

# Bimonthly Economic Outlook

January 2024 Last updated to 20/01/2024



**BFA**

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## INTERNATIONAL

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- **Markit's PMI indices fell successively throughout 2023 in the Eurozone; however, they rose slightly in the United States and China;**
- **The IMF has revised upwards the economic growth outlook for 2023;**
- **Brent price to rise as supply reoccupations in the Middle East and tension in the Red Sea increase;**
- **The Dollar closed the month of December close to 1.10 per Euro, which makes a cumulative depreciation in 2023 of 3%;**
- **Emerging market debt ended the year on a high note, posting its biggest quarterly gain since 2020;**
- **Real estate, a persistent problem for the Chinese economy.**

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## ANGOLA

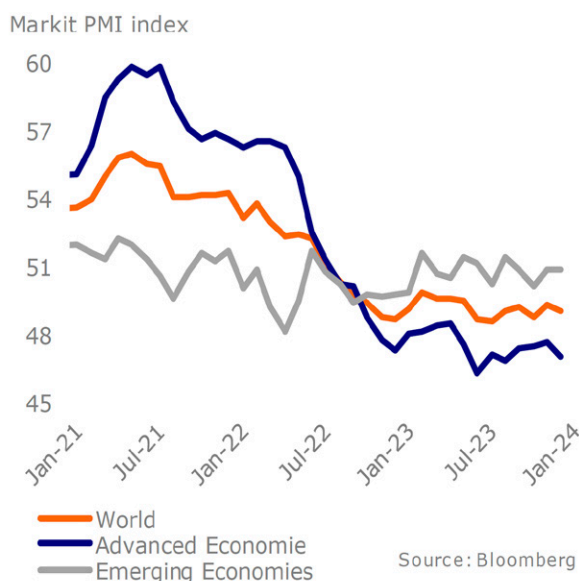
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- **In the 3rd quarter of 2023, the GDP of the Angolan economy expanded by 1.4% year-on-year;**
- **In Q3 2023, the oil economy achieved its fourth consecutive period of decline;**
- **International reserves ended December valued at USD 14.7 Billion (B), USD 70 million more than in the previous month;**
- **In 2023, the Angolan Debt and Securities Exchange traded around AOA 7.2 Trillion (T), the highest annual amount traded since its creation;**
- **BT 364-day interest rates are under upward pressure, due to the start of the BNA's restrictive monetary policy.**

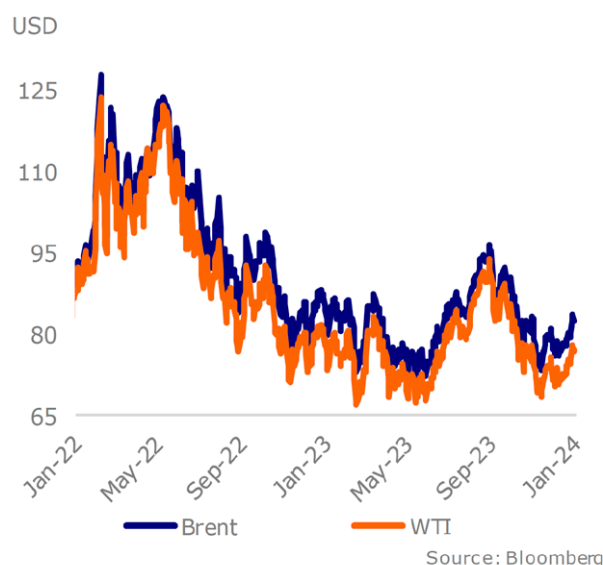
## INTERNATIONAL

### ECONOMIC ENVIRONMENT

#### PMI indices in the Euro Zone fall successively in 2023



#### After a slight period of decline, the price of Brent rises again



- **Markit's PMI indices fell successively throughout 2023 in the Eurozone but rose slightly in the United States and China.** The composite index, which encompasses services and industry, for the Eurozone stood at 46.7 in December (-1.7 yoy points). This drop can be explained by a slowdown in trade generated by the drop in demand for services, as well as the decline in new business revenues. On the contrary, in China and the United States, PMIs recorded increases of 7.7 and 5.9 points year-on-year, respectively.

- **The IMF predicts that global growth in 2024 will be around 3.1%.** According to the IMF, advanced economies will see growth of 1.5%, while emerging and developing economies will record rates of around 4.1%.

- **The price of a barrel of oil is rising as supply reoccupations in the Middle East and tension in the Red Sea increase.** Brent ended the month of December trading near USD 79.07 while WTI stood at USD 73.56.

