INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/62

ANGOLA

March 2025

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ANGOLA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Angola, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 20, 2025, consideration of the staff report that concluded the Article IV consultation with Angola.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 20, 2025, following discussions that ended on December 4–17, 2024, with the officials of Angola on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on February 6, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Angola.

The document listed below have been or will be separately released.

- Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2024 Article IV Consultation with Angola

FOR IMMEDIATE RELEASE

Washington, DC — February 20, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Angola.

Angola's economy recovered in 2024 as the oil sector rebounded. GDP growth is estimated to have reached 3.8 percent, surpassing earlier projections, and the recovery broadened to the non-oil sector. The public debt-to-GDP ratio declined in 2024, benefiting from higher nominal GDP growth and sustained primary surpluses. However, fiscal consolidation efforts waned, and buffers built during the 2018–21 EFF—supported program are being eroded by fiscal slippages from higher capital expenditures and a slower fuel subsidy reform.

Inflation remained elevated driven by exchange rate pressures and higher food prices. The central bank raised monetary policy rate by 150 bps in 2024 and streamlined liquidity management, resulting in a better alignment of the interbank rate with the policy rate. The currency depreciated by over 10 percent against the U.S. dollar in 2024. Adverse market expectations and a high external debt service continue to weigh on the exchange rate. The government's active cash and debt management helped mitigate liquidity pressures.

The recovery is expected to continue but risks to the outlook remain high. Growth is expected to remain at 3 percent in 2025 while inflation is projected to ease with the fading of cost-push factors. The resolution of maintenance bottlenecks in key extraction blocks and government-led efforts to incentivize production should help sustain oil production. However, high external debt service constrains development spending, and oil dependence remains a drag on sustainable growth. Liquidity risk could intensify should financing conditions deteriorate, further crowding out social spending, and exerting pressures on the exchange rate. Moreover, with presidential elections scheduled for 2027, an early start of the political cycle risks slowing down the implementation of economic reforms. On the upside, higher oil prices, positive spillovers from further global monetary policy easing, and stronger non-oil FDIs, including through the Lobito Corridor development, could improve the medium-term outlook.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. While welcoming the economic recovery, they highlighted the continued risks from oil price volatility and debt vulnerabilities. Against this background, Directors emphasized the urgency of accelerating structural reforms to strengthen macroeconomic and financial stability and foster diversified and inclusive growth.

Directors stressed that returning to a fiscal consolidation path is critical to strengthen buffers and create space for development needs. They emphasized the importance of fully implementing fuel subsidy reforms accompanied by mitigating measures to protect the most vulnerable and intensifying nonoil revenue mobilization efforts. Directors also advised rationalizing public investment and improving spending efficiency in line with the 2019 PIMA recommendations, strengthening public financial management, including the procurement framework and SOE reforms, and improving cash and debt management to mitigate liquidity risks and support a timely return to markets.

Directors stressed the need for monetary policy to maintain a tightening bias to ensure durable disinflation. They called on the authorities to strictly adhere to the ceiling on government loans to safeguard international reserves and contain inflationary pressures. Directors welcomed the authorities' efforts to streamline liquidity management to enhance monetary policy transmission, as well as to improve foreign exchange market functioning and exchange rate flexibility as part of the transition toward an inflation targeting framework.

Directors underlined the need to continue addressing financial sector vulnerabilities. They called on the authorities to address AML/CFT weaknesses to achieve swift removal from the FATF grey list. Directors emphasized the importance of effectively implementing new supervisory regulations and developing a robust financial stability framework, including strengthened safety nets. They advised addressing remaining vulnerabilities from the sovereign bank nexus, high NPLs, and problem banks, and looked forward to the upcoming FSAP assessment.

Directors supported the authorities' National Development Plan to achieve more diversified and resilient growth. A key focus should be on market friendly policies to streamline business regulations, enhance governance, fight corruption, develop human capital, and deepen financial inclusion. Stronger statistical capacity is also needed to support sound policy making. It is expected that the next Article IV consultation with Angola will be held on the standard 12month cycle.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Angola: Selected Economic Indicators, 2023–25			
	2023	2024	2025
		Prel.	Proj.
Real economy (percent change, except where otherwise indicated)			
Real gross domestic product	1.0	3.8	3.0
Oil sector	-2.4	3.2	0.3
Non-oil sector	2.2	3.9	3.4
Nominal gross domestic product (GDP)	14.6	33.3	24.3
Oil sector	9.5	33.7	17.4
Non-oil sector	15.5	33.2	25.6
GDP deflator	13.4	28.5	20.8
Non-oil GDP deflator	14.4	28.2	21.3
Consumer prices (annual average)	13.6	28.2	21.0
Consumer prices (end of period)	20.0	27.5	18.9
Central government (percent of GDP)			
Total revenue	17.4	16.6	16.0
Of which: Oil-related	10.3	10.0	9.7
Of which: Non-oil tax	6.1	5.6	5.0
Total expenditure	19.2	17.6	17.3
Current expenditure	15.2	14.1	12.4
Capital spending	4.1	3.6	4.9
Overall fiscal balance	-1.9	-1.0	-1.3
Non-oil primary fiscal balance	-6.4	-5.7	-7.2
Money and credit (end of period, percent change)			
Broad money (M2)	37.8	30.6	38.5
Percent of GDP	20.8	20.4	22.7
Velocity (GDP/M2)	4.8	4.9	4.4
Velocity (non-oil GDP/M2)	4.1	4.1	3.8
Credit to the private sector (annual percent change)	28.8	28.1	27.0
Balance of payments			
Trade balance (percent of GDP)	19.9	19.7	17.0
Exports of goods, f.o.b. (percent of GDP)	33.6	33.1	31.5
Of which: Oil and gas exports (percent of GDP)	31.6	30.9	28.6
Imports of goods, f.o.b. (percent of GDP)	13.8	13.4	14.5
Terms of trade (percent change)	-19.3	-4.0	-10.4
Current account balance (percent of GDP)	3.8	4.1	2.4
Gross international reserves (end of period, millions of U.S. dollars)	14,727	15,227	15,277
Gross international reserves (months of next year's imports)	7.3	7.3	7.3
Exchange rate			
Official exchange rate (average, kwanzas per U.S. dollar)	685	876	…
Official exchange rate (end of period, kwanzas per U.S. dollar)	829	924	…
Public debt (percent of GDP)			
Public sector debt (gross)[1]	71.4	62.4	63.3
Of which: Central Government debt	67.9	60.4	61.9
Oil			
Oil and gas production (millions of barrels per day)	1.205	1.262	1.266
Oil and gas exports (billions of U.S. dollars)	34.7	35.4	31.5
Angola oil price (average, U.S. dollars per barrel)	80.6	78.5	70.3
Brent oil price (average, U.S. dollars per barrel)	82.3	80.0	71.4

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

INTERNATIONAL MONETARY FUND

ANGOLA

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

February 6, 2025

KEY ISSUES

Context. The economy recovered in 2024 as oil sector rebounded from its slump. However, fiscal consolidation efforts somewhat waned, auguring the start of a political cycle. Buffers built during the 2018–21 EFF—supported program are being eroded by fiscal slippages from higher capital expenditures and a slower fuel subsidy reform. Nevertheless, public debt relative to GDP declined in 2024, benefiting from high nominal GDP growth and debt repayments. High external debt service constrains development spending, while oil dependence represents a drag on sustainable growth. Inflation remains elevated, fueled by exchange rate depreciation, and import substitution measures that have restricted food supply. The National Development Plan 2023–27 remains the main element for the authorities' diversification strategy.

