



## The Angolan Economy

### Oil and pandemic lead to sharp budget cuts in 2020

Research

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#### Angola could face its worst recession ever

The Angolan government has revised its budget for 2020 to reflect the impact from the latest sharp drop in oil prices and the Covid-19 pandemic on fiscal accounts. The revised budget includes (1) a new assumption for crude prices of US\$ 33 per barrel, representing a 40% reduction from the initial estimate of US\$ 55 and (2) a projected cut of 10.7% in crude production to 1.28 million bpd (by year-end), the lowest level since 2005, to reflect the latest oil supply reduction agreement signed by OPEC+. The government also anticipates the Angolan economy will remain in a recession in 2020, significantly cutting its real GDP forecast to -3.6% from an initial projected growth of 1.8%. If confirmed, Angola would once again underperform the average of Sub-Saharan Africa, which the IMF expects to contract 3.2% in 2020. This would also be the fifth straight year of economic contraction, marking the longest period of recession in the country and the worst in Angola's history.

Economics

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#### Revised budget assumes overall deficit of 4% of GDP

The fiscal projections included in the 2020 revised budget point towards an overall deficit representing 4% of GDP and a primary surplus of 2.2% of GDP for this year. These figures compare with a budget surplus of 1.2% and primary surplus of 7.1% of GDP in the initial budget presented by the government in late-2019. These revisions reflect a sharp reduction in projected revenues (-28.9%) for the period, which came mostly from a significantly lower contribution from oil-related tax receipts (-47.1%). The government expects to partly offset this major shortfall in revenues by lowering expenditures (-8.7%). In particular, debt interest payments are now expected to stand 20.5% below initial projections following a reported three-year debt moratorium agreement with China (by far Angola's largest bilateral creditor). This alleged deal, which has been reported in the local press but is yet to be officially confirmed by the government, would see Angola save more than 36% in external debt servicing costs this year. Further details about this agreement are yet unknown, namely the impact that it would have on future budgets.

#### Public debt could reach 123% of GDP this year

The government stated that public debt reached about 113% of GDP in 2019 and could increase to 123% of GDP this year if current global economic conditions do not change. It added that the country's economic downturn witnessed in recent years is placing public debt levels on an unsustainable path. This makes it imperative to adopt measures to invert this trajectory. For this reason, the government reiterated its commitment to continue to implement fiscal consolidation measures, aiming to bring public debt levels down to 65% of GDP over the medium-term.

#### Herculean task required from the Angolan authorities

Angola has clearly been hit with a double-whammy of markedly lower oil prices and the Covid-19 pandemic that is impacting the global economy quite hard. The revised budget for 2020 reflects this new reality, which is undoubtedly grim and will require a Herculean task from the local authorities to execute their projected fiscal targets set for this year. If confirmed, a debt moratorium with China will bring some much needed breathing space for the government to help navigate these challenging times as well as to prepare the Angolan economy for what will hopefully be the turnaround year in 2021.

## REVISED BUDGET (2020)

## Macroeconomic Projections

The new macroeconomic projections included in the 2020 revised budget assume that Angola will continue in a recession this year, as the latest sharp drop in crude prices and persistently high debt service payment levels limit the government's ability to implement countercyclical measures to try to invert the current downward trajectory of the economy. This was further aggravated by the impact of Covid-19 and the confinement measures implemented by the local authorities aimed at containing the spread of the pandemic.

This means that the government now anticipates a decline of 3.6% in real GDP this year after foreseeing an expansion of 1.8% in the initial budget proposal announced at the end of 2019. If confirmed, this would be the sharpest contraction of the Angolan economy in the last 38 years. This projection incorporates a fall of 7.0% in activity in the oil and gas sector, together with a drop of 2.1% in the non-oil sector, and compares with initial growth forecasts of 1.5% and 1.9%, respectively. In particular, all sectors of the economy are now expected to contract this year due to the Covid-19 pandemic, with the only exception being the energy sector (+7.8%).

