

# Q12025 ECONOMIC REPORT

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## EDITORIAL

### PROTECTIONIST TRUMP DOES NOT HELP CONFIDENCE IN ANGOLA

Trump takes office on January 20, a few days after the writing of this editorial, and seems to be more like himself than in the previous term. He has already threatened to withdraw the United States of America from NATO, and points to the possibility of retaking possession of the Panama Canal and buying Greenland, not ruling out military persuasion for these purposes. In general, geopolitical uncertainty will certainly be detrimental to the economy, but there could be particularly dire consequences for the Angolan economy.

We have already explained here and elsewhere in the recent past that the Angolan economic situation remains dependent on regular access to foreign exchange and relative exchange rate stability, together with decelerating inflation. The latter factor also depends on exchange rate stability. And we also realized that, at this time, the main differentiating factor for this access to foreign currency that will support greater confidence in the economy is the issue of external financing by the Angolan State. Angola's external public debt stood at USD 47.9B in Q3 2024, the lowest since 2019. As this is a positive fact that points to a payment capacity on the part of the Angolan State, this significant decrease demonstrates a strong demand for the use of foreign currency for the payment of amortizations and interest. A less pronounced decrease, with greater external financing to offset a larger part of the amortizations and interest, would free up more foreign exchange for the private economy and put less pressure on the value of the Angolan currency. But for this to happen, lower interest rates would be needed for Angola. Now, if it is true that these interest rates depend a lot on Angola's specific risk, which is high, they also depend on the global interest rate environment.

And this is where Trump influences: while until Trump's election the expectation was for a gradual decrease in the Fed's monetary policy interest rates, affecting all interest rates in the global economy, now the fear is of an increase in inflation due to the protectionist policies of the new American president, which in turn will lead the Federal Reserve to stop its path of interest rate reductions. And this is what the bond market reflects, in fact also in the negotiation of Angolan debt.

# CHRONOLOGY

## July

- MinFin issues Treasury Bonds in Foreign Currency (OT-ME);
- IMF defines that Angola's repayment capacity is adequate, however it is subject to risks;
- The President of the Republic authorized by Presidential Order the partial privatization of State shares in Standard Bank Angola.

## August

- S&P maintains a "B-" rating in its assessment of Angola's long-term sovereign credit;
- The start of the privatization process was authorized, through an Initial Public Offering at BODIVA, BFA and Unitel, in both cases for 15% of the companies' share capital.

## September

- Federal Reserve cuts interest rate by 50 basis points;
- EximBank provides USD 1.6 Billion for solar energy projects in Angola;
- The Luanda Urban Mobility Improvement Program was approved.

## October

- Publication of the national accounts for Q2;
- The Financial Action Task Force (FATF) has announced the inclusion of Angola on the list of countries subject to enhanced monitoring, often called the "grey list";
- IMF forecasts world growth to remain at 3.2% in 2024.

## November

- BNA keeps the instruments for conducting Monetary Policy unchanged;
- Authorisation of the conclusion of an amendment between Angola and Luminar Finance, Limited.

## December

- Visit of former US President Joe Biden to Angola;
- Approval of the State Budget for the 2025 financial year;
- Publication of the results of the Public Sales Offering (IPO) of 30% of Bodiva's share capital;
- A Financing Agreement between Angola and JP Morgan was approved.

# AGENDA

## January

- 17: IMF World Economic Outlook
- 20: Donald Trump's inauguration
- 20 and 21: BNA Monetary Policy Meeting
- 27 and 28: African Energy Summit
- 29 and 30: ECB Monetary Policy Meeting
- 30 and 31: OTM Forum 2025 - Mumbai

## February

- 01: OTM Forum 2025 – Mumbai
- 03 and 06: 31st Mining Indaba Conference – Mining Investment in Africa

## March

- 05 and 06: ECB Monetary Policy Meeting
- 17 and 18: BNA Monetary Policy Meeting
- 18 and 19: Fed Monetary Policy Meeting
- 30: GDP Data Q4 2024

## HIGHLIGHTS

### Angola

- Foreign exchange sales to the market grew by about 8.3% compared to 2023;
- Interest rates on the interbank market showed an increasing trend throughout 2024;
- Local currency in circulation grows at a rate below inflation due to BNA's contractionary monetary policy
- Angolan economy grew 5.5% in Q3 compared to the same period last year;
- Performance of non-oil activity was positive again, except for a sector that recorded a drop;
- Revenues grew 60.6% YoY to AOA 5.4T, heavily influenced by the volume collected in oil taxes.

### International

- Chinese dominance in the EV market worries the West;
- Social upheaval could affect the performance of the Mozambican economy;
- PMI index points to possible market dynamism in major economies;
- Argentina posts fiscal surplus after 12 years of deficit;
- Inflation in the Eurozone and the United States above the 2% target;
- Stock indices showed a positive performance throughout 2024, particularly in Q1 of the year.

# FINANCIAL MARKETS

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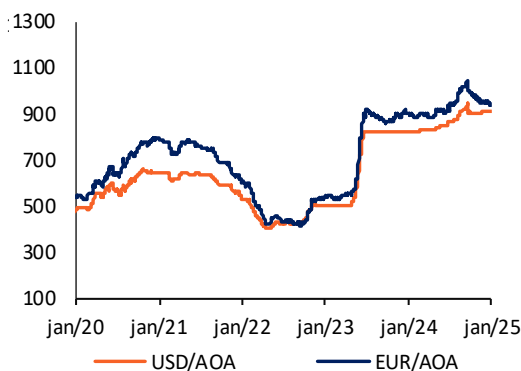




# FOREIGN EXCHANGE MARKET

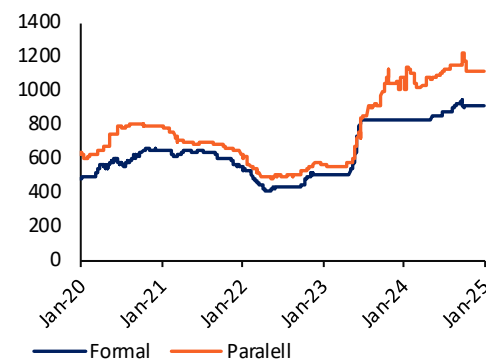
## Exchange rate of the Kwanza against the Dollar and Euro

USD/AOA; EUR/AOA



## USD/AOA exchange rate in the official and parallel market

USD/AOA



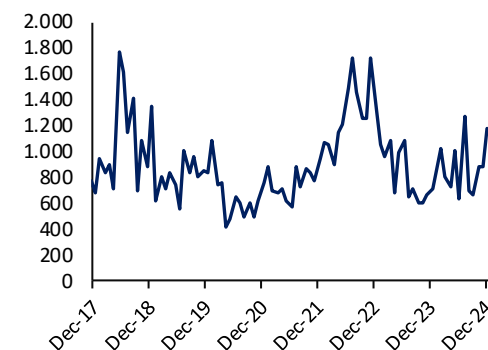
## Gap between official and parallel USD/AOA exchange rate

Percentage



## Monthly sales of foreign exchange to banks

USD Millions

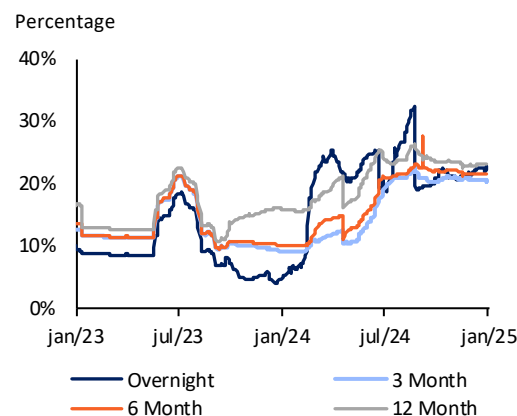


- In 2024, foreign exchange sales to the market grew by around 8.3% compared to the previous year, although they remain well below 2022 levels. The delicate financial situation of the Treasury, with higher payments abroad than receipts, has conditioned its presence in the foreign exchange market. The gap between the official exchange rate and the parallel is currently around 22%, with the parallel getting closer and closer to the official one.
- For 2025 the situation remains uncertain. If, on the one hand, there is a positive perspective of increased oil production, which can bring more resources, on the other hand, there is a more delicate situation in relation to external financing and public debt. The lower interest rate outlook for this year is fading while high external debt service volumes bring even more uncertainty - according to the annual debt repayment schedule, Angola has to pay in external debt close to USD 7.1B, more than the USD 5.1B paid last year. These combined effects can turn into headwinds, directly affecting the forex market.

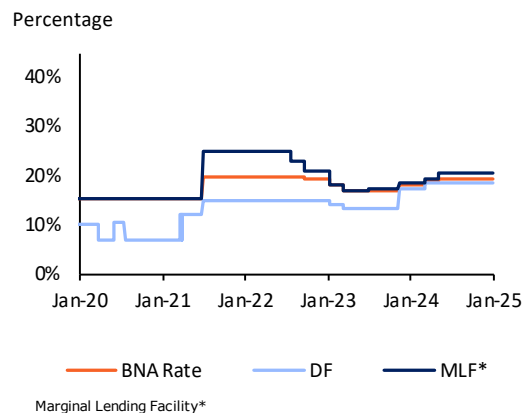


# MONEY MARKET

## Luibor rates on the various maturities

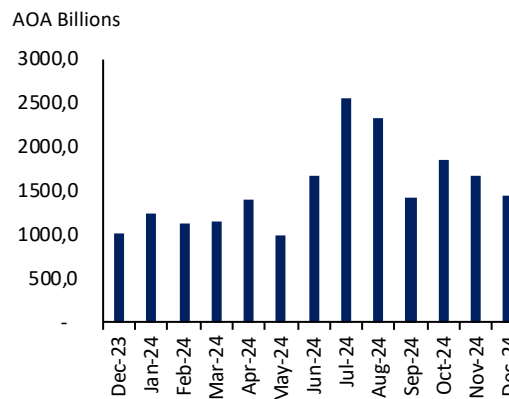


## Main monetary policy rates

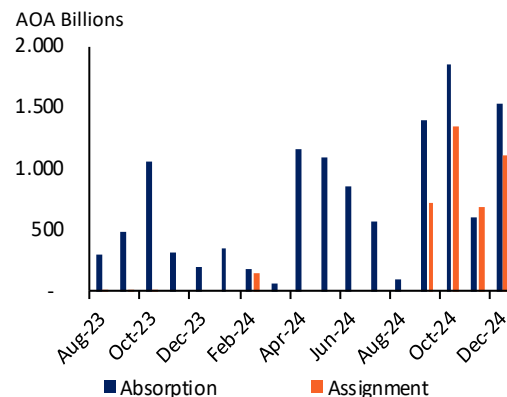


Sources: BNA, BFA Calc.