Outlook and risks. The recovery is facing short-term headwinds. Gross financing needs are relatively large, while financing from global and domestic markets remains expensive. In anticipation of the 2027 presidential elections, delays in key reforms and fiscal slippages beyond the baseline, could undermine growth and weigh on the fiscal outlook. A stronger-than-expected decline in oil prices would weaken the external and fiscal positions. On the upside, spillovers from the global monetary easing and higher-than-assumed oil revenues could improve fiscal and growth outlook.

Focus of the Article IV Consultation. Staff recommended resuming fiscal consolidation by raising non-oil revenue, adjusting capital expenditure, and eliminating fuel subsidies. The consolidation efforts should be aided by resolving PFM and PIMA issues to improve spending efficiency and maximize growth impact. The authorities' cash and debt management efforts will help mitigate liquidity risks. Complementary efforts to re-enter external debt markets and develop the domestic debt market over the medium term will be crucial. Monetary policy should continue to focus on sustaining disinflation while improving policy transmission and enhancing FX market functioning remains critical. Economic diversification efforts would benefit from improving the business climate and enhancing financial intermediation. Strengthening public sector governance and addressing AML/CFT issues would also help foster a growth-friendly environment and promote financial stability.

Approved By
Vitaliy Kramarenko and Stefania Fabrizio

Discussions were held in Luanda during December 4–17, 2024. The staff team comprised Mr. Sy (head), Ms. Abdelrazek, Mr. Zedginidze, Ms. Avila-Yiptong, Mr. Ondo Mane Nchama, Mr. Duarte Lledo (resident representative) (all AFR), Ms. Richardson (MCM), Mr. Miguel (local economist). Mr. Silva (OEDAS) and Ms. Motsumi (OEDAS) participated in the discussions. The team met Minister of State for Economic Coordination, José de Lima Massano, Minister of Finance Vera Esperança dos Santos Daves de Sousa, Central Bank Governor Manuel António Tiago Dias, and other senior officials, as well as representatives of the private sector and civil society. Ms. Tawiah and Ms. Adjahouinou managed document production.

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ANNEXES

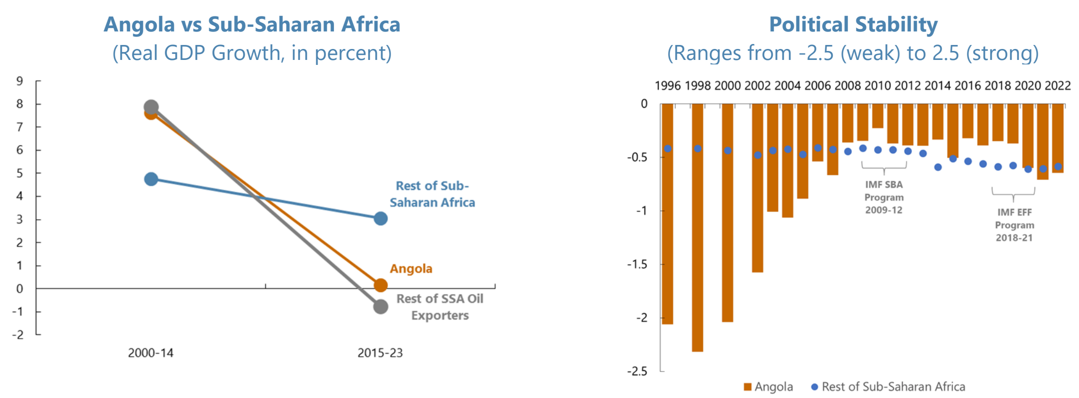
CONTEXT

1. Angola's economy recovered in 2024 but the country is facing headwinds. Growth improved to 3.8 percent in 2024 from one percent in 2023. However, inflation remained elevated following a 44 percent exchange rate depreciation in June 2023 and import substitution measures, which have increased food production costs. The monetary policy framework improved, exchange rate flexibility increased, and debt management strengthened—helping to mitigate liquidity pressures from elevated external debt service and capital spending overruns. At the same time, financing from global and domestic markets remains costly. Fiscal buffers built during the 2018–21 EFF—supported program are being eroded by fiscal slippages from higher capital expenditures and a slower fuel subsidy reform.

2. Oil dependence remains a drag on medium-term growth. Oil price and production volatility weigh heavily on growth as the commodity accounts for 95 percent of exports, over 60 percent of fiscal revenues, and—when considering its linkages with the non-oil economy—drives more than three-quarters of the overall economic activity.[3] In the face of depleting oil fields and global carbon reduction efforts, Angola's National Development Plan 2023–27 (NDP) aims to achieve diversified, resilient, and inclusive medium-term growth.

3. Growing political uncertainty risks slowing down the implementation of economic reforms. With presidential elections scheduled to take place in 2027, the political environment is increasingly contentious. The MPLA ruling party—in power since Angola gained independence in 1975—faces stiff competition from the main opposition party, UNITA. The MPLA saw a marked decline in parliamentary seats in the 2022 elections, securing a majority by only a slim margin. Heightened political competition, including within the ruling party, may delay the implementation of key reforms, notably fuel subsidy phase-out and domestic revenue mobilization, while accelerating capital spending.

Angola: Growth and Political Stability



Sources: World Bank Worldwide Governance Indicators, World Economic Outlook and IMF staff calculations.
Note: The World Bank's indicator for political stability and absence of violence and terrorism measures "perceptions of the likelihood of political instability and/or politicallymotivated violence, including terrorism".