#### IMF maintains global economic growth prospects for 2023

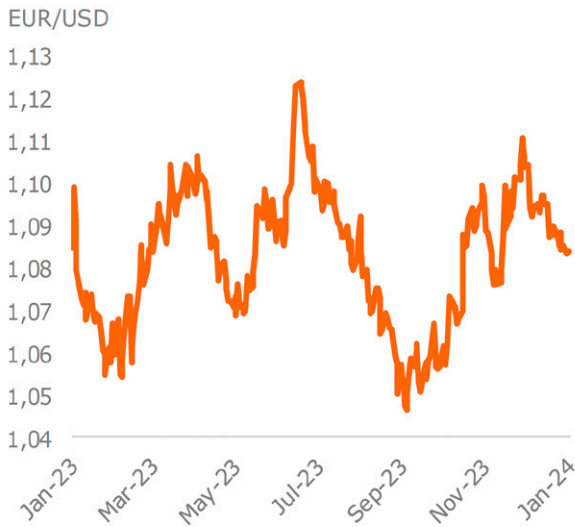
##### IMF Forecast

GDP change	2022	2023	2024
Global	3,1	3,1	3,2
Advanced Economies	1,6	1,5	1,8
USA	2,5	2,1	1,7
Eurozone	0,5	0,9	1,7
Germany	-0,3	0,5	1,6
Emerging Economies	4,1	4,1	4,2
China	5,2	4,6	4,1
South Africa	0,6	1,0	1,3

## INTERNATIONAL

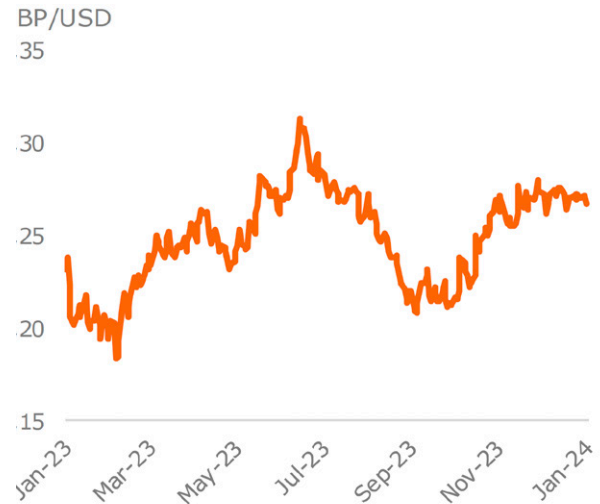
### FOREX

**Dollar depreciates again against the European Union currency**



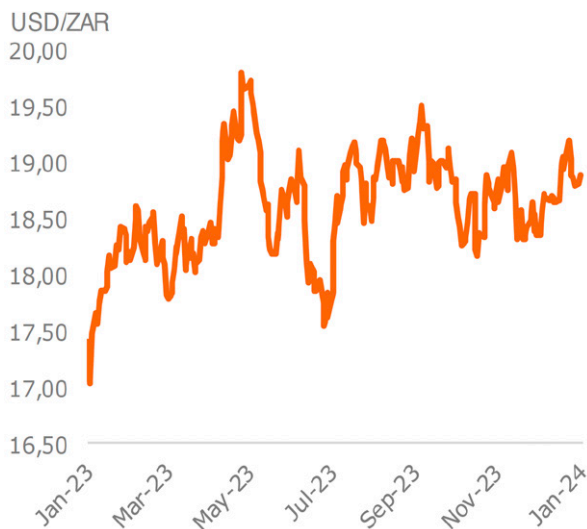
Source: Bloomberg

**Pound has been under pressure from the Dollar since mid-July**



Source: Bloomberg

**After a period of appreciation, the Rand returns to its losing trend against the Dollar**



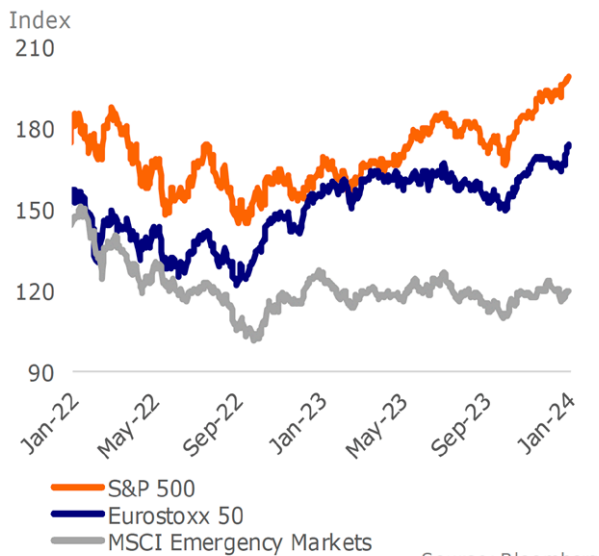
Source: Bloomberg

- **The Dollar closed the month of December close to 1.10 per Euro, which makes a cumulative depreciation in 2023 of 3%. 2024 is stable, as the market expects the US currency to depreciate by no more than 3.5% from current levels.**
- **The British pound has been under pressure from the US dollar since mid-July and is now hovering around its lowest level in a month.** In response, many retail traders have been increasing their net long exposure to GDP/USD, and this could lead to further losses for the British pound.
- **After starting to gain ground against the dollar at the end of May, Rand is weakening against the U.S. currency.** The IMF's confirmation of a stagnation in growth in Southern Africa's largest economy, the market expects the movement of slight declines to continue in the coming months.

