8%	20.8%	20.8%	23.3%	19.5%	21.3%	21.9%	21.1%
Current Expenditures	21.8%	18.3%	17.3%	16.1%	17.1%	17.9%	14.2%	17.7%	16.1%	16.1%
Wages	10.0%	8.5%	7.4%	6.0%	6.5%	6.3%	4.4%	4.9%	4.4%	4.6%
Goods and Services	5.6%	3.8%	4.1%	3.4%	2.8%	2.9%	3.5%	4.5%	3.9%	4.7%
Interests	1.8%	2.9%	3.3%	4.7%	5.9%	7.0%	5.2%	5.5%	3.9%	4.0%
Transfers	4.4%	3.1%	2.3%	1.9%	2.0%	1.8%	1.1%	2.8%	3.9%	2.7%
Capital Expenditure	5.3%	3.9%	6.5%	4.6%	3.7%	5.4%	5.3%	3.6%	5.8%	5.1%
Primary Fiscal Balance	-1.1%	-1.7%	-3.0%	6.8%	6.5%	5.0%	9.0%	5.5%	6.7%	4.9%
Overall Fiscal Balance	-2.9%	-4.5%	-6.3%	2.1%	0.6%	-2.0%	3.8%	0.0%	2.7%	0.9%
Non-oil Primary Balance (3)	-21.8%	-12.2%	-16.3%	-10.9%	-9.3%	-7.9%	-7.2%	-7.6%	-11.0%	-8.8%
Non-oil Total Balance (3)	-24.4%	-15.7%	-20.5%	-17.7%	-17.8%	-17.1%	-14.6%	-15.0%	-16.3%	-14.0%

(1) Preliminary; (2) Initial Budget; (3) % of non-oil GDP. Sources: Angolan authorities and Eaglestone Securities.

Oil-related tax receipts are expected to continue to represent the majority of revenues, standing at 53.5% of the total in 2023. This figure is below the 59.6% projected for 2022, but above the 52.6% included in the 2022 budget. This is partly due to the lower oil price assumption in the 2023 budget proposal and the impact that it is expected to have on fiscal receipts. On the other hand, the contribution from non-oil tax receipts and non-tax receipts are projected to increase compared with the forecasts for 2022.

Tax receipts from the oil sector will continue to represent the majority of revenues

Also worth noting is the proportion of public spending going toward the payment of transfers. Although the proportion of transfers in terms of total expenditures is anticipated to fall to 12.8% (from an expected 17.6% in 2022), this figure remains well above the ones recorded in previous years.

Transfers are expected to represent 12.8% of total expenditures

GOVERNMENT ACCOUNTS	% of Total									
	2015	2016	2017	2018	2019 (1)	2020 (1)	2021 (1)	2022 (2)	2022 (1)	2023 (2)
Revenues										
Tax Revenues (Oil)	56.4%	47.3%	56.7%	63.4%	60.4%	51.2%	60.2%	52.6%	59.6%	53.5%
Tax Revenues (Non-Oil)	34.0%	42.3%	33.7%	28.9%	32.4%	42.4%	33.7%	39.6%	32.8%	35.7%
Non-tax Revenues	9.6%	10.4%	9.6%	7.7%	7.2%	6.4%	6.1%	7.8%	7.6%	10.9%
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	80.5%	82.3%	72.6%	77.7%	82.3%	77.0%	73.1%	83.0%	73.4%	76.0%
Wages	36.8%	38.3%	31.3%	28.9%	31.4%	26.8%	22.7%	23.0%	20.1%	21.9%
Goods and Services	20.9%	17.1%	17.4%	16.6%	13.3%	12.5%	17.9%	20.9%	17.8%	22.4%
Interests	6.6%	12.9%	14.0%	22.8%	28.2%	29.9%	26.6%	26.0%	17.9%	18.9%
Transfers	16.2%	14.0%	9.8%	9.3%	9.4%	7.7%	5.9%	13.2%	17.6%	12.8%
Capital Expenditure	19.5%	17.7%	27.4%	22.3%	17.7%	23.0%	26.9%	17.0%	26.6%	24.0%
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 11,040 billion in 2023 if excluding spending on public debt operations (interest). This is 17.0% more than what it forecasted in the 2022 budget and results from higher expenditures in the social (33.4%), economic (45.7%) and defense, security and social order (9.0%) sectors. However, spending on the general public services and other sector is expected to decline 12.9% in the period. We also note that public debt amortization is anticipated to see a decrease of 2.6% and account for 45.1% of total budgeted expenditures (vs. 49.6% of the total projected in the 2022 budget).