*The Angolan economy is expected to continue in a recession as a result of the impact of the latest sharp fall in oil prices and Covid-19*

*If the government's forecast for 2020 is confirmed, Angola could see its worst recession in the last 38 years*

ECONOMIC ACTIVITY	2017	2018	2019	2020 (1)	2020 (2)
<b>Real GDP Growth</b>	<b>-0.1%</b>	<b>-2.0%</b>	<b>-0.9%</b>	<b>1.8%</b>	<b>-3.6%</b>
- Oil and Gas	-5.3%	-9.4%	-6.6%	1.5%	-7.0%
Oil	-5.2%	-9.7%	-7.6%	3.4%	-7.2%
Gas	461.4%	-5.3%	13.2%	-21.8%	-3.3%
- Non-oil	1.2%	-0.1%	1.6%	1.9%	-2.1%
Agriculture	1.4%	-2.0%	0.8%	3.1%	-1.2%
Fishing	-1.1%	-17.1%	-18.0%	4.0%	-1.3%
Extractive Industry	-0.8%	-6.3%	8.5%	6.6%	-12.3%
Manufacturing	1.2%	4.8%	0.2%	1.2%	-1.0%
Construction	2.5%	0.4%	4.9%	1.3%	-1.4%
Energy	-1.7%	22.3%	5.3%	0.5%	7.8%
Commerce	1.5%	-0.2%	1.0%	1.2%	-1.9%
Other	0.3%	2.2%	2.3%	1.5%	-2.3%
<b>Nominal GDP (AKZ billion)</b>	<b>20,262.3</b>	<b>25,627.7</b>	<b>30,517.5</b>	<b>42,126.5</b>	<b>31,894.7</b>
- Non-oil	16,022.3	17,975.0	21,062.9	28,869.4	24,918.1

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

One of the key assumptions in the newly revised budget is the significant cut in average oil prices expected this year. The new budget assumes that oil prices will average US\$ 33, down from a previous forecast of US\$ 55. The government also lowered its projection for average daily oil production from 1.437 million barrels to 1.284 million barrels, a downward revision of 10.7%. This reduction is largely due to the limits imposed by the production cut agreement signed by OPEC and its partners in April 2020, which aims to reduce supply by 9.7 million barrels per day (or 10% of global oil supply). This agreement is expected to last two years, with production limits being gradually removed until April 2022.

*The latest OPEC+ agreement means that Angola will have to lower its oil supply in the next two years*

ECONOMIC INDICATORS	2017	2018	2019	2020 (1)	2020 (2)
Inflation	23.7%	18.6%	17.1%	25.0%	25.0%
Diamond Production (Thousand Carats)	8,964.1	9,433.9	9,121.5	10,175.0	8,000.0
Diamond Average Price (US\$/Carat)	115.1	144.1	142.3	162.1	103.0
Annual Oil and LNG Production	722.6	658.2	638.7	624.3	597.2
Oil Production (MBbl)	597.6	539.8	504.8	524.5	467.7
LNG Production (MBOE)	125.0	118.4	133.9	99.8	129.5
Daily Oil Production (Million Bbl/day)	1.637	1.479	1.383	1.437	1.284
Average Oil Price (US\$/Bbl)	53.9	70.6	65.2	55.0	33.0
Average LNG Price (US\$/BOE)	29.0	47.9	29.2	50.9	19.0

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

The government kept its inflation forecast unchanged at 25%. We note that inflation has kept a downward trajectory in recent years as a result of the tighter monetary policy adopted by the central bank and the macroeconomic stabilization measures implemented by the government. More recently, inflation has surpassed 20% for the first time since early-2018 due to the impact of the adoption of a more flexible exchange rate regime and the introduction of the VAT in October 2019. Still, inflationary pressures were somewhat contained after the central bank increased the mandatory reserve requirements in local currency (from 17% to 22%) in October

*Inflation is still projected to remain at 25% this year*

2019 and the government exempted the payment of VAT for essential goods, which make up the majority of the consumer price index.

### Government Accounts

The 2020 revised budget amounts to AKZ 13,455 billion, which is 15.7% lower than the initial budget figure of AKZ 15,971 billion for this year. The revised budget assumes a fiscal deficit of 4.0% of GDP that compares with a surplus of 1.2% of GDP initially projected. Moreover, it assumes a primary surplus 2.2% of GDP, well below the 7.1% surplus previously foreseen.