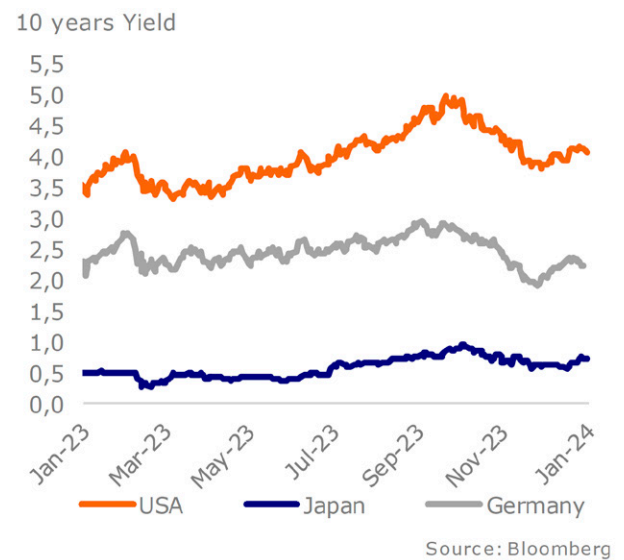
## INTERNATIONAL

### EQUITIES AND DEBT

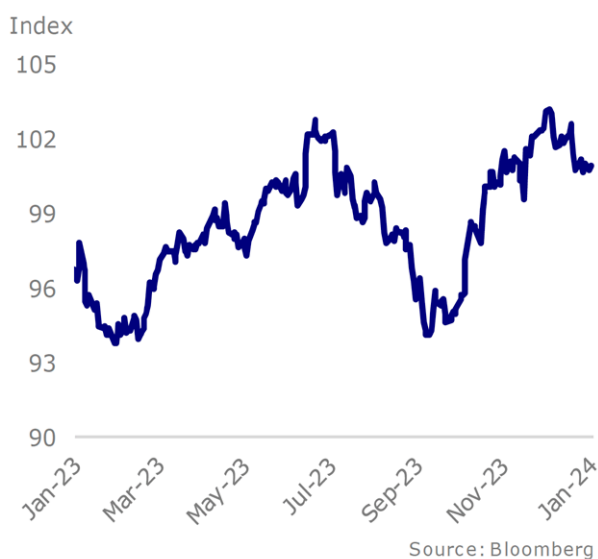
#### Stock markets higher after declines in 2021 and 2022



#### US debt yield fell 100 bps from its peak



#### Emerging bonds end the year on a high and record the biggest quarterly gain since 2020



- The outlook for the evolution of the main equity markets for 2024 is generally positive, in particular for emerging markets which, after declines in 2021, 2022, grew in 2023. For 2024 earnings growth expectations are higher compared to developed markets, including Europe and even the United States.
- After briefly rising more than 5% for the first time in more than 15 years in October, the yield on 10-year U.S. Treasuries fell more than 100 basis points (bps) from their peak and ended the year largely unchanged at 3.88%. In the case of Europe, overall, 2023 was a good year for fixed income in such a way that all countries ended the year with a positive performance, with particular emphasis on Italy, with a performance of close to 14.3%, according to Datastream.
- Emerging market debt ended the year on a high note, posting its biggest quarterly gain since 2020, bringing performance in 2023 to double digits in both sovereign credit and local debt.