Total expenditures (excluding spending on public debt operations) are expected to increase 17.0%

As detailed in the table below, planned expenditures on the social sector are projected to stand 33.4% above the 2022 budget figure because of strong increases in spending on housing, health and education. The social sector is expected to remain by far the most relevant in terms of expenditures, representing 43.5% of primary expenditures (excluding public debt operations) and 23.9% of total expenditures.

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

The higher expenditures in the economic sector reflect a sharp increase in spending on fuel and energy, agriculture, fishing, transports and the extractive industry, manufacturing, construction, with this sector expected to account for 18.2% of primary expenditures and 10.0% of the total expenditures. The defense, security and social order sector is expected to represent 15.6% of primary expenditures and the general public services sector to account for 22.7%.

Spending on defense, security and social order is expected to represent 15.6% of primary expenditures

EXPENDITURES BY SECTOR	Change		% Total Exp. (1)		% Total Exp.		% of GDP		
	2022	2023	2023 / 2022	2022	2023	2022	2023	2022	2023
AKZ BILLION									
Social Sector	3,597	4,799	33.4%	38.1%	43.5%	19.2%	23.9%	6.6%	7.9%
Education	1,242	1,553	25.1%	13.2%	14.1%	6.6%	7.7%	2.3%	2.5%
Health	924	1,340	45.1%	9.8%	12.1%	4.9%	6.7%	1.7%	2.2%
Social Protection	655	689	5.1%	6.9%	6.2%	3.5%	3.4%	1.2%	1.1%
Housing	706	1,113	57.6%	7.5%	10.1%	3.8%	5.5%	1.3%	1.8%
Other	71	104	47.3%	0.8%	0.9%	0.4%	0.5%	0.1%	0.2%
Economic Sector	1,380	2,011	45.7%	14.6%	18.2%	7.4%	10.0%	2.5%	3.3%
Agriculture, Fishing	324	412	27.1%	3.4%	3.7%	1.7%	2.1%	0.6%	0.7%
Transports	509	585	15.0%	5.4%	5.3%	2.7%	2.9%	0.9%	1.0%
Fuel and Energy	416	786	88.8%	4.4%	7.1%	2.2%	3.9%	0.8%	1.3%
Extractive Ind., Manufacturing, Construction	68	123	80.8%	0.7%	1.1%	0.4%	0.6%	0.1%	0.2%
General Economic Matters	37	75	103.3%	0.4%	0.7%	0.2%	0.4%	0.1%	0.1%
Other	27	31	15.5%	0.3%	0.3%	0.1%	0.2%	0.0%	0.1%
Defense, Security and Social Order	1,578	1,720	9.0%	16.7%	15.6%	8.4%	8.6%	2.9%	2.8%
Defense	790	855	8.2%	8.4%	7.7%	4.2%	4.3%	1.4%	1.4%
Security and Social Order	788	865	9.8%	8.4%	7.8%	4.2%	4.3%	1.4%	1.4%
General Public Services and Other	2,883	2,510	-12.9%	30.5%	22.7%	15.4%	12.5%	5.3%	4.1%
Total Expend. (Ex. Public Debt Operations)	9,439	11,040	17.0%	100.0%	100.0%	50.4%	54.9%	17.3%	18.1%
Public Debt Operations	9,307	9,064	-2.6%			49.6%	45.1%	17.1%	14.9%
Domestic	5,335	3,994	-25.1%			28.5%	19.9%	9.8%	6.5%
Overseas	3,972	5,070	27.7%			21.2%	25.2%	7.3%	8.3%
Total Expenditures	18,745	20,104	7.2%			100.0%	100.0%	34.3%	33.0%

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

The government expects to finance its 2023 budget by once again relying comparatively more on public receipts, mainly taxes (59.7% of the total), as opposed to debt financing. Still, the projected amount of debt financing is expected to increase by 31.6% relatively to the forecasted figure for 2022 and be more aligned with the government's initial budget forecast.