[3] See Selected Issues Paper *Harnessing Non-Oil Economic Growth: Economic Diversification in Angola.*

RECENT ECONOMIC DEVELOPMENTS

4. Growth gained momentum in 2024 while inflation increased, and exchange rate depreciation pressures persisted:

- **Both the oil and non-oil sectors lifted GDP growth to 3.8 percent in 2024.** Oil production was better than expected, averaging over 1.1 million barrels per day in 2024. The resolution of maintenance bottlenecks in key oil extraction blocks and government-led efforts to incentivize oil production in mature fields should help sustain the recovery.[4] Economic recovery broadened to the non-oil sector, which grew by 4.8 percent in the first three quarters of 2024, driven by mining (with diamond production reaching an all-time high), fisheries, and services. Despite initial drought conditions, the agriculture sector also supported non-oil growth.

- **Inflation continued to increase, driven by supply side factors**. Annual CPI inflation remained high at 27.5 percent in December 2024 with food and non-alcoholic beverages contributing over 13 percentage points to the overall rate. The central bank (BNA) raised its monetary policy rate by 150 bps in 2024 to 19.5 percent and streamlined interbank liquidity management, resulting in a better alignment of the interbank rate with the policy rate.

- **The fiscal position weakened.** Despite a 20 percent increase in oil revenues, underperformance in non-oil revenues, overruns in capital spending, and a slower fuel subsidy reform led to a 1 percent of GDP overall fiscal deficit (compared to a PFA-projected 1.3 percent of GDP surplus). Public debt, however, declined to 62.4 percent of GDP in 2024 from 71.4 percent in 2023, on the back of high nominal GDP growth and external debt repayments.

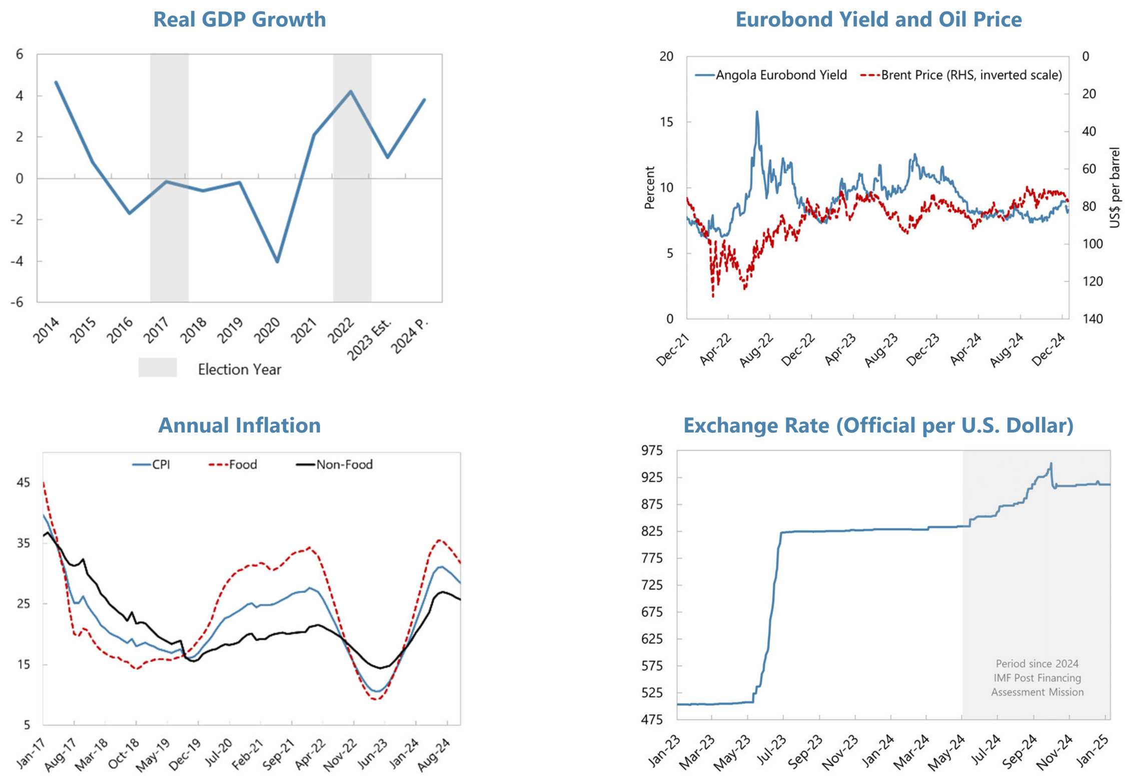
- **The kwanza depreciated further**. The currency fell by over 10 percent against the U.S. dollar in 2024 and by 60 percent since the sharp depreciation in June 2023. Adverse market expectations along with pressures from external debt servicing, continue to weigh on the exchange rate. The Treasury's foreign exchange sales remained uneven, averaging below $100 million per month in 2024, much lower than the pre-2023 levels of $250 million per month. BNA's FX interventions were limited to addressing severe liquidity shortages.

- **The external position strengthened**. Improved oil revenues in the first half of 2024 led to a 7.4 percent year-on-year increase in exports, while imports continued contracting. Following a sustained downturn, non-oil foreign direct investment recovered, doubling in the first three quarters of 2024, bolstered in part by the Lobito Corridor development. The current account surplus reached 4.1 percent of GDP in 2024, with gross international reserves remaining above 7 months of imports.

[4] The recent one is Presidential Decree No. 8/24, adopted on November 20, 2024, which aims to incentivize incremental oil and gas production.

- **Credit growth recovered on the back of increased demand**. Credit to the private sector increased at a 28.1 percent annual rate in November 2024, albeit from a low base. Credit growth in real terms was broadly flat. Access to credit by the non-oil sector remains constrained—highlighting banks' limited contribution to private sector growth.[5] The banking system remained well-capitalized and liquid but with pockets of risks.

Angola: Key Macroeconomic Indicators



Sources: National Bank of Angola (BNA), Instituto Nacional de Estatisticas (INE), and IMF staff calculations.

OUTLOOK AND RISKS

5. Economic growth is expected to recover at a moderate pace (figure). Growth is estimated to have reached 3.8 percent in 2024, surpassing earlier projections, and is expected to remain at or above 3.0 percent in 2025. Assuming a stable oil production, overall growth is expected to be driven by the non-oil sector. Non-oil growth is gradually strengthening, supported by a revival in investment and credit growth. The output gap—estimated at -2 percent in 2024—is projected to narrow in the coming years. However, lifting the potential growth will depend on the implementation of deep structural reforms. Net exports are expected to continue supporting current account surpluses, while more benign global market conditions would help reduce Angola's external borrowing costs.

[5] See Selected Issues Paper *Harnessing Non-Oil Economic Growth: Economic Diversification in Angola.*

6. Inflation is projected to continue easing with the fading of the supply shock. Annual CPI inflation is projected to fall below 20 percent in 2025 and gradually align with the BNA's single digit target over the medium term. Monetary policy is assumed to maintain a tightening bias to anchor inflation expectations, with a gradual easing starting by end-2025. Fiscal policy is assumed to resume a consolidation path—with the non-oil primary balance starting to decline in 2027. The pace of monetary policy easing, alongside with cost-push factors, will depend on the extent of fiscal tightening to contain demand and alleviate exchange rate pressures.