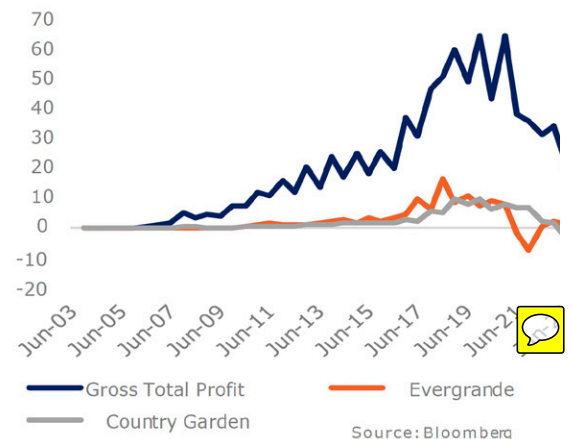
## INTERNATIONAL

### HIGHLIGHT: REAL ESTATE SECTOR, A PERSISTENT PROBLEM FOR THE CHINESE ECONOMY

- The major companies that drive the real estate sector of the Chinese economy are facing financial challenges never seen before and the long boom in the construction sector has faded. Of the nine main real estate companies operating in the sector, Country Garden the largest, and Evergrande, the fourth in terms of number of projects and profits, are at the center of the real estate crisis that is shaking the world's second-largest economy. According to our calculations based on Bloomberg data, total construction sector profits in 1S 2023 contracted 33% yoy and reached the lowest value since 2016. From what we observed, out of a total sample of 18 companies, at least 14 saw their profits reduce significantly, with special emphasis on Country Garden, whose profits fell by more than 200%. Many analysts are revising their outlook for the Chinese economy, with most below Beijing's target of 5%. China is expected to grow slightly above 4.5% this year, up from 5% in 2023.
- According to the Government of China, new home prices are down just 2.4% from their August 2021 high, while existing homes are down 6%. These figures contrast with independent statistics of real estate agents, who reported to Fortune magazine that the prices of existing homes have fallen by between 15%-25% in upscale neighborhoods, which may indicate a larger crisis than is being reported.
- Evergrande and other construction companies have seen their shares fall sharply, and with debt payments delayed, the situation is likely to deteriorate further. If payment suspensions by property buyers multiply, serious economic and social consequences could become a reality, affecting the financial system and eventually the international economy. Meanwhile, the Chinese government has introduced a set of stimulus, including a reduction in interest rates for buyers and real estate and a decrease in the amount of down payment required. These measures have led to a significant increase in home sales, especially in Beijing and Shanghai. The stock markets have reacted well, but share prices are still slow to recover.

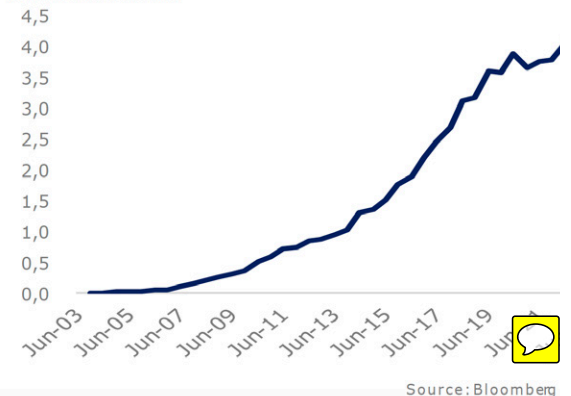
#### Profits are visibly falling and Country Garden's are the most affected