## Liquidity exchange operations



## Open Market Operations



### Interest rates on the Interbank Money Market showed an increasing trend throughout 2024.

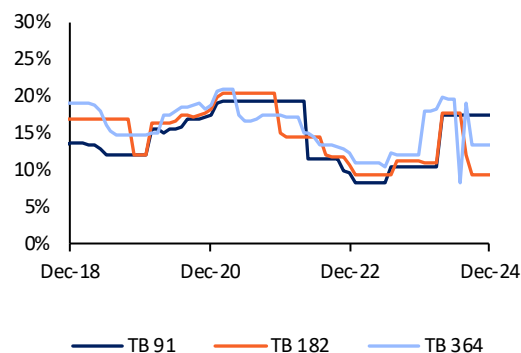
Luibor Overnight, which signals the market's degree of liquidity, ended the year at 22.7%, well above the 4.0% it was at the beginning of the year. The maturities of 6, 9 and 12 months reached 21.7%, 22.3% and 23.1% at the end of the year, respectively. Luibor's recent movements reflect the high need for liquidity in the market, with banking institutions preferring to remain liquid, to take advantage of possible opportunities to buy currencies.

At the last monetary policy meeting, the MPC decided to keep the instruments of monetary conduct unchanged. Since the end of Q2, the local currency in circulation has been growing below inflation; this restraint reflects the effects of the BNA's contractionary monetary policy, whose objective is to reduce inflation. M2, a more comprehensive measure of money in circulation, has been growing below annual inflation since May. The retraction in M2 is consistent with the decrease in liquidity in the market, which is also manifested in the more intensive use of open market operations, resulting in the absorption of liquidity by banks.

# PRIMARY BOND MARKET

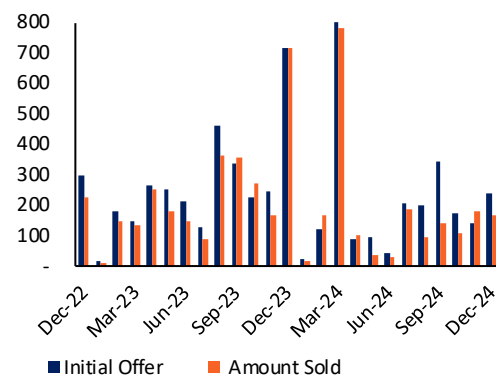
## Treasury Bill Yields

Percentage



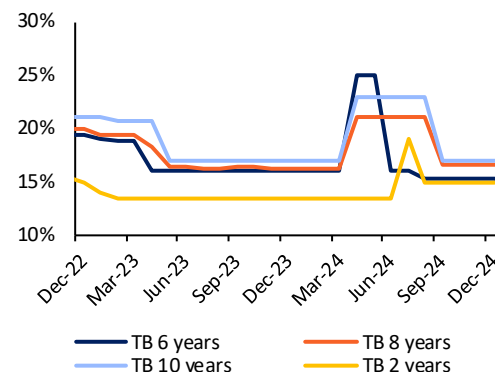
## Debt placements per month

AOA Billions



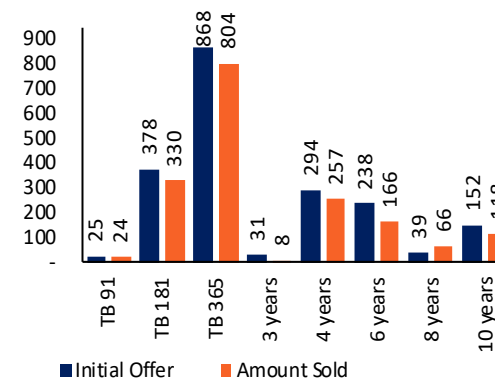
## Treasury Bond Yields

Percentage



## Debt placements by maturity in 2024

AOA Billions



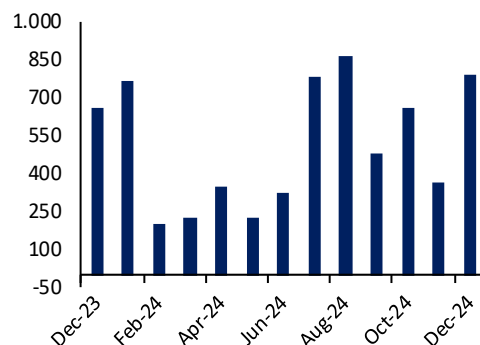
Interest rates in the debt market have experienced a significant drop in 2024. In the shorter maturities, the BTs at 182 and 364 days recorded sharp declines, ending the year with a yield of 9.5% and 13.4%, well below the 17.8% and 18.0% recorded at the beginning of the year. The level of placement fell significantly, especially in the second quarter, due to lower interest rates, making them unattractive, particularly for long-term instruments. Rates for 8-year and 10-year maturities fell to 16.6% (-440 bps) and 19% (-400 bps), respectively, rates well below inflation. Since the end of August, there have been only 2-year issues with a yield of 15%, also below inflation.

In 2024, the overall execution rate of the Annual debt plan was 74%, a percentage that reflects the rate negotiation environment that has occurred between the State and investors; that is, the Ministry of Finance, not being available to offer rates that the market would consider fair, ended up issuing less than it expected. However, MINFIN more than compensated by financing itself from the BNA. We note that BNA financing to the State more than doubled between 2023 and 2024.

# SECONDARY SECURITIES MARKET

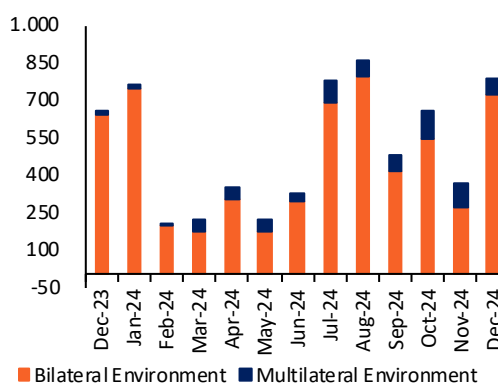
## Secondary market transactions

AOA Billions



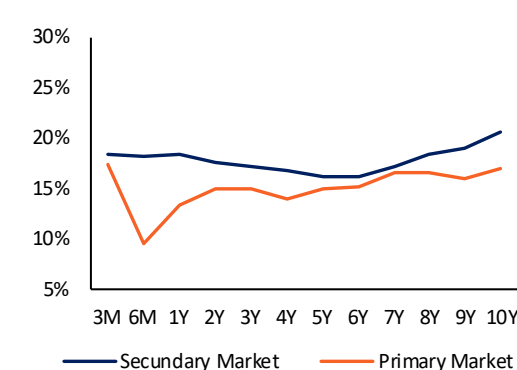
## Transactions by trading environment

AOA Billions



## Kwanza yield curve

Percentage

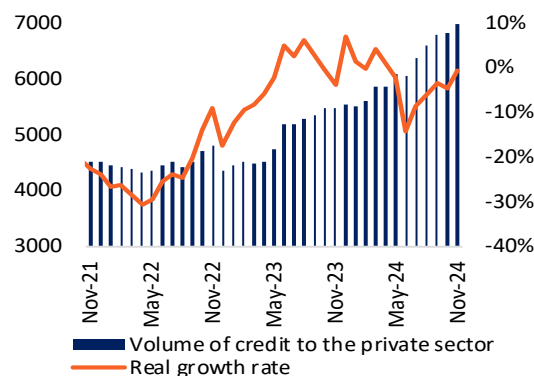


- **BODIVA's markets traded around AOA 6.0T in 2024, which represents a decrease of AOA 1.5T compared to 2023. Turnover in bilateral environments, which represents more than 80% of the entire market, fell by approximately 23.1% YoY, to AOA 5.3T, while volume in multilateral environments decreased by 26.0% in the same period, totaling AOA 0.7T.** It should be noted that, between August and November 2023, the Ministry of Finance carried out operations in the secondary market with the aim of financing itself in the short term, which generated large movements in short periods and made these months become real outliers in the analysis, contributing to the negative year-on-year comparison when we look at the year 2024.
- **Yields in the primary market ended the year below those in the secondary market in all maturities.** Despite this, the differential between them has reduced a lot compared to the last publication date. In the case of short-term instruments (1 year), the yield on the primary is 13.4% while on the secondary it is 18.4%. For longer maturities, such as 9 and 10, the differential is 3pp for both, and in secondary maturities the yields are at 19.0% and 20.5%, respectively – despite this, it should be noted that there have been issues for these maturities since July 2024.

# CREDIT MARKET

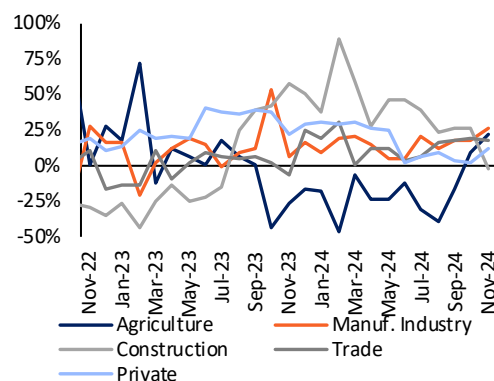
## Credit volume and evolution

AOA Billions; Real year-on-year change



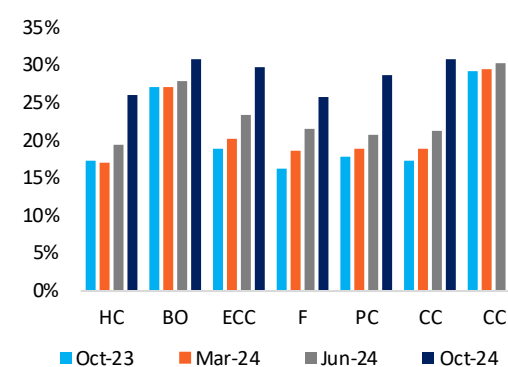
## Evolution of credit by sector

Year-on-year change



## Interest rates by type of credit

Percentage



- **In November, credit to the private sector stood close to AOA 7.0T, a nominal increase of around 28.0% yoy.** According to our calculations, based on data released by the BNA, in real terms, credit to the private sector is almost stable compared to the same period last year, having fallen by 0.4%. Credit to the public sector grew by 18.6% yoy, which makes a real drop of 9.8%.
- **Looking at credit by sectors of activity, credit in real terms is growing tremendously in the Transport sector (+152.5% yoy).** Credit to the transport sector now represents 5.5% of the total – until April 2024, it represented only about 2%. On the other hand, credit to the Extractive Industry is also growing a lot – in real terms, in November it increased by 14.7% yoy; Also in this case, the weight has increased and is now above 7%. On the other hand, credit to Construction is falling 31.3% yoy in real terms, signaling the difficult moment of the sector. Credit to Other Services is falling 41.1% yoy in real terms. In general, most sectors show a drop in credit when assessed in real terms. In particular, credit to Trade (which continues to have the largest weight, 20.6%) fell by 10.2% year-on-year.