*The 2020 revised budget was cut by 15.7% from the initial budget proposal*

In the revised budget, the government anticipates that total revenues and total expenditures will reach AKZ 6,125 billion and AKZ 7,393 billion, respectively. This represents a drop of 28.9% in revenues and 8.7% in expenditures compared with the initial budget projections. The overall fiscal deficit is expected to reach AKZ 1,268 billion, while the primary fiscal balance, which excludes interest payments, is forecasted to see a surplus of AKZ 700 billion.

*The government now expects to reach a fiscal deficit of 4% of GDP after initially projecting a surplus of 1.2%*

The lower revenue projections reflect a significant cut in tax receipts (-34.8%) from the figures initially foreseen. In particular, tax receipts from the oil sector are now expected to stand 47.1% below the previous forecast as a result of the lower assumptions for crude prices and output this year. The government also anticipates lower tax revenues from the non-oil sector (-7.5%), which is likely due to the continued economic recession expected this year, and a significantly larger contribution from non-tax revenues. We note that the 2020 fiscal accounts will see for the first time the full impact of the introduction of the value-added tax (VAT) in October 2019, which came as part of the government's strategy to broaden the tax base and restructure several taxes.

*Revenue projections were cut across the board, in particular tax receipts from the oil sector*

In terms of expenditures, the biggest revision comes from significantly lower interest payments (-20.5%) now expected by the government. This is particularly the case in interest payments on external debt, which are projected to stand 25.9% below the initial estimate. We believe this is thanks to an agreement reportedly reached between the Angolan authorities and China to defer bilateral debt service payments to the latter. Indeed, recent press reports suggest that Angola has already secured a three-year debt moratorium with China (by far its largest bilateral creditor), although this has not been officially confirmed and further details remain unknown.

*The government expects to spend significantly less on debt interest payments after reportedly agreeing with China to a three-year debt moratorium*

GOVERNMENT ACCOUNTS						Change			
	AKZ BILLION	2017	2018	2019 (1)	2020 (2)	2020 (3)	2019 (1) / 2018	2020 (2) / 2019 (1)	2020 (3) / 2019 (1)
<b>Revenues</b>	<b>3,543</b>	<b>5,860</b>	<b>6,512</b>	<b>8,615</b>	<b>6,125</b>	<b>11.1%</b>	<b>32.3%</b>	<b>-5.9%</b>	<b>-28.9%</b>
Tax Revenues	3,203	5,408	6,057	8,097	5,280	12.0%	33.7%	-12.8%	-34.8%
Oil Revenues	2,009	3,715	3,953	5,581	2,952	6.4%	41.2%	-25.3%	-47.1%
Non-oil Revenues	1,194	1,693	2,105	2,517	2,329	24.3%	19.6%	10.6%	-7.5%
Non-tax Revenues	341	452	455	518	837	0.7%	13.7%	83.8%	61.7%
<b>Expenditures</b>	<b>4,822</b>	<b>5,319</b>	<b>6,270</b>	<b>8,096</b>	<b>7,393</b>	<b>17.9%</b>	<b>29.1%</b>	<b>17.9%</b>	<b>-8.7%</b>
Current Expenditures	3,499	4,130	5,143	6,759	5,931	24.5%	31.4%	15.3%	-12.3%
Wages	1,507	1,539	1,999	2,218	2,182	29.9%	10.9%	9.1%	-1.6%
Goods and Services	841	884	825	1,187	1,028	-6.6%	43.8%	24.6%	-13.4%
Interests	677	1,212	1,721	2,474	1,967	41.9%	43.8%	14.3%	-20.5%
Transfers	474	496	598	881	753	20.6%	47.4%	26.0%	-14.5%
Capital Expenditure	1,323	1,189	1,127	1,337	1,462	-5.2%	18.7%	29.8%	9.3%
<b>Primary Fiscal Balance</b>	<b>-602</b>	<b>1,754</b>	<b>1,963</b>	<b>2,992</b>	<b>700</b>	<b>11.9%</b>	<b>52.4%</b>	<b>-64.4%</b>	<b>-76.6%</b>
<b>Overall Fiscal Balance</b>	<b>-1,279</b>	<b>541</b>	<b>242</b>	<b>519</b>	<b>-1,268</b>	<b>-55.2%</b>	<b>113.9%</b>	<b>n.m.</b>	<b>n.m.</b>

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

Overall, total revenues are now projected to represent 19.2% of GDP (vs. 20.4% in the initial budget), with oil-related tax receipts (as a percentage of GDP) returning once again to single-digits (9.3%). On the other hand, total expenditures are expected to account for 23.2% of GDP, which, despite the lower spending levels anticipated this year, represents an increase from the initial budget projection (19.2% of GDP).