In thousands of dollars



#### Total debt of companies in the real estate sector grows exponentially

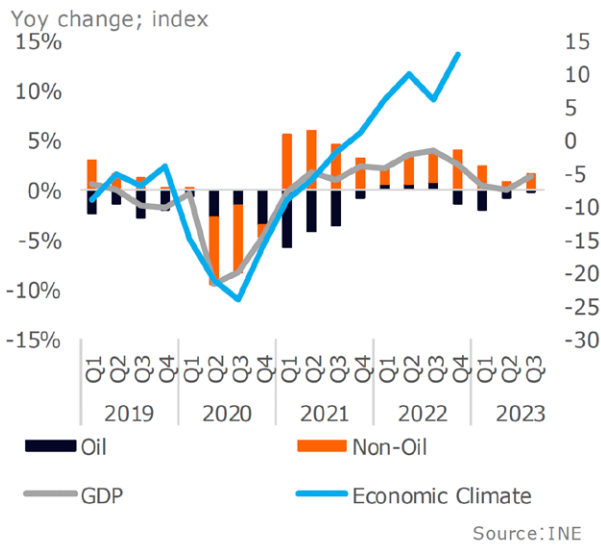
In millions of dollars



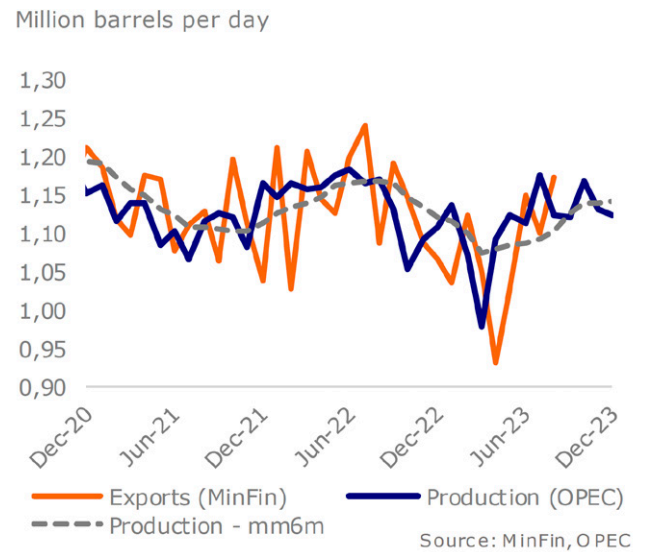
## ANGOLA

### REAL ECONOMY

**In Q3 2023, the economy grew 1.4% compared to the same period in 2022**



**OPEC data points to growth in the oil economy in the Q4**



- In the 3rd quarter of 2023, the GDP of the Angolan economy expanded by 1.4% year-on-year. The oil economy contracted 0.8% in Q3 year-on-year, registering the fourth consecutive period of declines. Non-pearl GDP grew 2.3% in Q3, an acceleration of 1.1pp compared to Q2 2023.
- In Q3 2023, the oil economy achieved its fourth consecutive period of decline. For the 4th quarter, OPEC data indicate an average production of 1.15 mbd in October and November, a growth of about 7.0% compared to the same months in the previous year.
- The price of a barrel of Brent oil Angola closed the month of December trading at USD 82/bbl, representing gains of 6.11% since the beginning of the year.

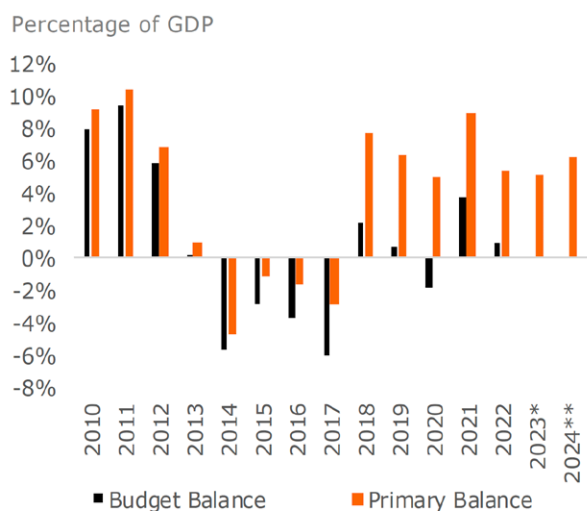
**Brent Angola ends the month of January at 82.72 USD/bbl**



## ANGOLA

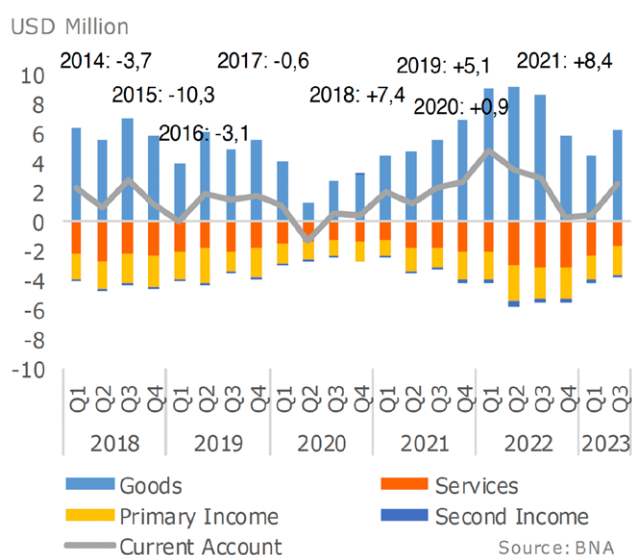
### INTERNAL & EXTERNAL EQUILIBRIUM

#### Public accounts remain healthy and will support lower interest rates



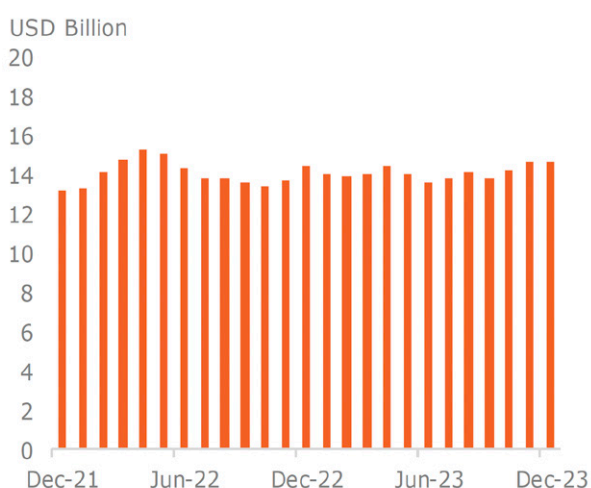
\*preliminary \*\*Budget \*\*\*BFA Source: MinFin, cálc. BFA