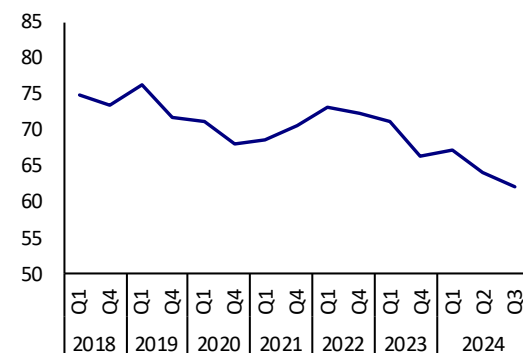
# PUBLIC FINANCE

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# PUBLIC DEBT

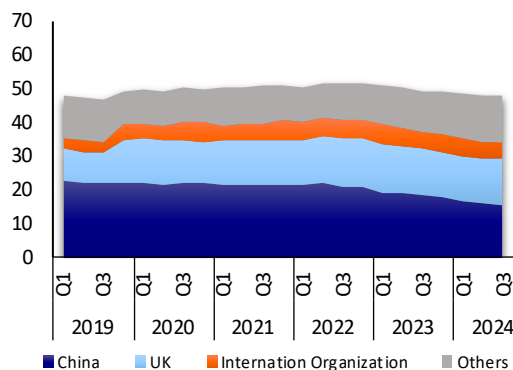
## Total public debt

USD Billions



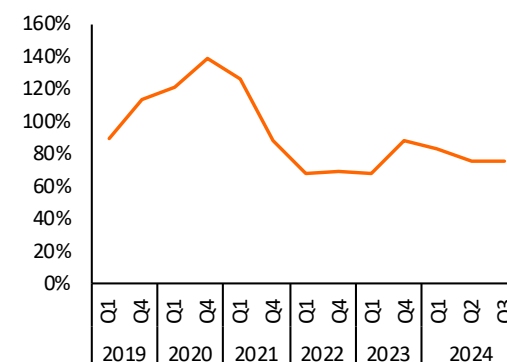
## External public life by type of creditor

USD Billions



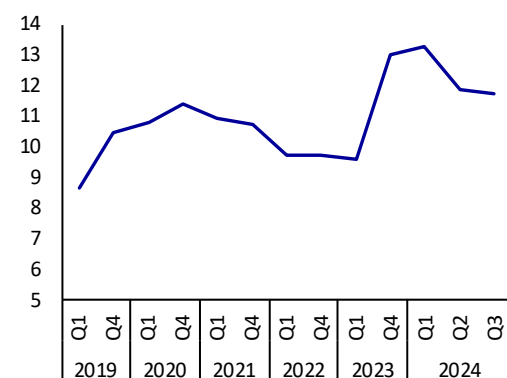
## Government debt as a percentage of GDP

Percentage of GDP



## Domestic bond debt

AOA Trillions

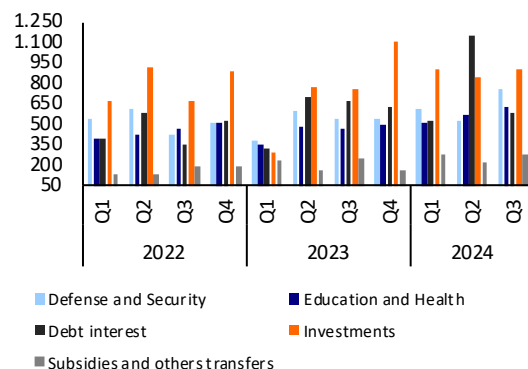


- Angolan public debt, valued in dollars, decreased slightly compared to the previous quarter to USD 62.2B. According to our calculations, this figure could represent around 76.3% of GDP. When converted into Kwanzas, the debt is AOA 58.5T, which represents an increase of AOA 3.8T compared to the previous quarter.
- External public debt continues to fall and is now at USD 47.9B, the lowest since Q3 2019. The main creditor of the State remains the China Development Bank, with a debt stock of USD 8.3B. Debt to Chinese entities is at its lowest level since Q1 2016, when it stood at just USD 10.5B, just before the USD 10B loan in Q2 2016. In contrast to the drop in debt to Chinese entities, debt to US creditors has been increasing it is now USD 4.4B, when it did not reach USD 1.0B at the end of 2020.

# BUDGET EXECUTION

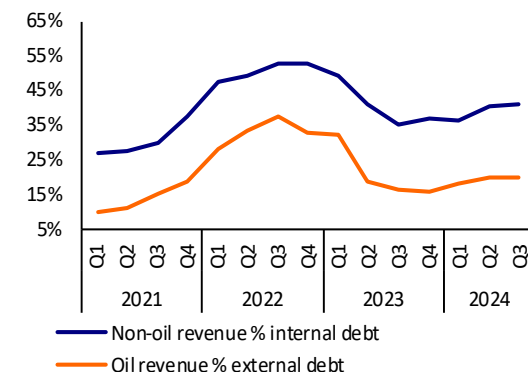
## Fiscal weight by sector

AOA Trillions



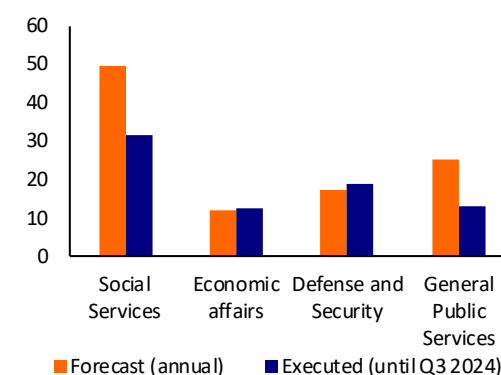
## Oil and non-oil revenues as a percentage of debt

Percentage of debt



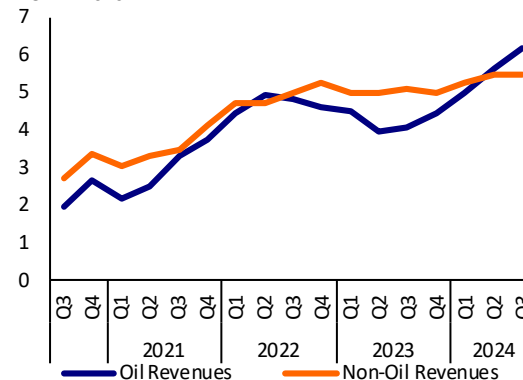
## Expenditure planned and implemented by sector

AOA Trillions



## Budget balances by quarter

AOA Billions



■ In the third quarter of 2024, debt interest expense fell again to levels similar to those in previous quarters. On one hand, spending on Defence & Security has increased significantly, and has already exceeded the budget for the total of 2024, as has already occurred in previous years, with an under-budgeting of expenditure in this area. On the other hand, expenditure on Education and Health, despite having increased slightly in the quarter, remains somewhat below expectations for the 3rd quarter. Expenditure on Education was, until Q3 2024, 60% of budgeted, and expenditure on Health stood at 64% of budgeted. In the social sector, the percentage is close to expectations, at 72%, mainly due to expenditure on Housing, which has already reached 100% of the budget in Q3.

■ Oil revenues continued to rise, when measured in Kwanzas, largely due to the depreciation recorded in the 3rd quarter, which means that these revenues, in dollars or dependent on the price of oil in dollars, represent more in local currency. On the other hand, non-oil revenues up to the 3rd quarter grew by 7.5% when compared to the same period in 2023, well below inflation.



# REAL ECONOMY

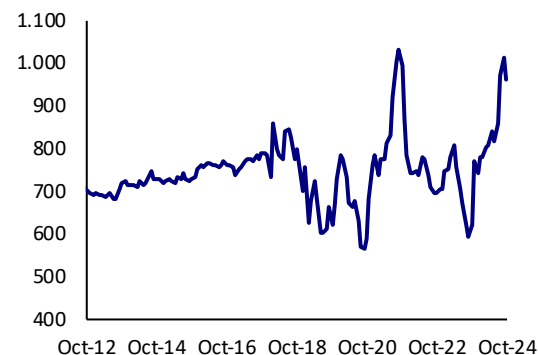
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# SPOTLIGHT

## Diamond exports

Thousands of carats – 12-month moving average



## Diamond Export Price

USD – 6-month moving average



Sources: Ministry of Finance

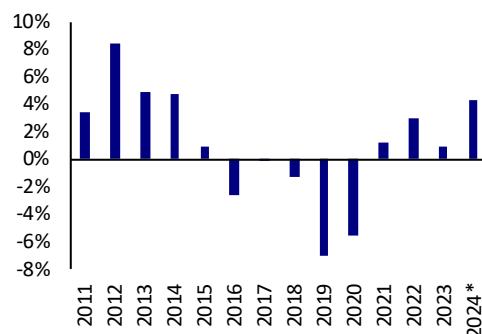
## DIAMOND SECTOR WITH ESCALATING PRODUCTION

- **The mining sector, particularly in the case of diamonds, had a good year in 2024, greatly boosted by production at the recently opened Luele mine.** According to statements reported in the press by the Minister of Mineral Resources, Oil and Gas, Diamantino Azevedo, diamond production had already exceeded 10 million carats by November – a mark never reached in Angola – and would approach 12 million carats for the whole year, which would place Angola as the 4th world producer, behind Russia, Botswana and Canada. The figures we have access to from the Ministry of Finance are only up to October and point to 8.9 million carats in exports, an increase of 43.0% compared to the same period in 2023. On the other hand, it must be considered that, with the current environment of retracted prices in the diamond market, it is possible that some of the production is not being exported at this time, waiting for better prices, which may mean that production until October will be significantly higher than the reported export figures. It should be noted that there is still a lot of potential for an increase in this production, with commercial interest, since the reserves were estimated by Endiama at 732 million carats, not far below the Russian reserves, the largest producer of the mineral. Considering a production volume close to 15 million carats per year, the government expectation for 2025, Angola would still have about 50 years of diamond production ahead of it. **The most recent significant development was the inauguration of the Luele mine in November 2024: according to data from Sociedade Mineira do Luele, production in 2024 would be around 5.4 million carats, thus being close to 40% of the country's total production in the inaugural year.** It is also worth mentioning the sale of the stake of the Russian company Alrosa in Sociedade Mineira da Catoca to Maaden International Investment of Oman. The Russian company's participation in the capital was hindering the development of the company's mining operation, as sanctions applied to Russian entities have created problems in the commercialization of diamonds. Even so, the topic of prices has been quite relevant: the average export price until October fell by 14.7% compared to the same period in 2023.
- **There also seem to be interesting prospects for the future; the president of De Beers, Al Cook, confirmed in October last year that they had identified 8 new kimberlites, where diamond production may occur, and there is still no confirmation of commercial viability.** In the case of Rio Tinto, there are still no concrete developments of exploration taking place in the commune of Chiri, in Lunda Norte.

