

FLASH NOTE

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Economy records highest annual growth since 2014

Oil contracts in Q4 and Diamonds see increasingly strong momentum

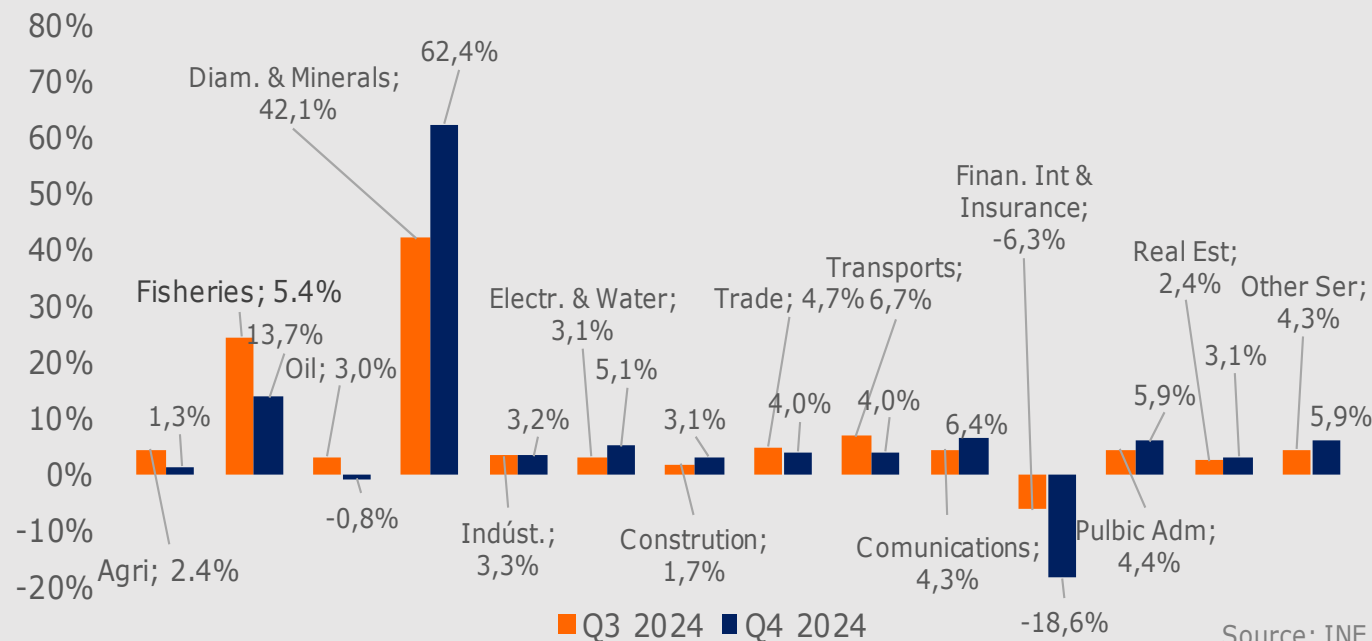
A. DESCRIPTION

1| In 2024, the GDP of the Angolan economy grew by 4.4% in annual terms (+3.3pp compared to growth in the previous year) and representing the highest annual growth since 2014. Non-oil GDP grew by 5.0% yoy, well above the 2.3% yoy recorded in 2023, while oil GDP grew by 2.8% yoy.

2| In the fourth quarter of the year, the economy grew 3.6% yoy, a slowdown from the 5.5% rise in Q3 2024. The oil sector contracted again after 4 months in positive territory, falling 0.8% yoy. The non-oil sector slowed 1.3pp to 5.0% yoy growth in Q4. Within the non-oil economy, the highlight is the mining sector, which once again led growth by expanding +62.4% yoy in Q4, contributing 1.5pp to the growth rate. Fishing and communications come next, with expansion of around 13.7% and 6.4% yoy, respectively. The only non-oil sector of the economy that contracted was Financial Intermediation and Insurance, with a drop of around 18.6% yoy.

The performance of the general level of non-oil activity was once again positive, with the exception of one sector that recorded a drop

Year-on-year change in percentage



B. ANALYSIS

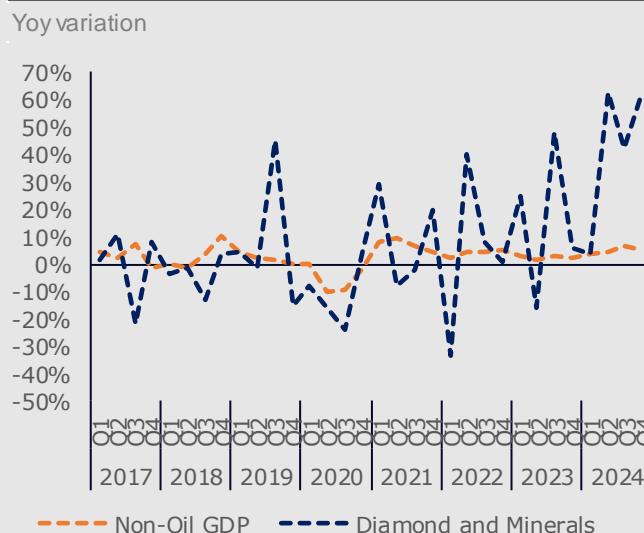
1| For the whole year, the performance of the general level of non-oil activity was quite positive, except for a single sector that contracted. The Diamonds and Minerals (44.3% yoy), Fishing (12.2% yoy) and Transport (10.4% yoy) sectors led economic growth in 2024, together adding around 1.4pp to the overall GDP growth rate, 1/3 of growth, when they represent only 10% of economic activity. The Financial Intermediation and Insurance sector was the only one to record a contraction, around 5.1% yoy.