#### Current account balance stood at USD 2,529.7 million in Q3 2023



Source: BNA

#### International Reserves end December at USD 14.7 Bn



Source: BNA

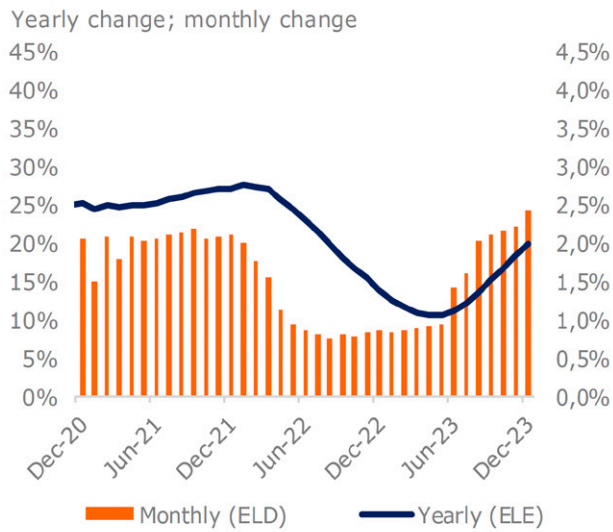
- **The current account posted a surplus of USD 2.5B in Q3 2023, an increase of USD 2.3 B compared to Q2** This is a return to significant positive balances, more than double compared to the sum of the previous 3 quarters (USD 0.9 B). More than half of this quarterly improvement in the balance is due to the USD 1.4B increase in oil exports, which registered an increase of 17.3% compared to Q2; decreased by 25.5% year-on-year.
- **International reserves ended December valued at USD 14.7B, USD 70 million more than in the previous month.** In all, the reserves cover 7 months of imports of goods and services, according to our calculations



## ANGOLA

### INFLATION & FOREX

#### Year-on-year inflation for December rises to 20.01%



#### Kwanza achieves temporary stability against the US currency



- **In 2023, annual inflation ended the year at 20.0%, up from 13.9% in 2022.** According to INE, in December prices increased by 2.4% (+0.2pp mom), the highest since September 2018. The categories "Health", "Miscellaneous goods and services", and "Food and non-alcoholic beverages" recorded the highest changes, with 3.1%, 3.0% and 2.8%, respectively. On the other hand, the categories "Education" (0.0%), "Communications" (0.8%) and "Transport" (0.9%) were the ones that registered smaller variations.

- **The year 2023 ended with exchange rates against the US Dollar and the Euro, at USD/AOA 828 and EUR/AOA 902, respectively.** These rates make an appreciation of the Dollar against the Kwanza of 64.5% and 70.4% against the Euro, in relation to their year-on-year values.

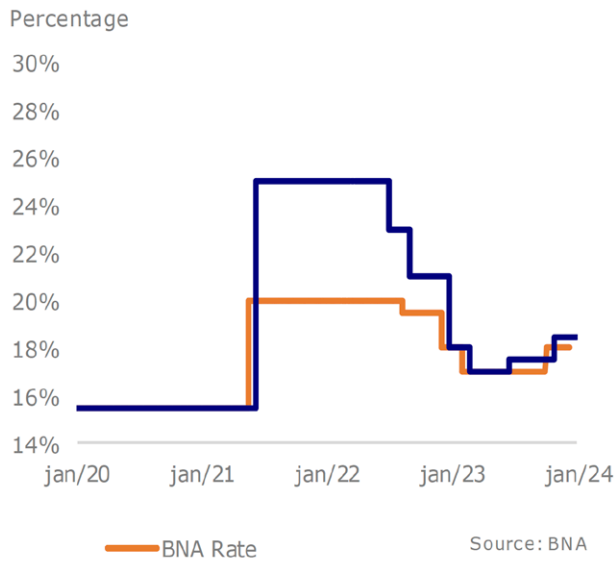
#### Kwanza continues to accumulate losses against the Euro