# NATIONAL ACCOUNTS

## Year-on-year rate of change in GDP

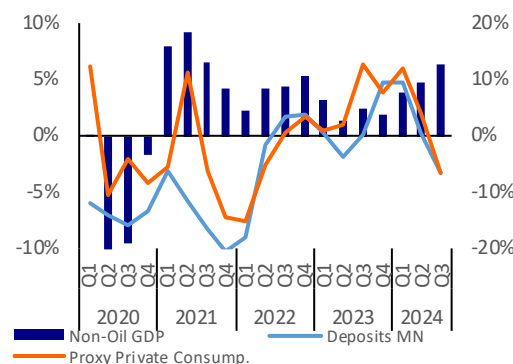
Real year-on-year change



\* Forecast

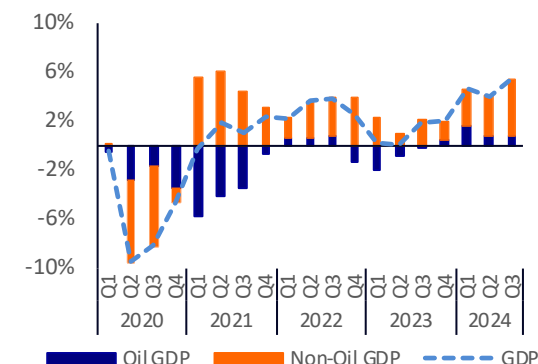
## High-frequency indicators and non-oil GDP

Real year-on-year change



## Evolution of oil and non-oil GDP

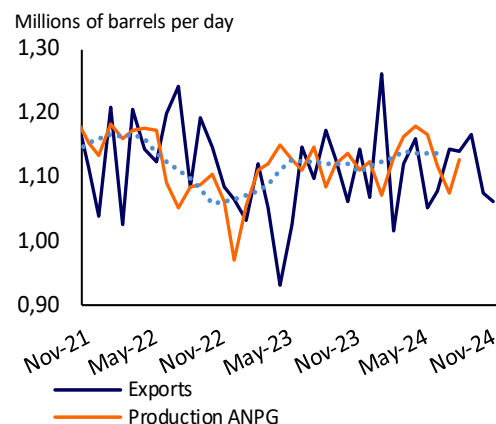
Real year-on-year change



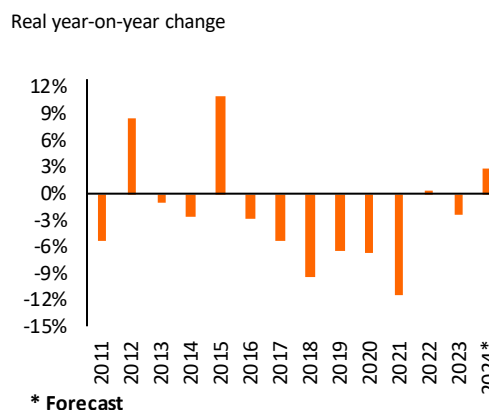
- **In overall, the economic performance throughout 2024 was surprising.** Although it was already certain that the economy would grow in 2024, the expressively positive performance above 3%, in a scenario of currency depreciation, foreign currency shortages and high prices is contrary to our expectations. In the third quarter of 2024, the Angolan economy grew by 5.5% year-on-year – marking the 14th consecutive quarter of year-on-year GDP expansion, despite some quarterly decelerations observed. The non-oil economy grew 6.3% in Q3 2024 compared to the same quarter of 2023, reaching the highest growth level since Q3 2021, when it expanded 6.5% yoy. The oil economy grew 3.0% yoy – the fourth consecutive period in which there have been increases.
- **The high-frequency indicators we tracked indicated a slowdown in domestic demand in Q3: both private sector deposits in local currency and transactions recorded in EMIS pointed to a slower pace of growth in the non-oil economy.** However, the growth in economic activity was mainly driven by tradable goods sectors, such as mining, manufacturing and agriculture, which continue to show significant growth.
- **For 2025, we expect the economy to continue to grow, however, at a lower level than in 2024.** The oil economy is expected to grow close to, but probably below 2.0%, justified by the increase in production resulting from the start of exploration in new wells, especially South Ndola, CLOV 3 and Begonia. On the side of the non-oil economy, growth is estimated to be slightly below that seen in 2024, around 3%.

# OIL AND NON-OIL ECONOMY

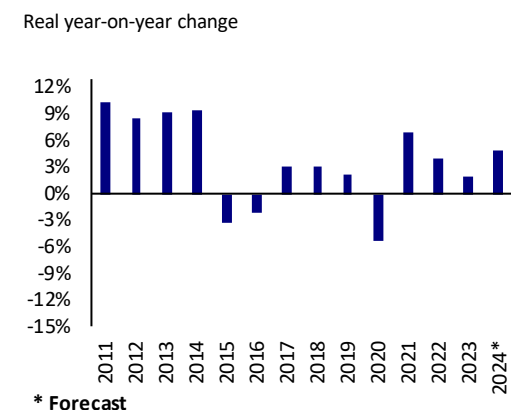
## Production and exports of crude oil



## Oil GDP



## Non-oil GDP

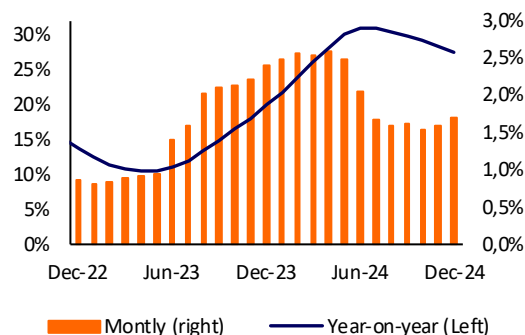


- **The oil economy grew 3.0% yoy, an acceleration of 0.4pp compared to the 2.6% yoy recorded in Q2.** Oil production has been around 1.1 million barrels per day and our calculations based on ANPG data point to a drop in Q4, around 0.7%-0.9%. Gas production is expected to register a larger year-on-year contraction, around 4%. Based on this, we expect the oil sector to contract in Q4 in the range of 1.0%-1.2%, which could contribute to the sector growing close to 2.9% in 2024.
- **The performance of the general level of non-oil activity was once again positive, except for one sector that recorded a decline.** The Diamonds and Minerals (42.1% yoy), Fisheries (24.4% yoy) and Transport (6.7% yoy) sectors led the economic growth, together adding about 2pp to the overall GDP growth rate, while the Financial Intermediation and Insurance sector recorded a contraction of about 6.3% yoy. leading growth for several consecutive quarters. However, together they represent only 9% of the Gross Domestic Product.

# CONSUMER PRICES

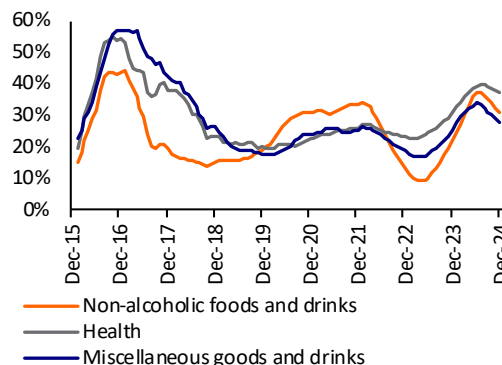
## Headline inflation

Percentage



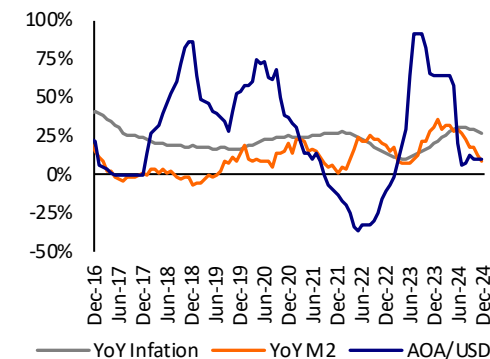
## Inflation by classes

Year-on-year change



## Inflation, M2 and exchange rate

Percentage



- **Year-on-year inflation ended 2024 at 27.5%, above the 20.0% recorded in December 2023 and 13.9% in 2022.** In monthly terms, in December prices accelerated as expected to 1.7%, due to the seasonality of December. The class of "Food and non-alcoholic beverages" was the one that contributed the most to the increase in the general price level, with 1.13 percentage points (pp), followed by the class of "Miscellaneous goods and services" with 0.14pp and "Health", with 0.10pp. Since August, year-on-year inflation has slowed down, although the monthly trend is not following as we expected in recent months, except for the slight increase expected in December, due to the seasonal factor. At this point, we expect monthly inflation to resume its downward trend in January, ending 2025 close to 18%.
- **For 2025, our projection indicates that inflation could decline, on its way to 20% in the first half of the year, with a sharper deceleration in the second half – monthly inflation is expected to decelerate further, moving the year-on-year inflation away from 2024 levels.** In the meantime, it is possible that we will see further adjustments in the removal of fuel subsidies and a slight depreciation of the Kwanza, factors that, combined with inflationary inertia and the salary adjustments of the civil service planned for Q1, should keep inflation at high levels for part of the year. However, based on current conditions, we estimate that inflation will end up close to 18%.