Tax receipts are expected to represent about 60% of the total receipts for 2023

The government also expects to see an increase of 14.3% in debt interest payments and 25.9%

Total debt amortization

in debt amortization relatively to the 2022 forecasted figures and for these to represent 12.1% and 32.9% of the total expenditures, respectively. In other words, 45% of total expenditures are projected to be allocated to debt service payments (debt amortization plus interest). The government is also planning to spend relatively more on the salaries of public sector employees and goods and services and less on transfers than in 2022.

(interest and capital) is expected to represent 45% of total expenditures

FINANCING	AKZ Billion			Change		% of Total			% of GDP		
	2022 (1)	2022 (2)	2023 (1)	2023(1) / 2022(1)	2023(1) / 2022(2)	2022 (1)	2022 (2)	2023 (1)	2022 (1)	2022 (2)	2023 (1)
Receipts											
Current Revenues	11,637	13,332	13,462	15.7%	1.0%	62.1%	70.2%	67.0%	21.3%	24.6%	22.1%
Taxes	10,730	12,355	11,999	11.8%	-2.9%	57.2%	65.1%	59.7%	19.7%	22.8%	19.7%
Oil Sector	6,118	7,973	7,196	17.6%	-9.8%	32.6%	42.0%	35.8%	11.2%	14.7%	11.8%
Non-oil Sector	4,612	4,382	4,804	4.2%	9.6%	24.6%	23.1%	23.9%	8.4%	8.1%	7.9%
Social Contributions	336	390	311	-7.4%	-20.2%	1.8%	2.1%	1.5%	0.6%	0.7%	0.5%
Other	572	587	1,152	101.3%	96.2%	3.1%	3.1%	5.7%	1.0%	1.1%	1.9%
Capital Revenues	0	39	0	-	-100.0%	0.0%	0.2%	0.0%	0.0%	0.1%	0.0%
Asset Sales	224	88	20	-91.3%	-77.8%	1.2%	0.5%	0.1%	0.4%	0.2%	0.0%
Financing	6,884	5,031	6,623	-3.8%	31.6%	36.7%	26.5%	32.9%	12.6%	9.3%	10.9%
Domestic	3,050	2,555	3,097	1.5%	21.2%	16.3%	13.5%	15.4%	5.6%	4.7%	5.1%
International	3,834	2,476	3,526	-8.0%	42.4%	20.5%	13.0%	17.5%	7.0%	4.6%	5.8%
Sovereign Wealth Fund	0	488	0	n.m.	-100.0%	0.0%	2.6%	0.0%	0.0%	0.9%	0.0%
Total Receipts	18,745	18,979	20,104	7.2%	5.9%	100.0%	100.0%	100.0%	34.3%	35.0%	33.0%
Expenditures											
Staff Costs	2,677	2,391	2,825	5.5%	18.2%	14.3%	12.6%	14.1%	4.9%	4.4%	4.6%
Goods and Services	2,430	2,112	2,885	18.7%	36.6%	13.0%	11.1%	14.4%	4.5%	3.9%	4.7%
Interests	3,021	2,135	2,441	-19.2%	14.3%	16.1%	11.2%	12.1%	5.5%	3.9%	4.0%
Domestic	1,753	989	1,296	-26.1%	31.0%	9.4%	5.2%	6.4%	3.2%	1.8%	2.1%
External	1,268	1,146	1,145	-9.6%	0.0%	6.8%	6.0%	5.7%	2.3%	2.1%	1.9%
Transfers	1,535	2,091	1,657	8.0%	-20.7%	8.2%	11.0%	8.2%	2.8%	3.9%	2.7%
Subsidies	873	1,523	964	10.5%	-36.7%	4.7%	8.0%	4.8%	1.6%	2.8%	1.6%
Acquisition of Non-Fin. Assets	1,973	3,171	3,094	56.8%	-2.4%	10.5%	16.7%	15.4%	3.6%	5.8%	5.1%
Debt Amortization	6,533	5,260	6,623	1.4%	25.9%	34.8%	27.7%	32.9%	12.0%	9.7%	10.9%
Domestic	4,314	3,140	2,849	-34.0%	-9.3%	23.0%	16.5%	14.2%	7.9%	5.8%	4.7%
External	2,218	2,120	3,774	70.1%	78.1%	11.8%	11.2%	18.8%	4.1%	3.9%	6.2%
Other Financial Investments	577	347	579	0.3%	66.7%	3.1%	1.8%	2.9%	1.1%	0.6%	0.9%
Treasury Operations	0	1,473	0	n.m.	-100.0%	0.0%	7.8%	0.0%	0.0%	2.7%	0.0%
Total Expenditures	18,745	18,979	20,104	7.2%	5.9%	100.0%	100.0%	100.0%	34.3%	35.0%	33.0%