7. Risks to the outlook are however high (Annex I). If financing conditions turn tighter-than-expected, liquidity risks could intensify, further crowding out social spending, and exerting pressures on the exchange rate. In anticipation of the 2027 presidential elections, delays in key reforms and fiscal slippages beyond the baseline could undermine growth and weigh on the fiscal outlook. Oil prices in the baseline already follow a downward trend. However, a stronger-than-expected decline would weaken the external and fiscal positions. Upside risks include positive spillovers from further global monetary policy easing, stronger non-oil FDI, higher-than-assumed oil prices, and increased oil production driven by government incentives.

Authorities' Views

8. The authorities broadly agreed with staff on the outlook and risks but are more optimistic on non-oil growth. The government estimates GDP growth to exceed 4 percent in 2024, with a strong momentum expected to carry over into 2025, primarily driven by the non-oil sector. The authorities acknowledged the substantial uncertainty surrounding oil prices and the external environment and concurred on the critical need for structural reforms to strengthen economic resilience. The BNA acknowledged the upside risks to baseline inflation projections, particularly due to the persistence of inflation expectations and uncertainties around the unwinding of cost-push factors from import substitution measures.

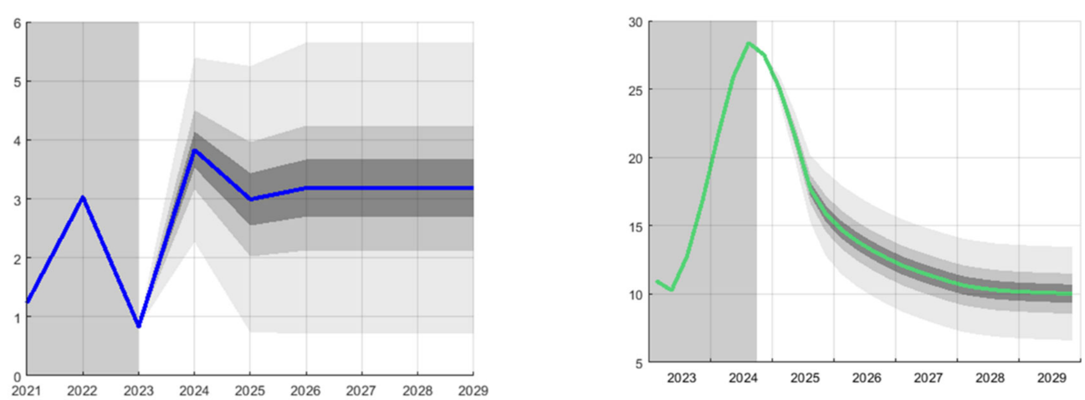
Angola: Baseline Macroeconomic Forecasts[1]

GDP Growth

(Four-quarter annual growth, percent)

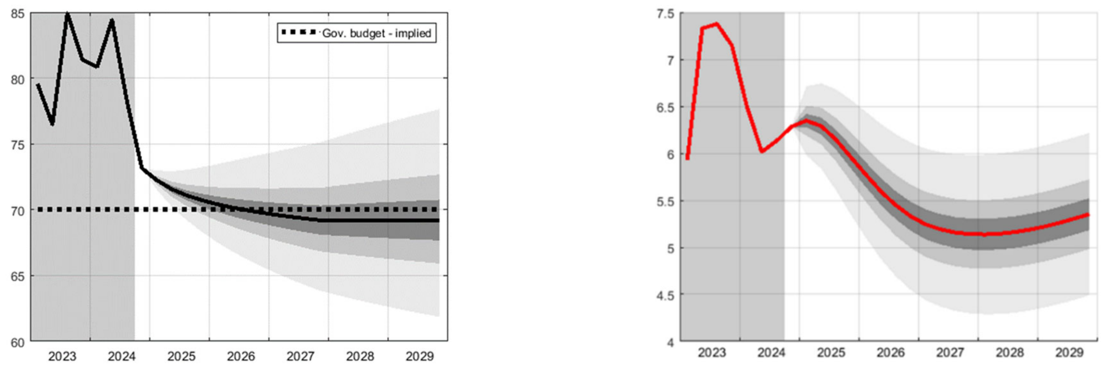
CPI Annual Inflation

(Percent)



Angola: Baseline Macroeconomic Forecasts (concluded)

International Oil Price (Brent, U.S. Dollars) | **EMBI Sovereign Spread** (basis points)



Source: IMF staff calculations.

[1] Projections are based on staff assumptions of policy measures and exogenous factors consistent with the macro-framework. The fan charts depict the probability of various outcomes, reflecting the calibrated uncertainty of the economic shocks. Projections are informed by staff macroeconomic forecasting model, with the core structure outlined in SIP paper, 2023 Angola Article IV consultation.

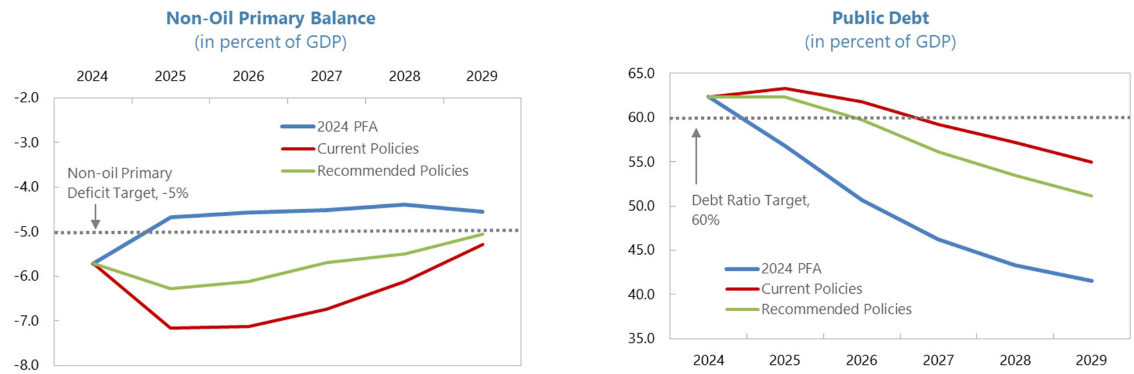
POLICY PRIORITIES

Discussions focused on effective policies to (i) achieve fiscal consolidation and advance critical fiscal reforms; (ii) reign-in inflation and cushion external pressures; (iii) maintain financial stability and unlock access to credit; and (iv) strengthen governance and implement reforms to catalyze rapid, green, inclusive, and diversified growth.