# EXTERNAL ACCOUNTS

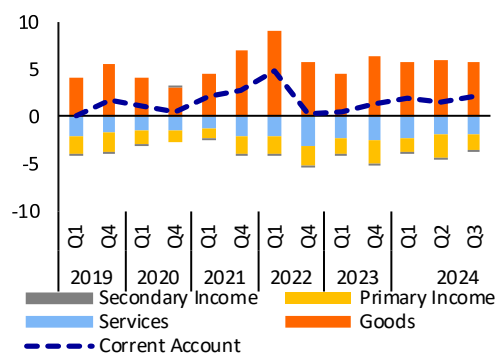
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# BALANCE OF PAYMENTS

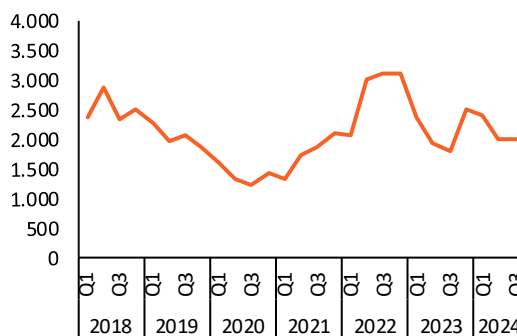
## Quarterly balance of payments

USD Billions



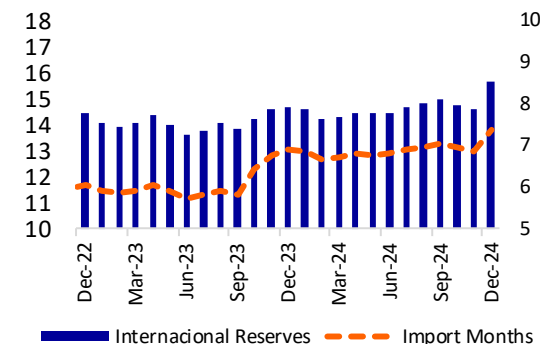
## Evolution of imports of services

USD Millions



## International Reserves

USD Billions; Months

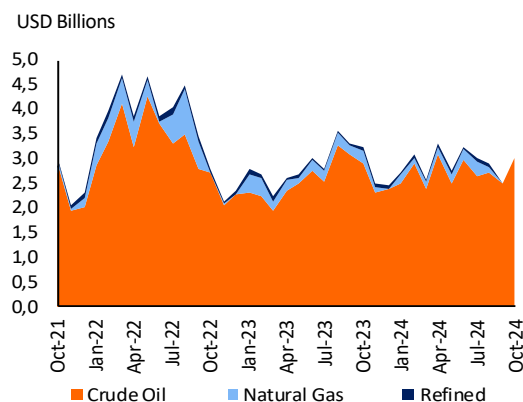


- **The current account balance in the third quarter of 2024 fell by 11% compared to the same period last year, which makes a reduction from USD 248.7 million to USD 2.1 Trillion. Quarter-to-quarter, current account balance increased by USD 621 million.** The current account figure corresponds to around 8.5% of GDP, 3.0 percentage points less than in the same period of the previous year.
- **Regarding the commercial account for services, in the 3rd quarter of 2024 there was a deficit of USD 1.9B.** This performance is justified by imports of services, around USD 2.0B – these imports registered increases in almost all types of services, except for "Financial Services", "Security and Providence Services" and "Petroleum Sector Services". Exports of services continue with an inexpressive value of USD 26.2 million (+11% YoY).
- **In December, International Reserves reached the highs of the end of 2021, standing at USD 15.6B, above the USD 14.0B recorded on average throughout the year, which makes an increase of around USD 1.1B compared to November.** According to our calculations, the value of the International Reserves covers about 7 months of importation of goods and services.

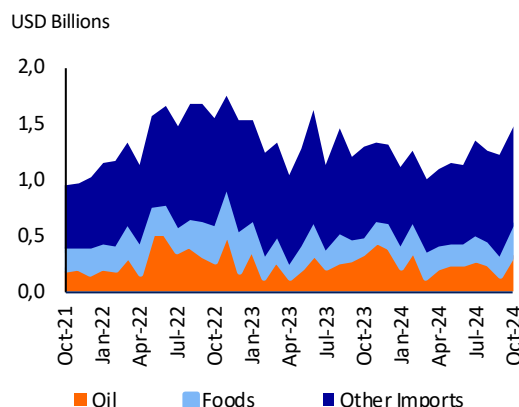


# EXPORTS AND IMPORTS

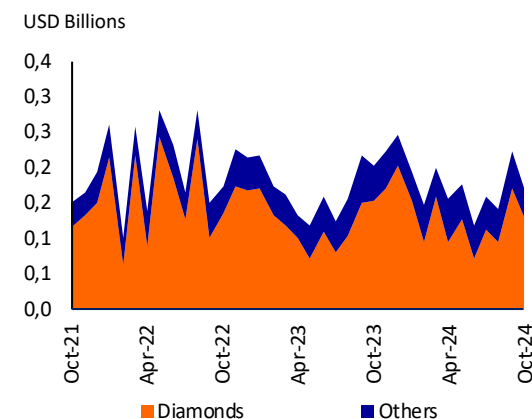
## Hydrocarbon exports



## Imports by type



## Exports of non-petroleum products



- According to AGT data, hydrocarbon exports totaled around USD 29.2B between January and October 2024, a growth of around 4.3% compared to the same period in 2023. The variation is mainly due to the value exported in crude, which increased by 7.6% in the period, as sales of natural gas abroad fell by 30.0% YoY and exports of other products fell by 11.3% year-on-year.
- On the other hand, imports of goods in the same period totalled USD 12.0B, down 8.7% yoy. Fuel imports fell 7%, while food purchases abroad grew 4% yoy. The remaining imports fell by 11% yoy.
- According to data from the tax authority, between January and October 2024, exports of non-oil products stood at USD 1.6B, an increase of 3.0% yoy. Diamond exports grew by 1.6% YoY. Although they are not very significant, exports of other products continue to grow they stood at USD 469 million in the period, an increase of 5.6% yoy compared to the USD 444 million exported in the same period of 2023.

## MAIN EXTERNAL INDICATORS

DESCRIPTION	Q3 2023	Q2 2024	Q3 2024	QoQ	Yoy
GDP (USD Millions)	20.634,3	22.217,2	25.093,3	12,9%	21,6%
Exports of goods and services (USD Millions)	9.823,4	9.251,2	9.523,1	2,9%	-3,1%
Imports of goods and services (USD Millions)	5.382,2	5.254,8	5.658,8	7,7%	5,1%
Service Account (USD Millions)	(1.786,3)	(1.978,9)	(1.974,0)	-0,2%	10,5%
International Reserves (USD Millions)	13.963,6	14.450,7	14.903,9	3,1%	6,7%
Total External Debt Stock (USD Millions)	55.538,3	54.856,6	55.031,9	0,3%	-0,9%
Stock of Short-Term External Debt (USD Millions)	4.759,6	5.159,2	5.251,6	1,8%	10,3%
Average Exchange Rate (USD/AOA)	824,7	842,8	893,3	6,0%	8,3%
Current Account/GDP (%)	11,5	6,7	8,4	1,7	-3,1
Goods Account/GDP	30,2	26,9	23,3	-3,6	-6,9
Services Account/GDP	(8,7)	(8,9)	(7,9)	1,0	0,8
Exports of goods and services/GDP	47,6	41,6	38,0	-3,6	-9,6
Imports of goods and services/GDP	26,1	23,7	22,6	-1,1	-3,5
Capital and Financial Account / GDP	(13,7)	(5,9)	(5,5)	0,4	8,2
Foreign Direct Investment (net)/GDP	(3,5)	0,2	1,7	1,5	5,2
Total External Debt Stock/ GDP	67,3	61,7	54,8	-6,9	-12,5
International Reserves / Imports of Goods and Services (Months)	7,8	8,3	7,9	-0,4	0,1
International Reserves/Total External Debt Stock (%)	25,1	26,3	27,1	0,8	2,0
International Reserves/Stock of Short-Term External Debt (%)	293,4	280,1	283,8	3,7	-9,6

# AFRICAN ECONOMIES

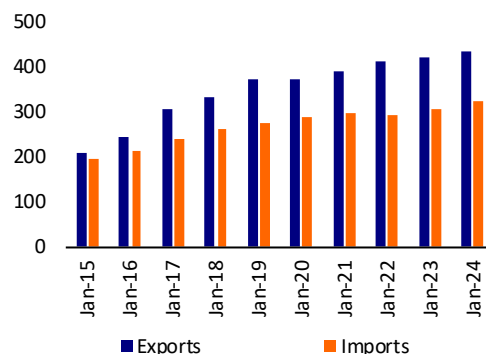
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# SPOTLIGHT

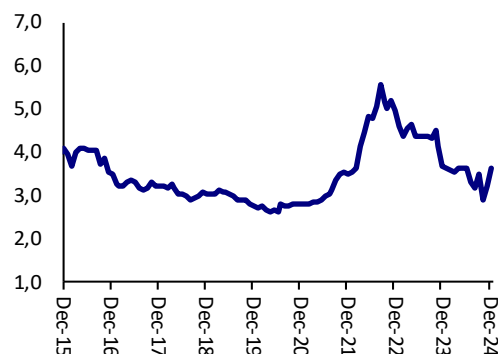
## Natural Gas Trading

Million Metric Tons



## Price evolution

USD/Metric Ton



Sources: Bloomberg

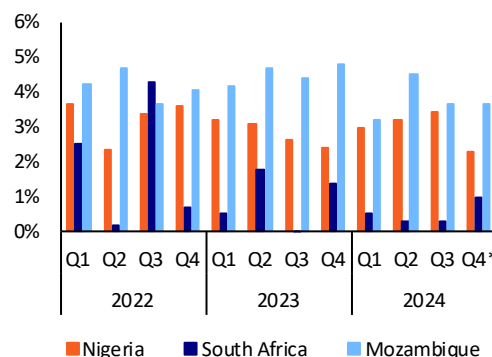
## CROSS-BORDER GAS PROJECT PROMOTES ADVANCES IN THE ENERGY SECTOR

- **Senegal and Mauritania recently announced a breakthrough in the energy sector with the start of operations in the Greater Tortue Ahmeyim (GTA) project - the start of Phase 1 exploration.** This is an offshore liquefied natural gas (LNG) project developed by BP and Kosmos Energy, together with Petrosen and Société Mauritanienne des Hydrocarbures (SMH), both Senegalese and Mauritanian state-owned companies and valued at around USD 4.8 Trillion. The GTA is one of Africa's deepest offshore developments, with gas resources in water depths of 2,850 metres maximum. Phase 1 of the GTA is estimated to be capable of producing around 2.3 million tonnes of LNG per year, a modest addition to world production, but important for revenue diversification in these countries. Specifically, the IMF expects Senegal's GDP to grow by 10.1% in 2025 (7.1% in 2024) as a result of the development of the country's hydrocarbon resources. On the Mauritanian side, the GTA project is directly cited by the Fund as being responsible for an acceleration in growth, from 5.1% in 2024 to 14.3% in 2025.
- **The countries involved signed an intergovernmental cooperation agreement, which provided for the development of the cross-border gas project, with each country sharing resources and revenues on a 50/50 basis.** In 2018, the final investment decision (FID) was taken for the development of the first phase of the project, with the start of production estimated for the end of 2022, but which was not implemented due to stoppages that occurred in 2020 because of the Covid-19 pandemic. In early 2020, the GTA project partners signed a 20-year Sales and Purchase Agreement (SPA) with BP Gas Marketing Limited for the sale of 2.45 million tonnes per annum of LNG to be produced from Phase 1 of the project for an initial term of up to 20 years.
- **BP is the operator of GTA with a 56% stake, alongside Kosmos Energy (27%), PETROSEN (10%) and SMH (7%).** The construction activities of the TAG were able to generate more than 3 000 local jobs, and the project involved around 300 local companies in Mauritania and Senegal.