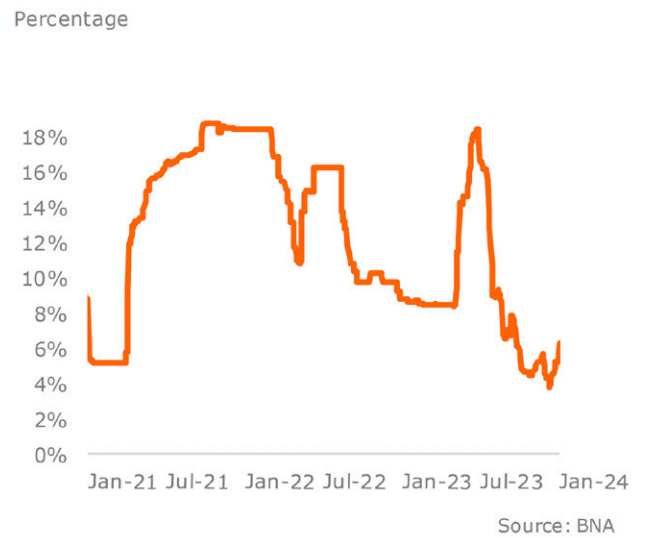
## ANGOLA

### INTEREST RATES

#### BNA keeps key interest rates unchanged

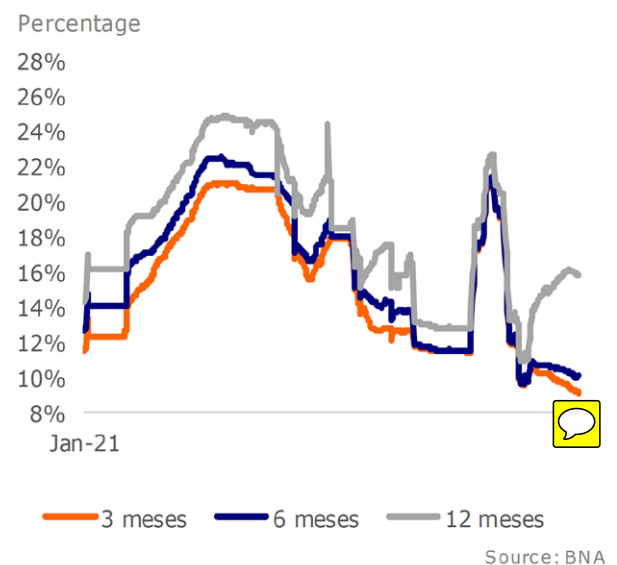


#### Luibor O/N continues to evolve in a mixed mann



- **At the meeting of the Monetary Policy Committee (MPC), held in January, the BNA decided to increase the reserve requirement ratio again by +2 pp to 20%.** According to our calculations, this marginal increase implies the removal of additional liquidity in the entire system, in the order of AOA 179B, with a total of AOA 1.8T being withdrawn from February.
- **LUIBOR rates are evolving in a mixed fashion and have not yet risen as we expected; despite the current restrictive monetary policy environment** - interest rate cuts as well as worsening liquidity conditions - the market remains quite liquid, which can be seen through the evolution of the M2 monetary aggregate, which continues to grow well above inflation.

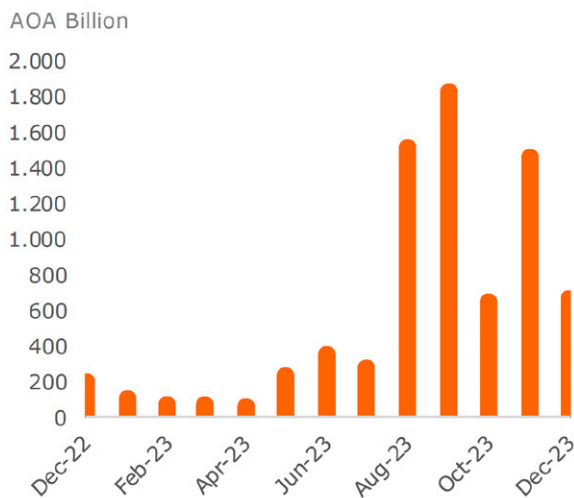
#### Luibor Rates Trade Mixed Despite Current Tight Monetary Policy Environment



## ANGOLA

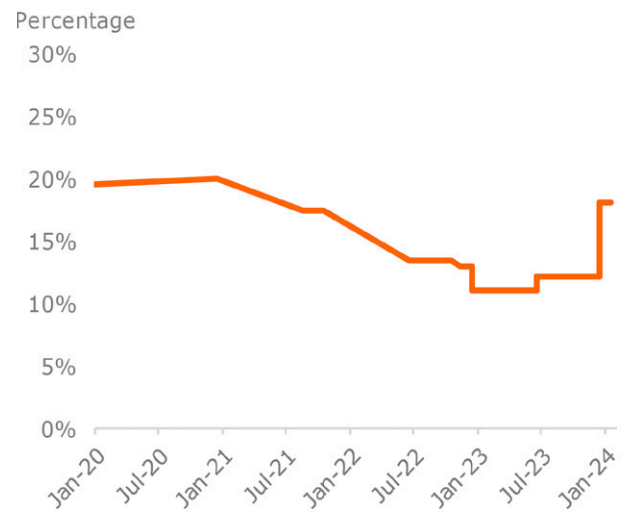
### FINANCIAL MARKETS

In 2023, around 7.2T were traded, the highest annual transaction amount since its creation