A. Fiscal Policy: Fiscal Consolidation for Debt Sustainability and Macro Stability

9. The 2025 budget signals a turn to a slower fiscal consolidation path. Fiscal consolidation gains of about 7 percentage points (pp) of GDP during the 2018–21 EFF-supported program have declined by 5.5 pp, reflecting lower-than-expected consolidation in 2024 and 2023, following a loosening in the 2022 election year. Fiscal slippages in 2024 include higher capital expenditures, lower-than-expected gains from the fuel subsidy reform, and an underperformance in non-oil revenues. The baseline projections under the current policies indicate gross financing needs averaging 9.5 percent of GDP and a non-oil primary balance (NOPB) averaging -6.9 percent in 2025–27. The Fiscal Sustainability Law (FSL) targets—public debt at 60 percent of GDP and a NOPB of -5.0 percent—are still projected to be achieved in the medium term but with a longer delay than projected in the 2024 PFA (figure and table).

Angola: Fiscal Indicators[1]



Sources: Angolan authorities and IMF staff estimates.

[1] The 2024 PFA figures have been adjusted from the Angola - Staff Report for the 2024 Post-Financing Assessment (IMF Country Report No. 24/224) to illustrate the incremental difference from current IMF staff estimates.

10. Despite an ambitious effort to swiftly complete the fuel subsidy reform, higher capital spending and weak non-oil revenues will delay meeting the FSL targets. The overall fiscal deficit is projected to increase to 1.3 percent of GDP in 2025 from 1 percent in 2024, with the NOPB declining to -7.2 percent of GDP from -5.7 percent. Capital expenditure is expected to increase by 1.3 pp to 4.9 percent of GDP, while non-oil revenues are projected to decline by 0.6 pp relative to GDP. Moreover, the budget assumes a full implementation of the fuel subsidy reform within the year.[6] Staff assumes more moderate savings from fuel subsidies in the baseline, amounting to approximately three-quarters of the authorities' projections, and relatedly, less transfers.

11. Staff recommended a return to fiscal adjustment to rebuild buffers while prioritizing development spending. Despite a recovery in oil production, medium-term downward pressures on oil price are expected to weigh on oil revenues—gradually reducing its share of GDP. Non-oil revenue, current spending, and lower priority capital expenditure should bear the burden of adjustment in favor of development spending on social programs, education, health, and growth-enhancing investments. Staff recommends a tighter fiscal path by about 1 percent of GDP per year to rebuild buffers upfront through a balanced adjustment—by more ambitious non-oil revenue mobilization and reducing the capital bill in 2025–27—while continuing efforts to fully implement the fuel subsidy reform. Capital spending would increase over time as both public investment management capacity and non-oil revenue mobilization improve (figure and table).

[6] The budget also assumes a US$70 oil price per barrel in 2025. A $1 decrease (increase) change in the average oil price is estimated to reduce (improve) revenues by $152 million or 0.14 percent of GDP.

Angola: Fiscal Revisions, 2024–27

(Percent of GDP)[1]

	2024			2025			2026		2027	
	Budget[1]	PFA[2]	Prel.	Budget[1]	PFA[2]	Proj.	PFA[2]	Proj.	PFA[2]	Proj.
Revenue	14.7	18.1	16.6	15.9	17.2	16.0	16.3	15.8	15.5	15.3
Oil Taxes	7.8	10.7	10.0	8.7	9.7	9.7	8.9	9.5	8.0	8.9
Non-Oil	6.8	7.3	6.6	7.2	7.4	6.3	7.5	6.3	7.5	6.4
Expenditure	14.7	16.7	17.6	17.1	15.9	17.3	15.7	17.7	14.9	17.4
Wages	3.1	3.7	3.0	3.5	3.7	3.5	3.7	3.5	3.7	3.5
Goods and Services	2.6	2.6	2.4	3.5	2.6	3.5	2.6	3.5	2.6	3.5
Interest Payments	4.5	4.6	5.0	3.5	4.8	3.5	4.6	4.0	4.0	3.9
Transfers and Subsidies	1.8	3.0	3.7	1.7	2.0	1.9	1.9	1.9	1.8	1.8
o/w Fuel Subsidies	0.9	2.1	2.8	0.6	1.2	1.1	1.1	1.1	1.1	1.1
Capital Spending	2.6	2.9	3.6	4.9	2.9	4.9	2.9	4.9	2.9	4.7
Overall Fiscal Balance	0.0	1.3	-1.0	-1.2	1.2	-1.3	0.7	-1.9	0.5	-2.1
Overall Primary Fiscal Balance	4.6	6.0	4.0	2.3	6.0	2.2	5.3	2.1	4.5	1.8
Non-Oil Primary Fiscal Balance	-3.0	-4.4	-5.7	-6.1	-3.4	-7.2	-3.3	-7.1	-3.2	-6.7
Brent Price (US$ per barrel)	65.0	82.5	80.0	70.0	77.8	71.4	74.4	69.7	71.9	68.9

Sources: Angolan authorities and IMF staff estimates and projections.
[1] The 2024 and 2025 General Budget figures have been calculated as a share of GDP using IMF projections.
[2] Angola – Staff Report for the 2024 Post-Financing Assessment (IMF Country Report No. 24/224).

Angola: Proposed Fiscal Consolidation, 2025–27

(Percent of GDP)[1]

	2025			2026			2027		
	Baseline	Proposed Consolidation Scenario	Difference	Baseline	Proposed Consolidation Scenario	Difference	Baseline	Proposed Consolidation Scenario	Difference
Non-Oil Primary Balance	-7.2	-6.3	0.9	-7.1	-6.1	1.0	-6.7	-5.7	1.0
Overall Balance	-1.3	-0.4	0.9	-1.9	-0.8	1.1	-2.1	-0.8	1.3
Capital Spending	4.9	4.2	-0.7	4.9	4.4	-0.5	4.7	4.4	-0.3
Non-Oil Revenues	5.0	5.1	0.2	5.0	5.5	0.5	5.0	5.7	0.7

Sources: Angolan authorities and IMF staff estimates and projections.
[1] Using IMF projections of the rebased national accounts.