*Revenues are expected to represent 19.2% of GDP while expenditures represent 23.2%*

GOVERNMENT ACCOUNTS	% of GDP									
AKZ BILLION	2012	2013	2014	2015	2016	2017	2018	2019 (1)	2020 (2)	2020 (3)
<b>Revenues</b>	<b>46.5%</b>	<b>40.2%</b>	<b>35.3%</b>	<b>27.3%</b>	<b>17.4%</b>	<b>17.5%</b>	<b>22.9%</b>	<b>21.3%</b>	<b>20.4%</b>	<b>19.2%</b>
Tax Revenues	44.4%	38.2%	32.9%	24.7%	15.6%	15.8%	21.1%	19.8%	19.2%	16.6%
Oil Revenues	37.7%	30.1%	23.8%	15.4%	8.2%	9.9%	14.5%	13.0%	13.2%	9.3%
Non-oil Revenues	6.6%	8.1%	9.1%	9.3%	7.4%	5.9%	6.6%	6.9%	6.0%	7.3%
Non-tax Revenues	2.1%	2.0%	2.4%	2.6%	1.8%	1.7%	1.8%	1.5%	1.2%	2.6%
<b>Expenditures</b>	<b>39.8%</b>	<b>39.9%</b>	<b>41.9%</b>	<b>30.6%</b>	<b>21.9%</b>	<b>23.8%</b>	<b>20.8%</b>	<b>20.5%</b>	<b>19.2%</b>	<b>23.2%</b>
Current Expenditures	29.3%	28.5%	29.4%	24.7%	18.0%	17.3%	16.1%	16.9%	16.0%	18.6%
Wages	9.5%	9.6%	10.6%	11.3%	8.4%	7.4%	6.0%	6.6%	5.3%	6.8%
Goods and Services	11.9%	10.2%	10.0%	6.4%	3.7%	4.1%	3.4%	2.7%	2.8%	3.2%
Interests	1.0%	0.8%	1.2%	2.0%	2.8%	3.3%	4.7%	5.6%	5.9%	6.2%
Transfers	6.9%	7.9%	7.6%	5.0%	3.1%	2.3%	1.9%	2.0%	2.1%	2.4%
Capital Expenditure	10.5%	11.4%	12.5%	6.0%	3.9%	6.5%	4.6%	3.7%	3.2%	4.6%
<b>Primary Fiscal Balance</b>	<b>7.6%</b>	<b>1.1%</b>	<b>-5.4%</b>	<b>-1.3%</b>	<b>-1.7%</b>	<b>-3.0%</b>	<b>6.8%</b>	<b>6.4%</b>	<b>7.1%</b>	<b>2.2%</b>
<b>Overall Fiscal Balance</b>	<b>6.7%</b>	<b>0.3%</b>	<b>-6.6%</b>	<b>-3.3%</b>	<b>-4.5%</b>	<b>-6.3%</b>	<b>2.1%</b>	<b>0.8%</b>	<b>1.2%</b>	<b>-4.0%</b>

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

The sharp fall in oil-related tax receipts expected this year means that these are now forecasted to represent 48.2% of total revenues. This is significantly less than previous projection (64.8% of the total) and the contribution witnessed in recent years. On the other hand, the contribution from non-tax revenues is expected to represent 13.7% of the total, more than double the 6% initially foreseen. Also worth noting is that the proportion of public spending allocated toward debt interest payments (26.6%) is now forecasted to be more in line with the preliminary figure for 2019. Recall that the government initially projected that interest payments would account for over 30% of total spending this year, surpassing the amount allocated to pay the salaries of public sector workers.