The Diamond and Minerals sector, which achieved the highest annual growth since records began, is one of the main points to highlight, as it continues to grow much more than all other sectors. Growth in 2024 was driven mainly by increased efficiency in mineral recovery, expansion of production capacity and strategic adjustments to the market situation. The entry into operation of the Luele mine in November 2023 will have had a major impact. According to reports¹, production from this mine would have reached 1.8 million carats in the first half of 2024, more than 1/3 of what was exported in the period. Due to the base effect, Q1 2025 will be a high growth quarter - it is possible to grow more than 80% in Q1 2025; In 2025, the sector is expected to grow by around 30%, if it maintains production levels close to those seen in the second half of 2024.

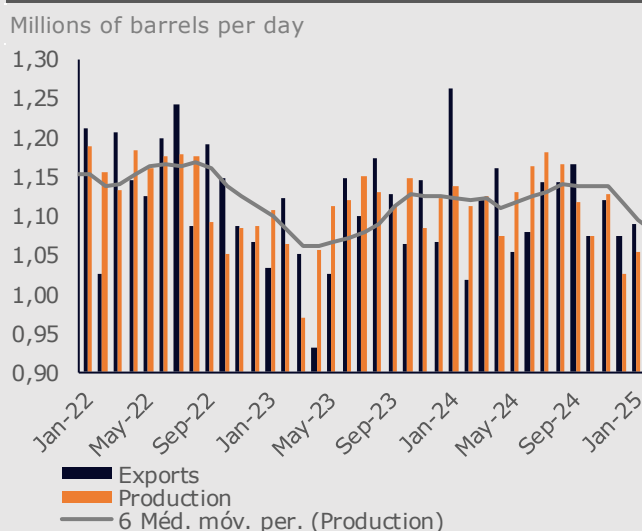
The fishing sector in 2024 also had robust growth. In Q1 there was modest growth (0.5%), while in Q2 growth was quite accelerated, around 12.2%. In the second half of the year, the fishing sector grew even more, with a peak of around 24.4%, reached in Q3. Due to the base effect, the sector is expected to grow by close to 9% in Q1 2025. However, the temporary closure of the Mabunda market, the main fish trading point, by the Government of Luanda for public health reasons, could have a negative effect, although it is difficult to calculate the size of the impact.

2| The growth of the oil sector in 2024 was driven by the increase in the extraction of oil, condensate, and LNG, which represent more than 90% of the sector's activity. In Q1 there was very strong growth of around 6.9% YoY. In Q2 (2.6%) and Q3 (3.0%), the sector continued to expand, supported by the increase in LNG and oil extraction. In Q4, the sector contracted 0.8% as

The Mining sector reached the highest annual growth since records began



Oil production grew 2% in 2024 and settled at around 1.1mbd



Source: MinFin; Cálculo BFA

¹ <https://minasangola.ao/detalhes?id=935>

expected and, according to INE, the contraction was caused by operational problems and a reduction in refining, which would have affected average daily production.

Looking at production by blocks, Block 15 stands out, where production grew by more than 30% year-on-year, due to the implementation of the block redevelopment plan that had been announced by Exxon. In Block 17, production grew around 3% yoy, with a particular impact from the CLOV Phase 3 project, which would have added close to 0.03mbd to total production. As a whole, oil production grew essentially in blocks 15, 3.05, 2.05 and 17.

C. CONCLUSION

1| Despite the expansion of economic activity, 2024 was a challenging year, especially on the demand side, due to factors such as high inflation and high unemployment. Average inflation reached 28%, well above the 14% recorded in 2023, significantly reducing citizens' purchasing power and affecting consumer confidence levels. The unemployment rate remained high, around 32%, reflecting difficulties in the labor market. Furthermore, the Ministry of Finance faced challenges in attracting external financing, limiting the Government's financial maneuvering capacity. Although GDP grew, the general sentiment among producers and consumers remained pessimistic, as evidenced by INE data.

Many of these challenges are likely to persist into 2025, as they stem from deep-seated structural issues. However, there are already positive signs, especially in access to external financing. If this trend is consolidated, it could boost confidence in the markets and the economy, generating positive effects throughout the year.

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