12. **Non-oil revenue mobilization efforts should be strengthened.** In 2024, VAT rates were lowered for 20 food categories, and thresholds for personal income tax exemptions were raised—partly reversing measures from the 2018–21 EFF program. Key measures to improve non-oil revenue could include reducing the VAT threshold, adjusting personal income tax (PIT) brackets, introducing corporate income tax reforms, developing a property registry, and implementing a property tax.[7] Also, the authorities' focus on expanding the tax base by reducing informality is encouraging.[8]

13. **Fuel subsidy reform should be pursued to generate permanent fiscal savings.** The authorities increased diesel prices by about 48 percent in April 2024, resulting in savings of

[7] IMF TA on income tax modernization (December 2023) recommends transitioning to annual tax returns, introducing a general individual income tax, simplifying investment income tax at a 15 percent rate, streamlining tax incentives, aligning with global minimum tax standards, and including corporate investment income in the tax base.

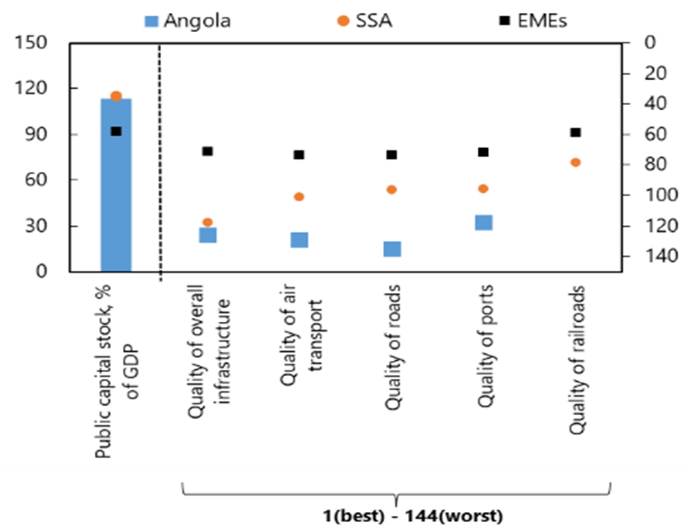
[8] Reforms include digitalization, georeferenced property registration, and a tax compliance certificate as well as registering 20,000 informal business entities.

0.5 percent of GDP.[9,10] While welcome, these savings fell short of the 2 percent assumed in the 2024 budget, partly due to higher-than-expected oil prices and fuel consumption. The authorities intend to pursue the subsidy reform, with planned savings of 2.1 percent of GDP in the 2025 budget. A comprehensive approach, including a communication strategy and mitigation measures to protect the vulnerable, will be crucial to achieving ambitious implementation goals while safeguarding the most affected groups.[11] An automatic fuel pricing mechanism could serve as a useful commitment tool to ensure a transparent adjustment process and insulate pricing from political pressures. The authorities' efforts to tackle fuel smuggling through strengthened border enforcement, enhanced monitoring, and regional price and regulation alignment are commendable.

14. Public investment should be rationalized and reprioritized to optimize resource allocation (figure). Angola's capital stock as a share of GDP compares well to other countries in sub-Saharan Africa (SSA). However, the quality of this capital stock lags that of its peers, constraining critical infrastructure accessibility. Staff recommends implementing the 2019 Public Investment Management Assessment (PIMA) recommendations, including (i) prioritizing projects to maximize growth and social impact; (ii) strengthening project appraisal processes thorough economic and financial viability analyses; and (iii) promoting competition and transparency in public procurement.[12,13] Moreover, the overall envelope size should be prudently calibrated to ensure compliance with the FSL.

Angola: Capital Stock and Infrastructure Quality, 2018

(Percent of GDP and Rank)



Sources: IMF Investment and Capital Stock Dataset, World Economic Forum, Angolan authorities, and IMF staff estimates

15. Cash management practices by the Treasury need to be strengthened to mitigate liquidity risks and prevent accumulation of arrears. Poor

[9] The authorities included fuel subsidy costs in the budget for the first time in 2022.

[10] In 2023, average domestic pump prices of gasoline, diesel, kerosene, and LPG in Angola were 39.6 percent, 21.5 percent, 16.2 percent, and 15.6 percent of their respective cost recovery prices (see *Box 1. Fuel subsidy Reform* Angola: 2023 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Angola).

[11] The Kwenda cash transfer program, mainly financed via the World Bank, remains an important source for mitigation in rural areas. While the government has committed US$100 million in financial contribution to the Kwenda program, execution have been irregular, with only US$7 million transferred as of October 2024.

[12] United Nations (2024) "Accelerating the Sustainable Development Goals in Angola, A Systemic Analysis" identified health, education, social protection, climate action, electricity, agriculture, and water and sanitation sectors as the most productive sectors for SDG acceleration, aligning with the NDP priorities.

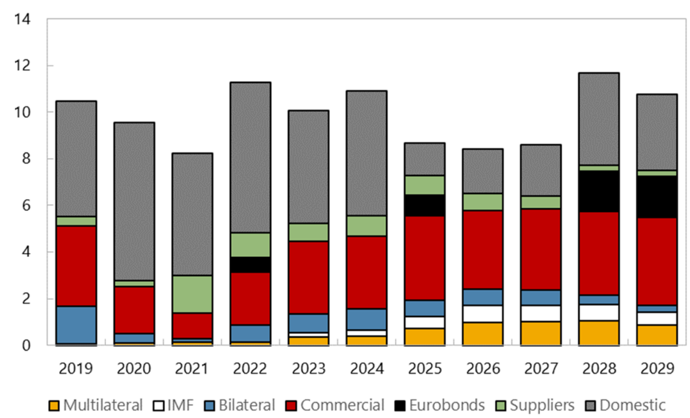
[13] Angola: Public Investment Management Assessment (PIMA).

coordination between line ministries and the Treasury, particularly in executing large capital projects, hinders effective cash flow management. Arrears, driven by cost overruns and poor invoice recording, have stabilized since 2023 (2.6 percent of GDP) but remain a fiscal risk. [14] The composition of arrears is published regularly, but a medium-term clearance plan remains pending. Staff recommends (i) transferring funds daily to the Treasury Single Account (TSA) to reduce fund fragmentation; (ii) regular auditing of arrears and finalizing clearance plan; and (iii) updating Treasury's bank agreements to ensure deposits' competitive remuneration.[15]

16. With sizable external debt repayments until 2029, short-term financing pressures should be addressed promptly through adequate cash and debt management (figure). In addition to commercial debt service, maturing Eurobond repayments are coming due in late 2025 and 2028–29. Active cash and debt management should help mitigate liquidity risk and alleviate exchange rate pressures.[16] However, complex debt operations can increase contingent liabilities and their risks, requiring careful evaluation of net costs. As such, an effective, forward-looking cash and debt management strategy will be key to maintaining macro-financial stability in the coming years. The agreement with China to partly relax conditions of the escrow account also provides some liquidity buffer since April (on average $150–200 million per month).[17] If disinflation continues along with efforts to deepen the local currency debt market, domestic borrowing could provide an opportunity to diversify away from FX debt.[18] However, a timely return to the market will also be needed to ensure an orderly

Angola: Central Government Debt Amortization

(US$ billions)



Sources: Angolan authorities; and IMF staff estimates and projections.