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

The table below summarizes the government's financing needs for 2023. Gross financing needs are expected to amount to AKZ 7,202 billion in the period, representing 11.8% of GDP. These include (1) net financing needs of AKZ 579 billion (0.9% of GDP) and (2) debt amortization of AKZ 6,623 billion (10.9% of GDP). We note that 92.0% of the gross financing needs relate to debt amortization, which compares with 74.3% of the total in the previous year.

Gross financing needs are expected to represent 11.8% of GDP

FINANCING	AKZ Billion			Change		% of Total			% of GDP		
	2022 (1)	2022 (2)	2023 (1)	2023(1) / 2022(1)	2023(1) / 2022(2)	2022 (1)	2022 (2)	2023 (1)	2022 (1)	2022 (2)	2023 (1)
Gross Financing Needs											
Net Financing Needs	577	1,820	579	0.3%	-68.2%	8.1%	25.7%	8.0%	1.1%	3.4%	0.9%
Fiscal Deficit	0	0	0	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Treasury Operations	0	1,473	0	-	-100.0%	0.0%	20.8%	0.0%	0.0%	2.7%	0.0%
Financial Investments	577	347	579	0.3%	66.7%	8.1%	4.9%	8.0%	1.1%	0.6%	0.9%
Debt Amortization	6,533	5,260	6,623	1.4%	25.9%	91.9%	74.3%	92.0%	12.0%	9.7%	10.9%
Domestic	4,314	3,140	2,849	-34.0%	-9.3%	60.7%	44.4%	39.6%	7.9%	5.8%	4.7%
External	2,218	2,120	3,774	70.1%	78.1%	31.2%	29.9%	52.4%	4.1%	3.9%	6.2%
Total Gross Financing Needs	7,109	7,080	7,202	1.3%	1.7%	100.0%	100.0%	100.0%	13.0%	13.1%	11.8%
Receipts											
Asset Sales	224	88	20	-91.3%	-77.8%	3.2%	1.2%	0.3%	0.4%	0.2%	0.0%
Financing	6,884	5,031	6,623	-3.8%	31.6%	96.8%	71.1%	92.0%	12.6%	9.3%	10.9%
Domestic	3,050	2,555	3,097	1.5%	21.2%	42.9%	36.1%	43.0%	5.6%	4.7%	5.1%
International	3,834	2,476	3,526	-8.0%	42.4%	53.9%	35.0%	49.0%	7.0%	4.6%	5.8%
Fiscal Surplus	2	1,472	560	-	-62.0%	0.0%	20.8%	7.8%	0.0%	2.7%	0.9%
Sovereign Wealth Fund	0	306	0	-	-100.0%	0.0%	4.3%	0.0%	0.0%	0.6%	0.0%
Deposits	0	182	0	-	-100.0%	0.0%	2.6%	0.0%	0.0%	0.3%	0.0%
Total Receipts	7,109	7,079	7,202	1.3%	1.7%	100.0%	100.0%	100.0%	13.0%	13.1%	11.8%

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

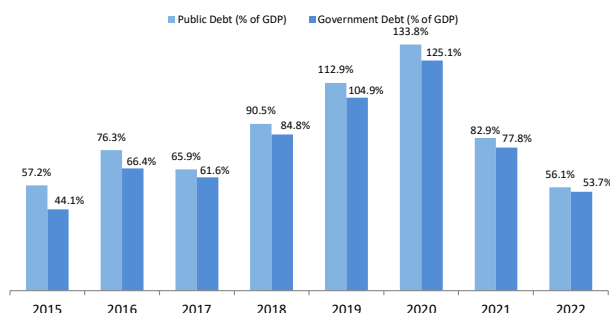
Meanwhile, Angola's public debt maintained a downward trajectory in 2022 after recording a sharp decline in the previous year. The government's current estimates indicate that public debt could reach 56.1% of GDP by December 2022, while government debt could stand at 53.7% of

Public debt continued to decline in 2022 after reaching a historically high level of 133.8% of

GDP. These figures compare with historically high public debt ratios of 133.8% and 125.1% of GDP, respectively, in 2020. This more favorable evolution is due to the impact of the primary surpluses recorded in recent years, as well as a more stable kwanza exchange rate recorded since 2021. Recall that about two-thirds of the country’s public debt is external debt and, as a result, it is denominated in foreign currency.