# MACROECONOMIC INDICATORS

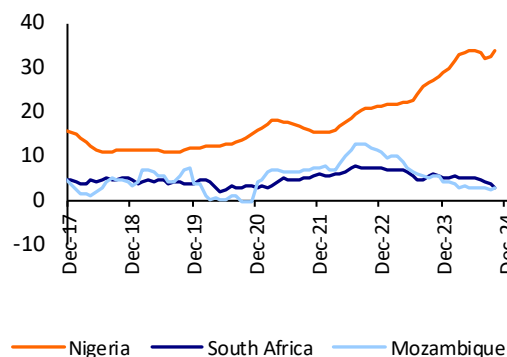
## Annual GDP growth

Year-on-year change



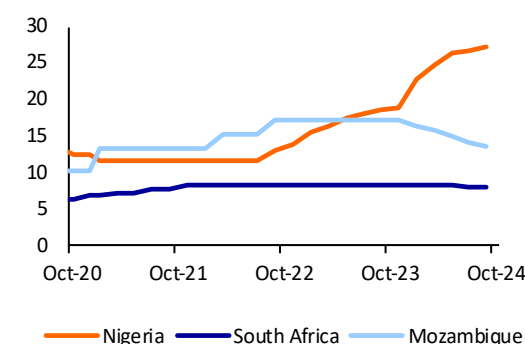
## Year-on-year inflation

Year-on-year change



## Interest Rate of African Economies

Percentage



- In 2024, African economies faced numerous challenges that impaired their performance; however, they currently have very positive prospects for the near future.** In Nigeria, GDP accelerated 0.3pp to 3.5% YoY in Q3 2024. This is the highest level of growth since Q4 2022, when it expanded by 3.6% YoY. The South African economy grew 0.3% yoy in Q3, stagnant compared to the same 0.3% yoy recorded in Q2. According to data from the National Institute of Statistics of Mozambique, in Q3 the economy grew by 3.7% YoY, a slowdown compared to the 4.5% YoY recorded in the previous quarter; it is expected that the riots recorded in recent months have had a relevant impact on economic growth in Mozambique, although Bloomberg's forecasts do not yet reflect this reality.
- Year-on-year inflation has been registering mixed movements in recent months: In Nigeria, inflation reached its third consecutive increase in November at 34.6%, +0.7pp compared to the previous month.** In South Africa, inflation accelerated slightly in November and is now around 2.9% (up 0.1pp mom) well below the 1S 2024 average (5.3%). In Mozambique, inflation has been registering mixed movements in recent months and ended November at 2.8%. On the side of the authorities that dictate the course of monetary policy, the Nigerian Monetary Policy Committee recently raised the key interest rate to 27.5% (plus 25 bps) to respond to the acceleration of inflation. In Mozambique, the Central Bank again cut the MIMO rate by 75bps to 12.75%. On the South African side, the Central Bank has reduced the key interest rate twice in a row, which is currently at 7.75%.



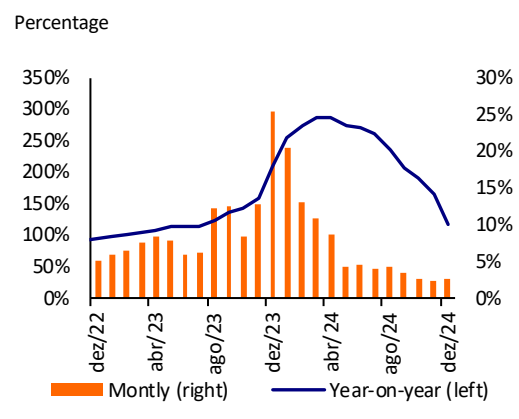
# GLOBAL ECONOMIES

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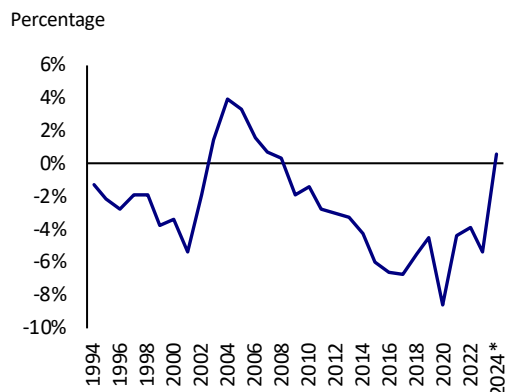


# SPOTLIGHT

## Inflation



## Budget balance



## WILL ARGENTINA HAVE A CALM AFTER SO MUCH STORM?

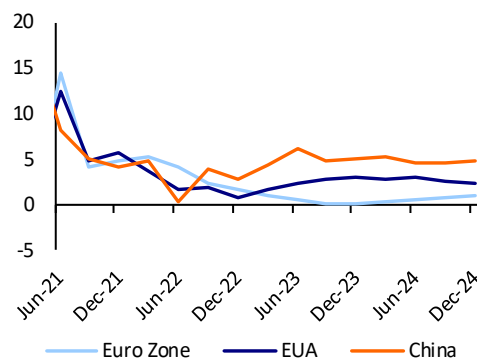
- **Around 1951, a political change triggered a stormy shift in Argentina's economic paradigm: Peronism became the fundamental element of politics, with the state intervening in the economy and nationalizing urban railways, communication, gas, and transport.** At the end of 72 years, the measures triggered extreme macroeconomic imbalances, highlighting hyperinflation, increased poverty and the devaluation of the national currency, which made the richest country in South America one of the least dynamic, and the largest debtor to the IMF, with a debt that currently amounts to USD 32.0 million.
- **Javier Milei, the President who intends to fundamentally change the action of the State, took office at the end of 2023, initiating a set of significant reforms, including reducing public spending and modernizing the administration; privatization of state-owned companies; devaluation of the national currency; reducing energy and transport subsidies; and reduction of bureaucracy and deregulation.** More specifically, the government: **1)** allowed the devaluation of the country's currency in order to reduce the gap of about 99% that existed between the official exchange rate and the parallel exchange rate; the quotation, before the new government, was USD/ARS 275 and USD/ARSB 548 and is currently at USD/ARS 1,035 and USD/ARSB 1,205, making a gap of 16%; **2)** abolished the price control regime that repressed the real level of inflation and as a result year-on-year inflation in December 2023 exceeded 200%, but it was fought and although it remains high – 118% yoy in December 2024, it shows clear signs of slowing down; **3)** ended the issuance of currency, intensified the sale of foreign exchange and eased monetary policy, reducing the base rate by 101pp to 32% at the end of 2024; **4)** reduced the number of civil servants by about 202 thousand (until Q2 24) and increased the number of ministries from 19 to 8 with the aim of rationalizing and making the State's actions more efficient. The implementation of these measures had the desired effect, the budgetary balance, and the country accumulated a financial surplus of approximately 0.6% of GDP in the first eleven months of the year (primary surplus of approximately 2.1% of GDP). Despite the positive tide, the poverty rate increased to 50% and the forecast is for economic recession, -3.5% (slightly more severe when compared to -1.5% in 2023). By 2025, the reforms are expected to continue to be implemented and although it is premature to conclude on their effectiveness, the improvement in several economic indicators is satisfactorily received.



# MAJOR ECONOMIES: REAL ECONOMY

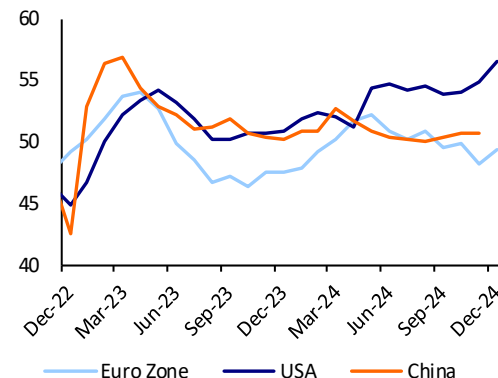
## GDP in major economies

Real year-on-year change



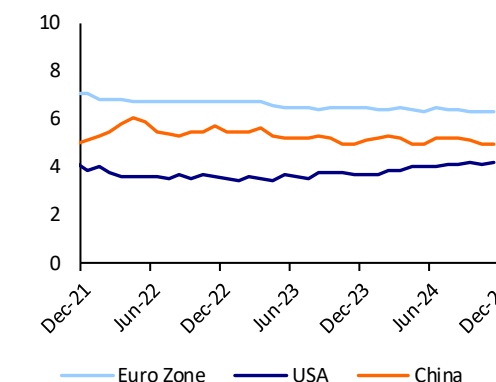
## PMI indices in major economies

Index



## Unemployment in major economies

Percentage

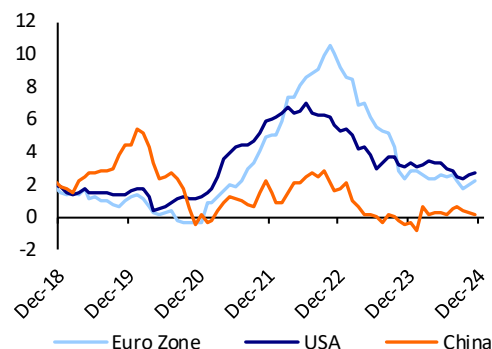


- The U.S. economy in Q3 2024 grew 2.7% YoY, in line with market expectations of 2.8%. In the Eurozone, growth was a slight 0.9%. In both cases, the percentage mainly reflected increases in consumer spending, exports and government spending.** In China, GDP grew by 4.6% YoY: according to the National Bureau of Statistics of China, this percentage was influenced by the better performance of the agricultural sector (+3.7%), at a time when the world's second largest economy is facing a prolonged crisis in the real estate sector and weak private consumption, which weighs considerably on the performance of economic activity. In the markets, speculation is circulating around a more permanent and significant slowdown in Chinese growth, beyond what official metrics indicate. The Eurozone has recorded slight but consistent reductions in unemployment, with 6.3% of the active population unemployed in November. Conversely, the United States and China recorded increases in this rate to 4.2% and 5.1%, respectively, until November.
- The Eurozone PMI remains below 50 points, although it reached 49.5 in December.** Service sector activity has returned to growth territory and is showing a noticeable pace of expansion. In the US, the index stood at 56.6, the best level seen since January 2022; The services sector performed much more positively than industry, raising the index. In China, the PMI was stable at 50.7: Chinese companies signaled stronger increases in production and new orders in a context of firmer demand reports. However, new export business fell at the most significant pace in the last six months.