*Oil-related tax revenues are expected to represent less than 50% of total revenues for the first time since 2016*

GOVERNMENT ACCOUNTS	% of Total									
	2012	2013	2014	2015	2016	2017	2018	2019 (1)	2020 (2)	2020 (3)
<b>Revenues</b>										
Tax Revenues (Oil)	81.2%	74.9%	67.5%	56.4%	47.3%	56.7%	63.4%	60.7%	64.8%	48.2%
Tax Revenues (Non-Oil)	14.3%	20.1%	25.6%	34.0%	42.3%	33.7%	28.9%	32.3%	29.2%	38.0%
Non-tax Revenues	4.5%	5.1%	6.9%	9.6%	10.4%	9.6%	7.7%	7.0%	6.0%	13.7%
<b>Total Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenditures</b>										
Current Expenditures	73.6%	71.4%	70.2%	80.5%	82.3%	72.6%	77.7%	82.0%	83.5%	80.2%
Wages	23.8%	24.0%	25.3%	36.8%	38.3%	31.3%	28.9%	31.9%	27.4%	29.5%
Goods and Services	30.0%	25.5%	23.9%	20.9%	17.1%	17.4%	16.6%	13.2%	14.7%	13.9%
Interests	2.4%	2.1%	2.8%	6.6%	12.9%	14.0%	22.8%	27.4%	30.6%	26.6%
Transfers	17.4%	19.8%	18.2%	16.2%	14.0%	9.8%	9.3%	9.5%	10.9%	10.2%
Capital Expenditure	26.4%	28.6%	29.8%	19.5%	17.7%	27.4%	22.3%	18.0%	16.5%	19.8%
<b>Total Expenditures</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

In terms of expenditures by sector, the government now expects to spend AKZ 5,930 billion in 2020 if excluding spending on public debt operations. This is 5.4% less than what it forecasted in the initial budget and mainly reflects a sharp reduction in the amount of spending on general public services and other (-22.4%).

*Total expenditures by sector are now forecasted to stand 5.4% below the initial projection*

As detailed in the table below, planned expenditures on the social sector are now projected to stand 5.9% below the initial forecast after strong declines in spending on social protection and housing. Nevertheless, the government is still expected to allocate (by far) the largest share of its planned expenditures on the social sector, with these projected to stand at 40.7% of the total expenditures if excluding public debt payments and 7.6% of GDP. Planned expenditures on defense, security and social order saw a reduction of 2.3% from the initial budgeted figure, and are expected to account for 19.8% of total expenditures (excluding public debt operations) and 3.7% of GDP. On the other hand, the government is planning to spend 32.7% more on the economic sector, particularly on fuel and energy, transports as well as agriculture and fishing. Expenditures on the economic sector are expected to represent 15.9% of the total spending and 3.0% of GDP.

*The government now plans to spend less on the social sector, on general public services as well as defense, security and social order while increasing its planned expenditures on the economic sector*

EXPENDITURES BY SECTOR AKZ BILLION			Change	% Total Exp. (3)		% Total Exp.		% of GDP	
	2020 (1)	2020 (2)	2020 (2) / 2020 (1)	2020 (1)	2020 (2)	2020 (1)	2020 (2)	2020 (1)	2020 (2)
Social Sector	2,564	2,414	-5.9%	40.9%	40.7%	16.1%	17.9%	6.1%	7.6%
Education	846	870	2.9%	13.5%	14.7%	5.3%	6.5%	2.0%	2.7%
Health	797	817	2.4%	12.7%	13.8%	5.0%	6.1%	1.9%	2.6%
Social Protection	532	423	-20.5%	8.5%	7.1%	3.3%	3.1%	1.3%	1.3%
Housing	345	244	-29.3%	5.5%	4.1%	2.2%	1.8%	0.8%	0.8%
Other	45	60	34.8%	0.7%	1.0%	0.3%	0.4%	0.1%	0.2%
Economic Sector	711	944	32.7%	11.3%	15.9%	4.5%	7.0%	1.7%	3.0%
Agriculture, Fishing	216	257	18.8%	3.4%	4.3%	1.4%	1.9%	0.5%	0.8%
Transports	213	306	43.7%	3.4%	5.2%	1.3%	2.3%	0.5%	1.0%
Fuel and Energy	184	306	66.2%	2.9%	5.2%	1.2%	2.3%	0.4%	1.0%
Extractive Ind., Manufacturing, Construction	45	38	-16.3%	0.7%	0.6%	0.3%	0.3%	0.1%	0.1%
General Economic Matters	31	19	-40.2%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%
Other	22	19	-13.6%	0.4%	0.3%	0.1%	0.1%	0.1%	0.1%
Defense, Security and Social Order	1,203	1,175	-2.3%	19.2%	19.8%	7.5%	8.7%	2.9%	3.7%
Defense	540	586	8.5%	8.6%	9.9%	3.4%	4.4%	1.3%	1.8%
Security and Social Order	663	589	-11.1%	10.6%	9.9%	4.2%	4.4%	1.6%	1.8%
General Public Services and Other	1,793	1,397	-22.1%	28.6%	23.6%	11.2%	10.4%	4.3%	4.4%
<b>Total Expend. (Ex. Public Debt Operations)</b>	<b>6,271</b>	<b>5,930</b>	<b>-5.4%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>39.3%</b>	<b>44.1%</b>	<b>14.9%</b>	<b>18.6%</b>
<b>Public Debt Operations</b>	<b>9,699</b>	<b>7,525</b>	<b>-22.4%</b>			<b>60.7%</b>	<b>55.9%</b>	<b>23.0%</b>	<b>23.6%</b>
Domestic	5,151	4,630	-10.1%			32.3%	34.4%	12.2%	14.5%
Overseas	4,549	2,895	-36.3%			28.5%	21.5%	10.8%	9.1%
<b>Total Expenditures</b>	<b>15,971</b>	<b>13,455</b>	<b>-15.7%</b>			<b>100.0%</b>	<b>100.0%</b>	<b>37.9%</b>	<b>42.2%</b>