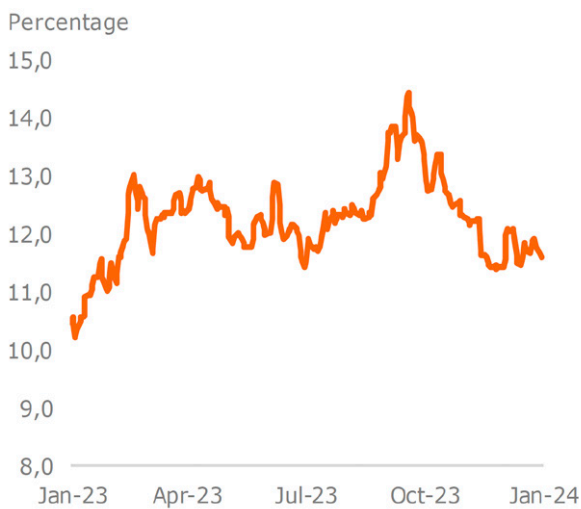
Source: BODIVA

364-day BT interest rates rise to 18%



Source: BFA

2028 Eurobond yield falling after slight period of growth



Source: Bloomberg

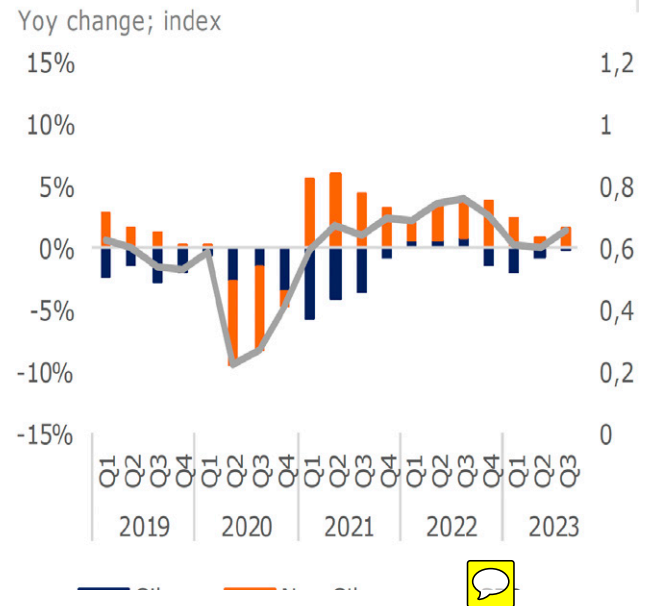
- In 2023, the Angolan Debt and Securities Exchange traded around AOA 7.2T, the highest annual amount traded since its inception.
- BT 364-day interest rates are under upward pressure, in particular due to the start of the restrictive monetary policy of the BNA, which near the end of the year had started to carry out open market operations with a 360-day repurchase agreement at a rate close to 17%. At the same time, inflation, which ended the year at 20%, also exerted pressure on rates.
- The yield on the Angolan Eurobond maturing in 2028 closed December at 11.4%, a decrease of 0.55 p.p. compared to the beginning of the year.

## ANGOLA

### HIGHLIGHT: ANGOLAN ECONOMY GROWS 1.4% YOY IN Q3 2023

- In the 3rd quarter of 2023, Angola's GDP expanded by 1.4% year-on-year.** By contracting 0.8% yoy and registering the fourth consecutive quarter of declines, the oil sector shaved 0.2 pp off the overall GDP growth rate. The non-oil economy grew by 2.3% yoy, an acceleration of 1.1pp quarter-on-quarter and added around 1.7pp to the overall growth rate of the economy.
- Despite the drop in five sectors, the performance of the non-oil economy was positive again.** The Diamonds & Minerals sector grew by 41.7% in Q3 2023, following the 21.9% yoy drop in the previous quarter – the highest yoy growth. For Q4, we believe that non-oil economic activity may have slowed or maintained the pace of growth in Q3 2023. Let's look at the various factors that influence economic activity outside the oil sector: The exchange rate impact - despite the current relative stability of the exchange rate, the effects of depreciation have still determined the decisions of economic agents, with greater emphasis on companies that depend on imported raw materials or inputs; Given the scarcity of foreign exchange in the market, the import logistics chain is compromised, and there is not the same security of being able to import the necessary materials in a timely manner; The rise in prices continues to be a relevant factor – monthly inflation accelerated by 0.2pp in December, reaching 2.4%, the highest value since September 2018. In the case of Luanda province, inflation has been higher than in the other provinces and reached 3.4% in December. (GDP).

In Q3 2023, the economy grew 1.4% compared to the same period in 2022





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