# INFLATION AND REAL INTEREST RATE

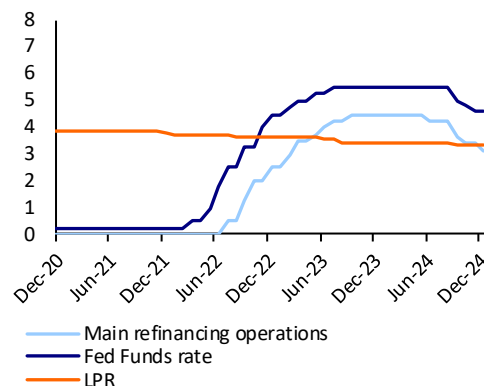
## Inflation in major economies

Year-on-year change



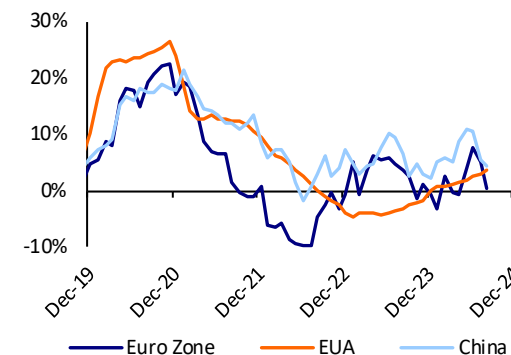
## Benchmark interest rates in major economies

Percentage



## Year-on-year change in M2

Year-on-year change



- **Year-on-year inflation accelerated slightly in both the US and the Eurozone.** In the US, inflation accelerated from 2.3% to 2.4% in November. Core inflation, which is the most important rate, which excludes volatile energy and food prices, stood at 2.8%. In the Eurozone, annual inflation was above the ECB's target at 2.2%. According to the European statistics agency Eurostat, the November result was caused by a sharp increase in prices in the services sector and a smaller than expected drop in the energy sector. In China, inflation slowed again to 0.2% - the Chinese economy has remained in deflation for more than a year, signaling a weak recovery in spending and consumption, after abolishing its extreme policy to combat covid-19 in 2023.
- **ECB and FED cut interest rates again.** The Governing Council cut the three key interest rates by 25 basis points influenced by the updated assessment of the inflation outlook, underlying inflation dynamics and the strength of monetary policy transmission, at a time when most forecasts suggest that inflation will stabilize around the target of 2%. Similarly, the Federal Reserve cut interest rates by 0.25pp to the range of 4.25% to 4.50% per year, justified by the expansion of economic activity at a solid level and the dynamics of inflation. Both the Fed and the ECB end the period of monetary policy tightening that began in 2020, but both recognize that the path will depend on the level of risk to the primary objective, inflation stability. The Central Bank of China kept the Loan Prime Rate unchanged at 3.25%.

# GLOBAL PERSPECTIVES

Recession Probability 20%

EUA	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Real GDP (yoy)	2,9%	3,0%	2,7%	2,4%	2,5%	2,2%	2,0%	1,9%	1,9%
Industrial Production (yoy)	-0,5%	0,0%	-0,4%	-0,1%	0,8%	0,6%	0,9%	1,6%	1,8%
Inflation (yoy)	3,3%	3,2%	2,6%	2,7%	2,5%	2,4%	2,6%	2,5%	2,5%
Unemployment Rate	3,8%	4,0%	4,2%	4,0%	4,2%	4,3%	4,3%	4,3%	4,4%
Current Account (%GDP)	-3,2%	-3,3%	-3,6%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,6%
Central Bank Interest Rate	5,50%	5,50%	5,00%	4,50%	4,25%	4,00%	3,85%	3,75%	3,65%
EUR/USD	1,08	1,07	1,11	1,04	1,04	1,04	1,04		

Recession Probability 15%

CHINA	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Real GDP (yoy)	5,3%	4,7%	4,6%	4,9%	4,5%	4,8%	4,5%	4,1%	4,1%
Industrial Production (yoy)	4,5%	5,9%	5,0%	5,4%	5,1%	5,1%	4,6%	4,5%	4,2%
Inflation (yoy)	0,0%	0,3%	0,5%	0,2%	0,7%	0,6%	0,7%	1,0%	1,0%
Unemployment Rate	5,2%	5,0%	5,2%	5,0%	5,1%	5,1%	5,0%	5,0%	5,0%
Current Account (%GDP)	1,2%	1,2%	1,6%	1,8%	1,5%	1,1%	1,5%	1,5%	1,0%
Central Bank Interest Rate	3,45%	3,45%	3,35%	3,35%	3,35%	3,35%	3,35%	3,35%	3,35%
USD/CNY	7,22	7,27	7,02	7,30	7,34	7,40	7,45	7,40	

Recession Probability 30%

EUROZONE	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Real GDP (yoy)	0,4%	0,5%	0,9%	0,8%	1,0%	1,0%	1,1%	1,1%	1,5%
Industrial Production (yoy)	-3,6%	-2,6%	-1,6%	-1,4%	-0,9%	0,6%	1,5%	1,8%	2,2%
Inflation (yoy)	2,6%	2,5%	2,2%	2,2%	2,1%	2,0%	2,0%	2,0%	2,0%
Unemployment Rate	6,5%	6,4%	6,3%	6,4%	6,4%	6,4%	6,4%	6,4%	6,4%
Current Account (%GDP)	2,1%	2,5%	2,9%	2,5%	2,9%	2,9%	2,9%	2,8%	2,9%
Central Bank Interest Rate	4,50%	4,25%	3,65%	3,15%	2,65%	2,15%	2,15%	2,15%	2,15%
EUR/USD	1,08	1,07	1,11	1,04	1,04	1,04	1,04	1,04	1,04

# INTERNATIONAL FINANCIAL MARKETS

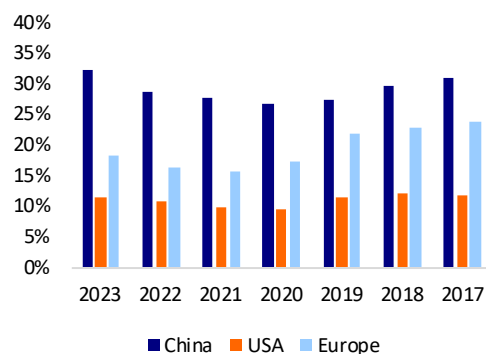
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## SPOTLIGHT

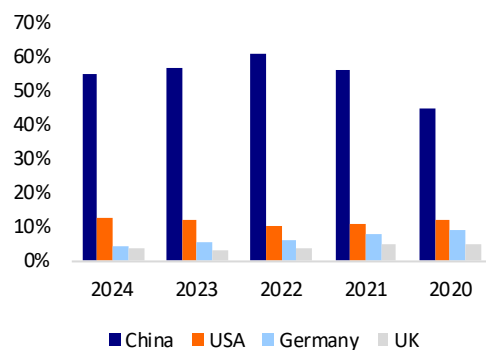
### Top 3 Car Producers

Percentage



### Top 5 EV producers

Percentage

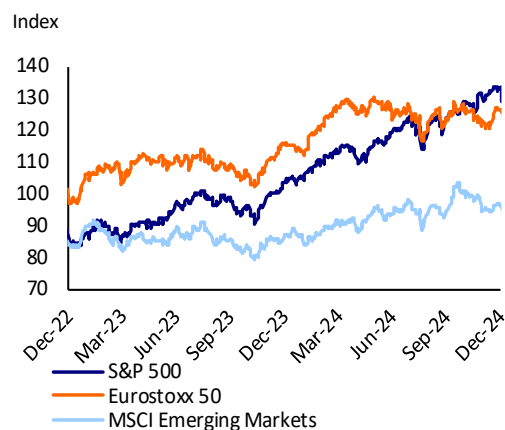


## CHINESE DOMINANCE IN THE EV MARKET WORRIES WEST

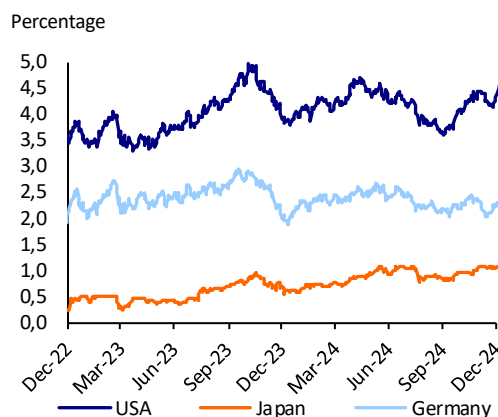
- **China has continued to consistently lead the global automobile market, consolidating its dominant position year after year.** At the beginning of the century, China was not part of the group of the five largest car producers, with the clear leadership of the USA, followed by Japan. Eight to nine years later, China has overtaken Japan and the U.S. to become the largest producer. According to our calculations, in the early 2000s, 3 out of every 100 vehicles produced in the world came from China; currently, 32 out of 100 are produced in China.
- The production of electric cars is no exception: the Asian giant has the market in its hands. In 2016, China overtook the US as the largest producer and is now producing twice as much as the five behind it. This domain extends over almost the entire production chain, both upstream and downstream, which generates immense strategic concerns for the US and Europe. Chinese manufacturers such as BYD, with affordable and technologically advanced car offerings, are pushing traditional companies such as Volkswagen, BMW, Ford and GM to not only accelerate innovation, but also to reduce costs.
- On the other hand, dependence on Chinese components and batteries makes Western supply chains vulnerable, while Chinese exports drive up trade deficits and intensify global competition. This reality brings back protectionism to protect industries, especially in the US, which has generated trade tensions. Globally, China's breakthrough redefines the balance of economic power, accelerates the transition to low-emission vehicles, and forces innovation in Western automotive industries. However, issues such as mineral dependence, production costs and environmental practices are, from the point of view of the American and European economies, a clear sign of vulnerability, which requires urgent measures to avoid a process of deindustrialization.