[14] External sector legacy arrears account for a little less than two thirds of the stock of arrears (kwz 1.6 trillion or 1.6 percent of GDP) and are due to two Chinese companies for the payment of infrastructure projects.

[15] IMF TA on the Cash Flow Analysis Tool (CFAT) is already underway, focusing on compiling financial data from 2019–21, with follow-ups planned to strengthen financial management practices. Other TA related to cash management and arrears has also been provided for several years (see Annex VIII).

[16] As of January 2025, liquidity management efforts included a $1 billion Total Return Swap with an international bank collateralized with a 5-year Eurobond (US$1.928bn, 10.95 percent) and $600m short-term foreign currency loans from international banks. The authorities have also updated their Global Medium-Term Note Program and are discussing possible Debt-for-Development and Debt-for-Nature swaps with development partners.

[17] Based on preliminary data, the authorities withdrew up to $2 billion from the unremunerated escrow account in 2024 to prepay debt to China.

[18] Efforts to develop the domestic debt markets should, among other measures, focus on broadening the investor base to include nonbanks institutions, particularly in light of banks' existing high exposure to government debt.

refinancing of the maturing external debt in the coming years. Staff assume a successor World Bank Development Policy Loan and other multilateral support. Under the staff's baseline, GFNs (in percent of GDP) will be higher than in the previous AIV 2023, reflecting tight financing conditions through the medium term. Angola's public debt is expected to decline but the risk of debt distress remains high, primarily due to large GFNs, exposure to FX risk, and reliance on volatile oil receipts (Annex IV.)

17. Improving fiscal governance must support adjustment efforts.

- **PFM reforms should be implemented swiftly**. Progress with the implementation of a Medium-Term Fiscal Framework (MTFF) is commendable.[19] In addition, the authorities should accelerate reforms in key areas, including a Medium-Term Expenditure Framework (MTEF), public investment management, and a fiscal strategy to be published by May 2025 as mandated by the fiscal law. They should develop a comprehensive strategy in line with the findings of the PFM diagnostics, and the Public Expenditure and Financial Accountability (PEFA) assessment.

- **The public procurement framework should be strengthened.** Progress has been made with the adoption of a modern legal framework, a regulatory agency, an electronic platform, and, more recently, with the approval of the 2024–28 Public Procurement Plan to guide the corresponding annual plans.[20,21] However, non-competitive bidding has accounted for approximately 60 percent of all contracts awarded since 2022. To further improve existing procedures, authorities are advised to (i) strengthen the legal framework and bolster the capacity and autonomy of the regulatory agency; (ii) ensure open, competitive, and electronic bidding with full disclosure of beneficial owners as the standard for all public contracts; and (iii) integrate and monitor annual procurement plans in the budget. [22]

- **Completing the State-Owned-Enterprises (SOEs) restructuring will help mitigate fiscal risks and support revenue mobilization.** Staff recommends an acceleration and extension of the privatization program to the largest SOEs.[23]

[19] The authorities presented the finalized MTFF to Parliament along with the 2025 Budget Law.

[20] See Selected Issues Paper *Governance and the Fight Against Corruption in Angola: Quid Vales? Quo Vadis?*

[21] The Angolan Public Procurement Plan 2024–28 includes measures to enhance transparency, promote accountability, and combat corruption within public administration. It also aims to integrate modern technologies and improve the efficiency of the National Public Procurement System.

[22] An assessment conducted in 2024 by the African Development Bank (AfDB), with support from Agence Française de Développement (AFD) provides further details.

[23] The 2024–25 program includes the privatization of 33 SOEs through share sales or initial public offerings at the stock exchange (Bodiva). Large SOEs, including telecommunication company Unitel and two banks (BFA and Standard Bank) are scheduled to be privatized in 2025.

- **Continued efforts to strengthen statistical capacity will support fiscal policymaking and monitoring.** The authorities should advance the adoption of GFSM 2014 and enhance data transparency, comprehensiveness, timeliness, and reliability.[24]

Authorities' Views

18. The authorities stressed their commitment to fiscal consolidation and acknowledged the fiscal risks from higher capital expenditure. The authorities reiterated their intention to meet the FSL's targets over the medium term. They emphasized a difficult tradeoff between fiscal consolidation and low growth, as seen in previous years, and highlighted the need for a moderately slower consolidation pace to address infrastructure gaps and pressing development needs. They stressed that the "courageous" 2025 budget addresses bottlenecks in public infrastructure and much-needed non-oil growth in line with the National Development Plan 2023–27. Delays in key projects with secured financing have resulted in high commitment fees and, together with high inflation and a depreciated exchange rate, have led to cost overruns.

19. The authorities also stressed that the increase in capital expenditure would be for only one year and that contingency plans, include cutting current and capital expenditures, as allowed by the Budget Law and, if needed, issuing a Supplementary Budget. Fiscal risks will also be addressed through timely implementation of PIMA recommendations. The authorities noted that the forthcoming mandated review of the FSL will be an opportunity to reaffirm fiscal anchors and enhance their effectiveness.

20. The authorities confirmed plans to frontload the subsidy reform, as outlined in the budget and to continue advancing SOE privatization. Regarding public debt, the authorities expressed confidence that their ongoing liability management efforts would yield significant gains to mitigate liquidity risks and that sufficient scope exists for market-based financing. Finally, the authorities reaffirmed their commitment to fiscal structural reforms, including regarding revenue mobilization and PFM.

B. Monetary and Exchange Rate Policies: Reining in Inflation and Buffering External Pressures

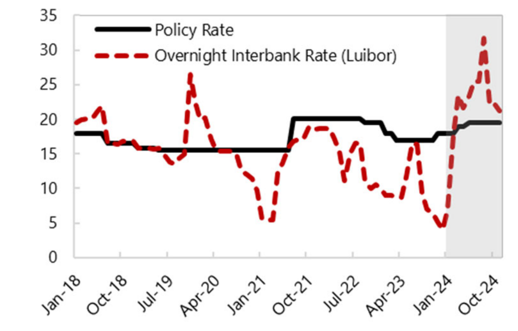
21. Containing inflation remains critical. Annual inflation eased to 27.5 percent in December 2024 from a peak of 30.5 percent in June 2024. The surge was primarily driven by intensified supply constraints and exchange rate pressures, with import licensing remaining a key driver of food price increases. Supply side cost-push factors are estimated to account for over half of annual inflation. Exchange rate depreciation since May 2024 has also exacerbated broad-based upward pressure on prices. Staff recommends, alongside monetary policy measures, prioritizing the alleviation of supply constraints.