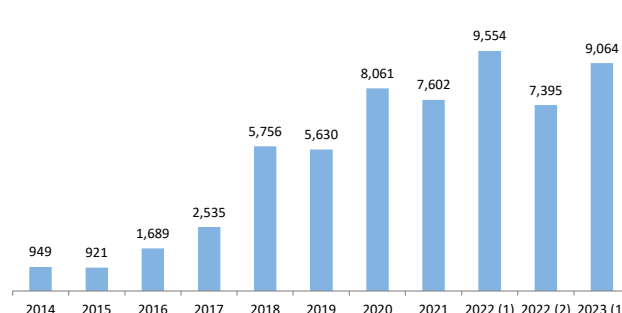
GDP in 2020

PUBLIC DEBT AND GOVERNMENT DEBT (% OF GDP)



Source: Angolan authorities.

DEBT SERVICE PAYMENTS (AKZ BILLION)



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

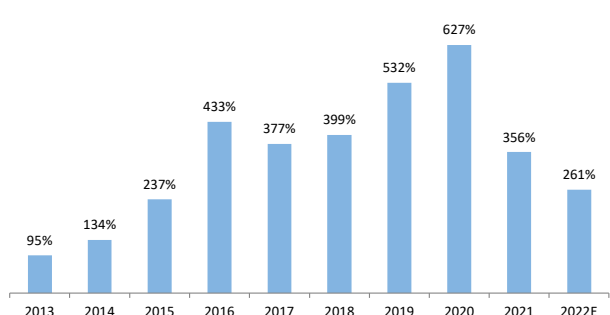
It is also worth noting that some metrics show an improvement during the last couple of years (2021-22) in terms of the burden caused by Angola’s public debt levels on the government’s accounts. For example, according to our calculations, the public debt-to-revenues ratio is expected to decline to 261% in 2022, standing at the lowest level since 2015. We recall that this ratio reached 627% in 2020 and then fell to 356% in 2021. However, the ratio of interest payments-to-revenues is expected to remain close to the historically high levels recorded in recent years at 26.0% in 2022.

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

All in all, the government stated that the 2023 budget was prepared in accordance with Law 37/20 of 30 September regarding the sustainability of public accounts. According to this law, the government conducts fiscal policy to reach the objective of a non-oil sector primary fiscal deficit equal to or below 5% of GDP until 2025 and the continued reduction of public debt levels to 60% of GDP over the long-term. Controlling the growth of the non-oil sector primary fiscal deficit remains a priority for the government considering the importance that it entails for the macroeconomic stability of the country, the financing needs of the public sector and public debt sustainability. Still, we highlight that the non-oil sector primary fiscal deficit is once again projected to remain above the aforementioned objective, as it is forecasted to stand at 6.5% of GDP in 2023 (from an estimated 7.7% of GDP in 2022).

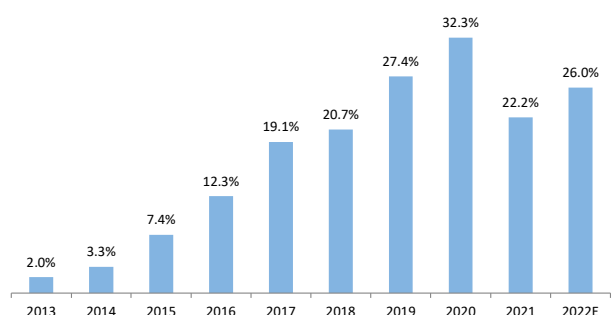
The government remains committed to implementing fiscal consolidation measures, but is once again expected to miss the objective of a non-oil sector primary fiscal deficit no larger than 5% of GDP

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.

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