# EQUITIES AND DEBT

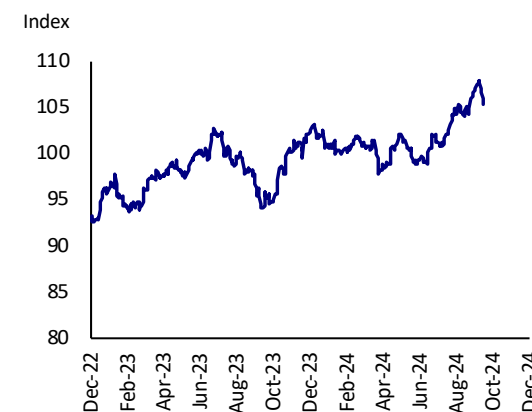
## Main stock indices



## 10-year sovereign debt yields of major economies



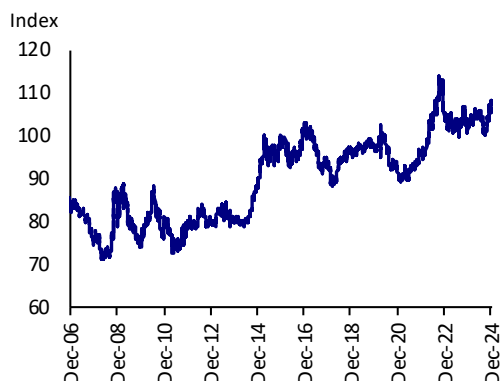
## Emerging economies bond index



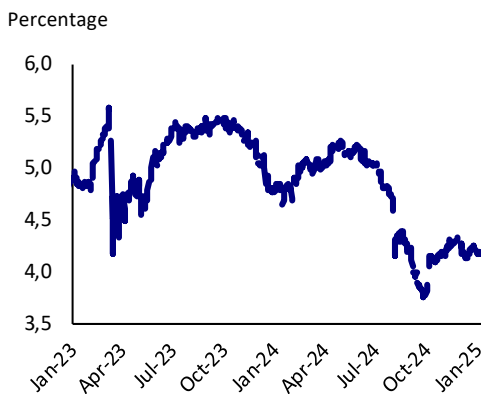
- **Stock indices showed a positive performance throughout 2024, particularly in Q1 of the year. According to our calculations, the S&P 500 grew by around 5% in Q1 2025, which accounts for total cumulative earnings of around 24%, up 1pp from 23% in 2023.** The Eurostoxx 50 fell 3% in Q4 and closed the year with a cumulative gain of around 8%, an important advance, but less significant than the 19% recorded in 2023. In emerging countries, stocks fell 7% in Q4, but the year-to-date was positive, around 7%, +1pp compared to 2023.
- In Europe, the slowdown in equity growth in 2024 was due to a combination of several factors: the ECB's restrictive monetary policy; high energy costs, which despite greater relief when compared to 2022, continue to weigh on European industries; less technological dynamism, with high competition from Chinese companies, particularly in the automotive sector. To give perspective according to Bloomberg, the S&P 500 is expected to continue to grow in 2025, potentially reaching cumulative gains of 10%. The EuroStoxx 50 is expected to expand between 6% and 7% in 2025, reflecting slower economic growth. In the case of MSCI Emerging Markets, projections indicate a return of approximately 8% for emerging markets in 2025.
- The fourth quarter of 2024 was marked by a downward trend in sovereign bond yields in the U.S. and Europe, while emerging markets performed positively, albeit with expectations of higher volatility for 2025. Bond yields could fall throughout 2025, following looser monetary policy from central banks.

# FOREIGN EXCHANGE AND MONETARY MARKET

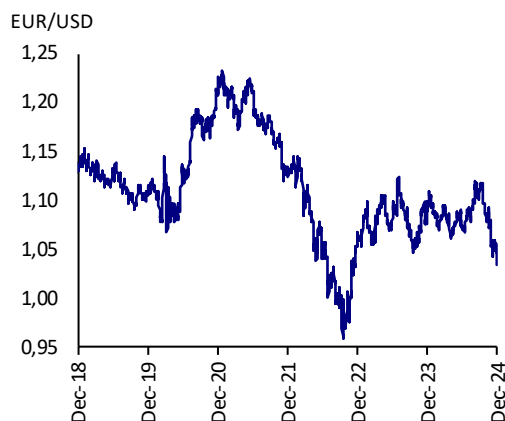
## Dollar Index



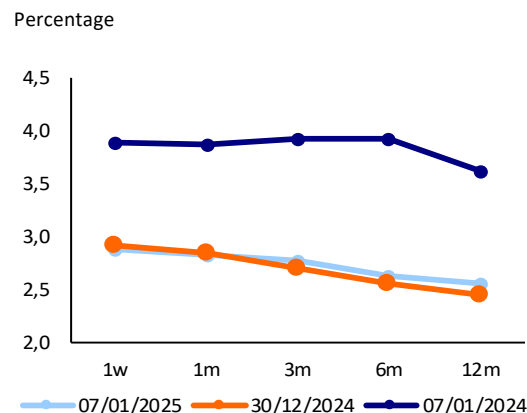
## Money Market Interest Rate Dollar (SOFR 12M)



## Exchange rate of the Dollar against the Euro



## Money market interest rates Euro (Euribor)



- The Dollar Index (DXY) showed significant changes throughout 2024, especially in the fourth quarter, with an increase of 8%, the highest quarterly increase since late 2014. This appreciation was driven by several factors such as the US monetary policy, the evolution of the global economy and the fiscal policies adopted by the US government, and finally, the election of Donald Trump for a second term. Projections for the DXY in 2025 indicate a continuation of the uptrend seen in 2024.
- After reaching highs on August 23rd, the Euro has consistently depreciated against the Dollar, particularly in Q4 where it depreciated by around 7%, closing the year at 1.035.
- In Q4 2024, both SOFR and Euribor showed downward trends, reflecting the monetary policies adopted by the respective central banks. SOFR started the year at 5.4% and fell 100bps to 4.4% by the end of the year. The 12-month Euribor started the year at 3.9% and ended December at 2.6%. For 2025, both SOFR and EURIBOR are expected to continue their downward trajectory, in line with greater monetary policy flexibility that should continue to occur.



# MARKETS OUTLOOK

FOREIGN EXCHANGE MARKET	Dec-23	Jun-24	Sep-24	Dec-24	YTD	YOY	QOQ	Q1 2025	Q2 2025	Dec-25	Dec-26	Dec-27
EUR/USD	1,10	1,07	1,11	1,04	1,2%	1,3%	4,0%	1,04	1,04	1,08	1,08	1,10
GBP/USD	1,27	1,26	1,34	1,25	5,1%	5,3%	5,8%	1,26	1,26	1,27	1,28	1,31
USD/JPY	141,04	151,35	143,63	157,20	1,8%	-0,5%	-5,1%	152,00	150,00	154,00	153,00	153,00
Dólar Index (DXY)	101,33	105,87	100,78	108,49	-0,5%	-2,1%	-4,8%	107,40	107,60	107,10	103,70	100,40

MONEY MARKET	Dec-23	Jun-24	Sep-24	Dec-24	YTD	YOY	QOQ	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Euribor 3M	3,9%	3,7%	3,3%	2,7%	-0,6	-0,3	-0,4	2,9%	2,6%	2,3%	2,3%	2,2%
SOFR 3M	5,3%	5,3%	4,6%	4,3%	-0,7	-0,7	-0,7	4,3%	3,9%	3,5%	3,3%	3,1%
FED rate upper limit	5,5%	5,5%	5,0%	4,5%	-0,5	-0,3	-0,5	4,5%	4,1%	3,7%	3,5%	3,3%
FED rate lower limit	5,3%	5,3%	4,8%	4,3%	-0,5	-0,3	-0,5	4,2%	3,8%	3,4%	3,2%	3,1%
ECB - Main refinancing rate	4,5%	4,3%	3,7%	3,2%	-0,9	-0,4	-0,6	3,2%	2,8%	2,5%	2,4%	2,3%
ECB - Deposit rate	4,0%	3,8%	3,5%	3,0%	-0,5	0,0	-0,3	3,0%	2,6%	2,3%	2,2%	2,1%
BOE rate	5,3%	5,3%	5,0%	4,8%	-0,3	0,0	-0,3	4,7%	4,4%	4,1%	3,9%	3,7%

SOVEREIGN DEBT	Dec-23	Jun-24	Sep-24	Dec-24	YTD	YOY	QOQ	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
USA 10-Year	3,9%	3,4%	3,8%	4,6%	-0,1	0,3	0,4	4,5%	4,4%	4,4%	4,4%	4,3%
Germany 10-Year	2,0%	2,5%	2,1%	2,4%	0,1	-0,2	-0,4	2,2%	2,2%	2,2%	2,3%	2,2%
Japan 10-Year	0,6%	1,1%	0,9%	0,0%	0,2	0,5	-0,2	3,1%	3,1%	3,1%	2,9%	3,0%
UK 10-Year	3,5%	4,2%	4,0%	4,6%	0,5	-0,4	-0,2	4,3%	4,2%	4,1%	4,1%	3,0%
China 10-Year	2,6%	2,2%	2,2%	1,7%	-0,3	-0,4	0,0	1,8%	1,8%	1,8%	1,8%	1,8%

COMMODITIES	Dec-23	Jun-24	Sep-24	Dec-24	YTD	YOY	QOQ	Q1 2025	Q2 2025	Dec-25	Dec-26	Dec-27
Brent	77,0	86,4	71,8	74,6	-6,8%	-10,0%	-16,9%	80,7	77,7	77,1	72,3	70,5
WTI	71,7	81,5	68,2	71,7	-4,9%	-3,5%	-16,4%	78,6	75,1	74,2	68,5	66,3
Natural Gas	103,0	102,8	128,5	152,7	24,8%	-30,9%	25,0%	117,2	115,3	115,9	98,8	82,1
Gold	2078,4	2326,8	2634,6	2624,5	26,8%	37,8%	13,2%	2723,0	2767,0	2782,0	2911,0	3038,0

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