



The Angolan Economy

Angola taps Eurobond market with US\$ 1.75bn issue

Research

April 2022

Economics

Tiago Bossa Dionísio

(+351) 964 643 530

tiago.dionisio@eaglestone.eu

Angola raised US\$ 1.75 billion in overseas markets this month following three other Eurobond issues in 2015, 2018 and 2019. The government said that US\$ 750 million of the proceeds from this debt sale will be used to buyback existing Eurobonds due in 2025 and 2028 and the remainder to finance its budget. The country was the second African nation to tap the international debt market since the start of the war in Ukraine, with Nigeria raising US\$ 1.25 billion in March through the issuance of a seven-year Eurobond at 8.375%.

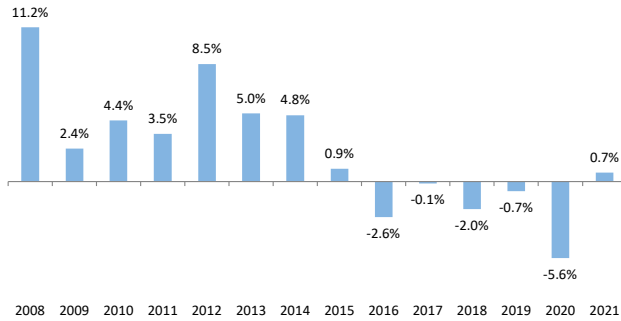
Angola's 10-year debt operation was priced at 8.75%, which is reportedly less than initial guidance, and was more than two-times oversubscribed. Also, the amount raised was lower than the projected figure of around US\$ 2.8 billion announced earlier this year by the government in its annual debt issuance plan. In our view, this means that Angola could go back to the Eurobond market this year, but only after the general elections scheduled to take place in August.

This Eurobond issue follows the conclusion of Angola's three-year economic and financial assistance program with the IMF in December 2021. Total disbursements in the program amounted to about US\$ 4.5 billion. We believe the IMF program was largely successful in improving Angola's economic and fiscal situation. After a five-year recession (2016-20), real GDP in the country advanced by a modest 0.7% in 2021 (from a contraction of -5.6% in 2020) and is expected to expand by 2.5-3.0% this year. Public debt levels also came down significantly to a level close to 80% of GDP in 2021 (vs. about 130% of GDP in the previous year). Higher oil prices also helped improve the country's external accounts and stabilize the kwanza (about 70% of total public debt is denominated in foreign currency).

Angola's latest achievements triggered the three main ratings agencies to upgrade their long-term credit ratings of the country in recent months. Moody's was the first to upgrade by lifting its rating to "B3" from "Caa1" and maintain a "stable" outlook in September 2021. Already this year, Fitch upgraded Angola's rating to "B-" from "CCC", while S&P's lifted its rating to "B-" from "CCC+". Both agencies also kept a "stable" outlook on the country's debt. The ratings agencies said their decision was driven by their assessment that Angola's fiscal metrics as well as its liquidity and funding risks were likely to improve. This view is supported by the recovery in oil prices and a stable exchange rate, which will allow the positive impact of the government's fiscal consolidation efforts and structural improvement in debt and public finance management to be reflected in a lower public debt burden. The ratings agencies expect the debt-to-GDP ratio to continue to fall and approach 60% by 2025.

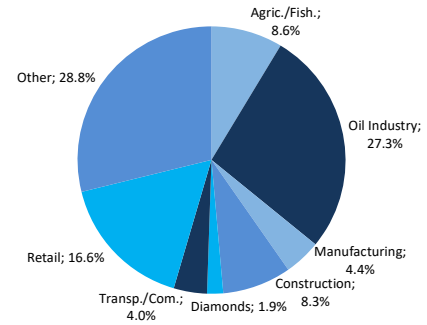
Overall, Angola is currently on a much better trajectory than it was prior to the start of IMF program. The impact of the Covid-19 pandemic has diminished thanks to the gradual lifting of containment measures and the contribution from higher oil prices. Growth in the non-oil sector has shown clear signs of recovery and is likely to contribute further to the country's economic growth over the medium to long-term. That said, the continued implementation of growth-enhancing structural reforms remains crucial as does fiscal consolidation to lower public debt levels. The latest upgrades from the ratings agencies reflect the country's improved situation, while the strong demand in the latest Eurobond issue shows that Angola clearly remains on investors' radar screens when looking at Sub-Saharan Africa.

REAL GDP GROWTH (2008-21)



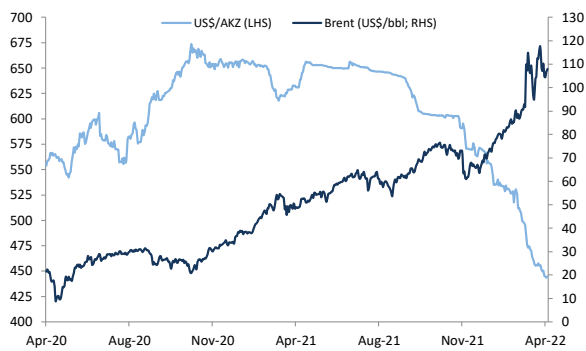
Source: INE.