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

The significantly lower revenues expected this year relatively to the initial budget projections (-28.9%) means that the government now expects to finance its budget by relying comparatively more on debt financing. As depicted below, the projected amount of debt financing remained stable from the initial budget figure. However, in relative terms, it accounts for 54.5% of total projected receipts (vs 46.0% previously). In particular, debt financing in the domestic market is expected to stand 63.9% above the initial projection while overseas financing was lowered by nearly a third.

*The government expects to rely relatively more on debt financing in the domestic market after foreseeing a sharp cut in revenues this year*

Moreover, the government anticipates spending relatively less for both debt interest payments and debt amortization after their revised budgeted figure was cut by more than 20% from their initial projection. These are now expected to represent 14.6% and 41.3% of the total receipts, respectively. It is also planning to spend a lower amount on wages of public sector employees as well as on goods and services. Still, wages are projected to represent relatively more of the total expenditures when compared with the initial budget.

*Less funds are expected to be allocated toward debt interest payments and debt amortization*

FINANCING	AKZ Billion			% of Total			% of GDP		
	2020 (US\$ 55)	2020 (US\$ 33)	Change	2020 (US\$ 55)	2020 (US\$ 33)	Change	2020 (US\$ 55)	2020 (US\$ 33)	Change
<b>Receipts</b>									
Current Revenues	8,615	6,125	-28.9%	53.9%	45.5%	-8.4%	20.4%	19.2%	-1.2%
Taxes	8,097	5,280	-34.8%	50.7%	39.2%	-11.5%	19.2%	16.6%	-2.7%
Oil Sector	5,581	2,952	-47.1%	34.9%	21.9%	-13.0%	13.2%	9.3%	-4.0%
Non-oil Sector	2,516	2,329	-7.4%	15.8%	17.3%	1.6%	6.0%	7.3%	1.3%
Social Contributions	281	281	0.0%	1.8%	2.1%	0.3%	0.7%	0.9%	0.2%
Other	236	555	135.5%	1.5%	4.1%	2.7%	0.6%	1.7%	1.2%
Asset Sales	12	1	-88.8%	0.1%	0.0%	-0.1%	0.0%	0.0%	0.0%
Financing	7,344	7,329	-0.2%	46.0%	54.5%	8.5%	17.4%	23.0%	5.5%
Domestic	2,481	4,067	63.9%	15.5%	30.2%	14.7%	5.9%	12.8%	6.9%
International	4,864	3,262	-32.9%	30.5%	24.2%	-6.2%	11.5%	10.2%	-1.3%
<b>Total Receipts</b>	<b>15,971</b>	<b>13,455</b>	<b>-15.7%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>37.9%</b>	<b>42.2%</b>	<b>4.3%</b>
<b>Expenditures</b>									
Staff Costs	2,218	2,182	-1.6%	13.9%	16.2%	2.3%	5.3%	6.8%	1.6%
Wages	2,100	2,071	-1.4%	13.1%	15.4%	2.2%	5.0%	6.5%	1.5%
Goods and Services	1,187	1,028	-13.4%	7.4%	7.6%	0.2%	2.8%	3.2%	0.4%
Interests	2,474	1,967	-20.5%	15.5%	14.6%	-0.9%	5.9%	6.2%	0.3%
Domestic	1,069	927	-13.3%	6.7%	6.9%	0.2%	2.5%	2.9%	0.4%
External	1,405	1,041	-25.9%	8.8%	7.7%	-1.1%	3.3%	3.3%	-0.1%
Transfers	881	753	-14.5%	5.5%	5.6%	0.1%	2.1%	2.4%	0.3%
Subsidies	251	217	-13.5%	1.6%	1.6%	0.0%	0.6%	0.7%	0.1%
Acquisition of Non-Fin. Assets	1,337	1,462	9.3%	8.4%	10.9%	2.5%	3.2%	4.6%	1.4%
Debt Amortization	7,226	5,557	-23.1%	45.2%	41.3%	-3.9%	17.2%	17.4%	0.3%
Domestic	4,082	3,703	-9.3%	25.6%	27.5%	2.0%	9.7%	11.6%	1.9%
External	3,144	1,854	-41.0%	19.7%	13.8%	-5.9%	7.5%	5.8%	-1.6%
Other Financial Investments	649	506	-22.1%	4.1%	3.8%	-0.3%	1.5%	1.6%	0.0%
<b>Total Expenditures</b>	<b>15,971</b>	<b>13,455</b>	<b>-15.7%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>37.9%</b>	<b>42.2%</b>	<b>4.3%</b>