REAL GDP STRUCTURE (2021)



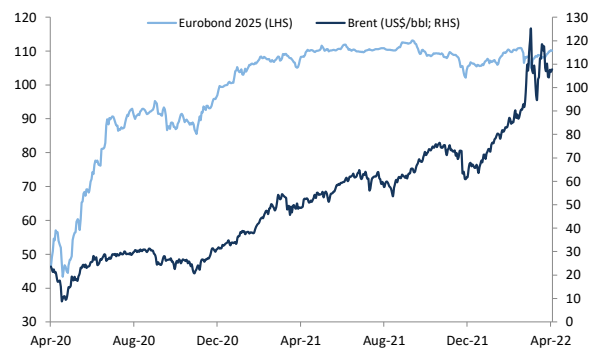
Source: INE.

KWANZA EXCHANGE RATE AND BRENT PRICE



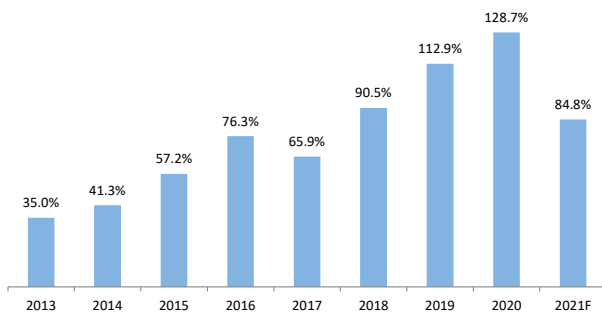
Source: Bloomberg.

BRENT PRICE AND EUROBOND 2025



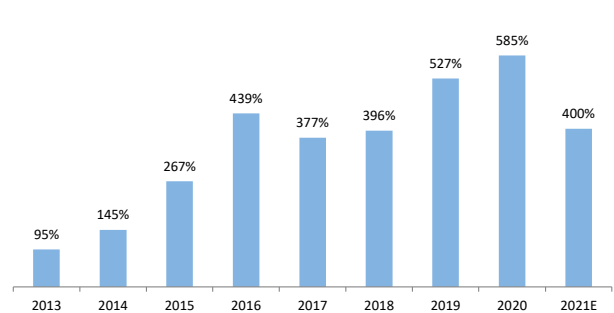
Source: Bloomberg.

PUBLIC DEBT (% OF GDP)



Sources: Angolan authorities and Eaglestone Securities.

PUBLIC DEBT (% OF REVENUES)



Sources: Angolan authorities and Eaglestone Securities.

Disclaimer

This document has been prepared by Eaglestone Advisory Limited which is authorised and regulated by the Financial Conduct Authority of the United Kingdom and its affiliates ("Eaglestone"), and is provided for information purposes only.

The information and opinions in this document are published for the assistance of the recipients, are for information purposes only, and have been compiled by Eaglestone in good faith using sources of public information considered reliable. Although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading we make no representation regarding its accuracy or completeness, it should not be relied upon as authoritative or definitive, and should not be taken into account in the exercise of judgments by any recipient. Accordingly, with the exception of information about Eaglestone, Eaglestone makes no representation as to the accuracy or completeness of such information.

This document does not have regard to specific investment objectives, financial situation and the particular needs of any specific recipient. Recipients should seek financial advice regarding the appropriateness of investment strategies discussed or recommended in this document and should understand that the statements regarding future prospects may not be realised. Unless otherwise stated, all views (including estimates, forecasts, assumptions or perspectives) herein contained are solely expression Eaglestone's research department.

This document must not be considered as an offer to sell or a solicitation to buy any investment instrument and distribution of this document does not oblige Eaglestone to enter into any transaction. Nothing in this document constitutes investment, legal, tax or accounting advice. The opinions expressed herein reflect Eaglestone's point of view as of the date of its publication and may be subject to change without prior notice

This document is intended for is made to and directed at (i) existing clients of Eaglestone and/or (ii) persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance if taken on as clients by Eaglestone and/or (iii) persons who would come within Article 19 (investment professionals) or Article 49 (high net worth companies, trusts and associations) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and/or (iv) persons to whom this communication could otherwise be lawfully made in the United Kingdom or by respective home jurisdictions regulators for non UK countries. None of the investments or investment services mentioned or described herein are available to "private customers" as defined by the rules of the Financial Conduct Authority ("FCA"). It should not be disclosed to retail clients (or equivalent) and should not be distributed to others or replicated without the consent of Eaglestone. Eaglestone name and the eagle logo are registered trademarks.

Additional information is available upon request.



AMSTERDAM - Herengracht 450-454 1017 CA - T: +31 20 240 31 60

CAPE TOWN - 22 Kildare Road Newlands 7700 - T: +27 21 674 0304

JOHANNESBURG -Unit 4, Upper Ground, Katherine & West 114 West Street, Sandton – T: +27 11 326 6644

LISBON - Av. da Liberdade, 105, 3rd Floor - T: +351 21 121 44 00

LONDON - 2 Portman Street T: +44 20 7038 6200

LUANDA - Rua Marechal Brós Tito nº 35/37 - 13th Floor A - Kinaxixi, Ingombotas - T: +244 222 441 362

MAPUTO – Rua Lucas Elias Kumato No. 283 - T: +258 21 342 811

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

Research

Tiago Bossa Dionísio

(+351) 964 643 530

tiago.dionisio@eaglestone.eu