Sources: Angolan authorities and Eaglestone Securities.



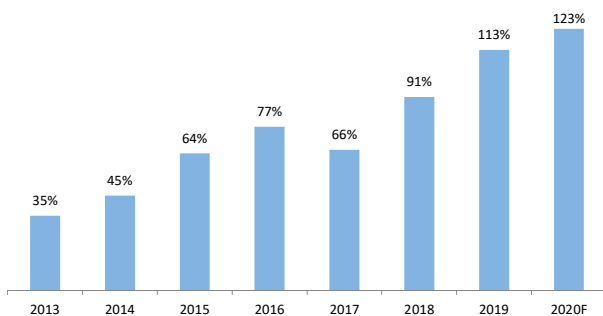
Meanwhile, the government stated that Angola’s public debt reached about 113% of GDP in 2019 and could increase to 123% of GDP this year if current global economic conditions do not change. It added that the country’s economic downturn witnessed in recent years, which marks the longest recessionary period in Angola’s history, is placing public debt levels on an unsustainable path. This makes it imperative to adopt measures to invert this trajectory. For this reason, the government reiterated its commitment to continue to implement fiscal consolidation measures, aiming to bring public debt levels down to 65% of GDP over the medium-term.

*Public debt could stand at 123% of GDP this year after reaching 113% of GDP in 2019*

As described earlier, debt service payments (debt amortization plus interest payments) are now expected to be significantly lower than initially foreseen (-22.4%) this year. These are expected to reach AKZ 7,525 billion, or 23.6% of GDP, in the period.

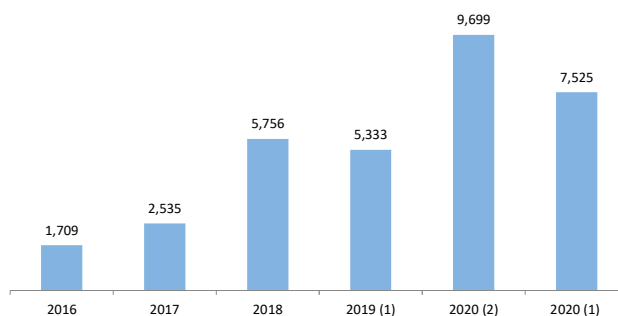
*Debt service payments are expected to be significantly lower than initially projected*

ANGOLAN PUBLIC DEBT (% OF GDP)



Source: Angolan authorities.

DEBT SERVICE PAYMENTS (AKZ BILLION)



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

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## Disclosures

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

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

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

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

## EAGLESTONE SECURITIES

### Research

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