[24] The authorities are also advised to complete the national accounts rebasing, initially published in May 2024, to reflect the changes in the economic structure between 2002 and 2015.

22. Addressing the secondary effects of the recent inflationary shock requires a continued tightening bias in monetary policy. The BNA has raised its policy rate and has withdrawn excess liquidity from the interbank market. The interbank rates have increased by 14 pp since the start of 2024, exceeding 20 percent.[25] However, a robust improvement in the monetary policy transmission will require short-term operations to be fully allotted at the policy rate as recommended by recent IMF TA (¶21). While supply constraints are expected to ease in the near term, a prolonged period of elevated inflation risks undermining inflation expectations. At the same time, the restrictive effect of monetary policy is a drag on growth and adds to fiscal pressures. Staff recommends BNA to carefully assess the risks of premature monetary easing prior to a sustained reduction in inflation.

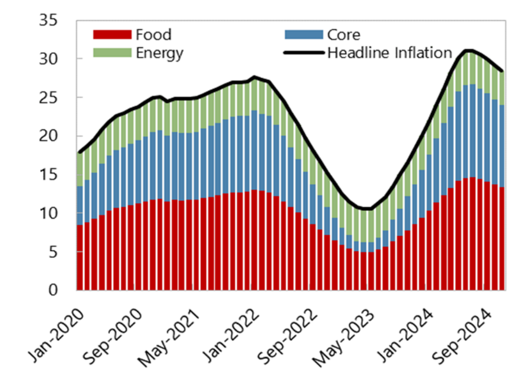
Angola: Interbank and Policy Rates

(Percent)



Source: National Bank of Angola (BNA).

Angola: Contributions to Annual CPI Inflation



Sources: IMF staff calculations, National Statistics Office of Angola (INE).

23. Sustaining momentum in improving the monetary policy implementation framework remains crucial. IMF CD in 2024 helped the BNA improve interbank liquidity management.[26] The Treasury ceased relying on short-term financing from the money market—in line with staff advice—allowing the BNA to absorb excess liquidity through its own short-term instruments. A robust framework for interbank liquidity management—grounded on effective coordination between the Treasury and the BNA—should ensure the alignment of the interbank policy rate with the BNA's policy rate and improve policy transmission.

24. The exchange rate should remain a key shock absorber, with FX interventions limited to addressing excess volatility which threatens macro-financial stability. Concentration in the FX market remains a challenge—hindering price discovery and the clearing of backlogs in the interbank market.[27] Efforts to reduce fragmentation and improve market efficiency should continue.

[25] Real rates are at about 5 percent (using the 12-month ahead inflation), implying a mildly contractionary stance.

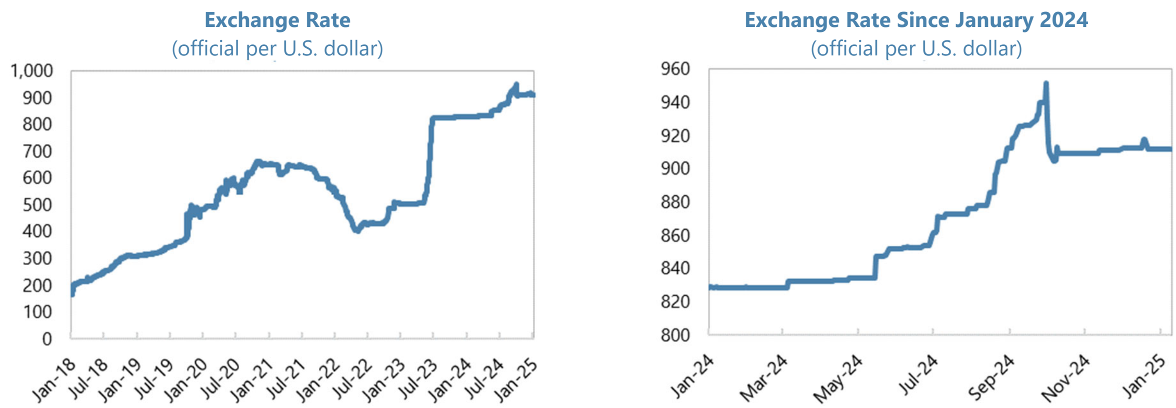
[26] BNA is advised to (i) implement a 7-day fixed-rate full allotment instrument at the policy rate for Open Market Operations; (ii) introduce standing lending and deposit facilities to create a ±200 bps corridor around the policy rate; (iii) streamline liquidity forecasting; and (iv) update the monetary policy collateral framework by improving valuation accuracy and expanding eligible assets.

[27] The authorities introduced new regulation in September 2024 aimed at reducing FX concentrations. The rule mandates commercial banks to resell 30 percent of FX purchased from oil and diamond companies to the interbank

(continued)

In line with the Fund's Integrated Policy Framework (IPF), an effective FX interventions policy, underpinned by consistent and transparent rule-based intervention strategy, could support macro-financial stability while allowing the exchange rate to remain a key buffer against shocks. (Box 1).

Angola: Exchange Rate



Source: National Bank of Angola (BNA).

25. Angola's external position is assessed to be broadly in line with the level implied by fundamentals and desirable policies. However, an elevated external debt service, high export concentration in oil, and a dearth of non-oil FDI to support diversified and sustainable growth, make the external position vulnerable to sudden reversals. Continued reforms to improve the functioning of the FX market will be crucial in bolstering investor confidence and encouraging long-term capital inflows. Reforms aimed at improving the business environment and promoting productivity growth remain critical for the competitiveness and external sector resilience. The Lobito Corridor project could also help attract foreign investment and support export diversification.

26. Compliance with the existing central bank (CB) law is crucial to mitigate risks to international reserves from FX lending to the government. Angola's CB law limits BNA lending to the government at 10 percent of annual fiscal revenues, payable within one year. The 2025 budget, however, envisages extending the repayment period to five years. The authorities should comply with the existing CB law and refrain from extending the maturity of BNA lending to mitigate risks to central bank independence and help safeguard international reserves (Annex II). The new provision in the 2025 budget law should be removed from the next 2026 budget. Staff recommends that exceptional monetary financing only takes place in compliance with established and predictable rules.[28]

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market. Due to stringent compliance standard imposed by international oil companies, not all banks have direct access to primary FX inflows from the oil sector. The changes are being assessed under IMF's Institutional View for the Liberalization and Management of Capital Flows.

[28] According to international good practice, a quantitative limit of 10 percent of the average ordinary revenue for the past three years (higher than the one enshrined in the Angola CB Law), would be acceptable. Safeguards should

(continued)

Authorities' Views

27. The BNA is committed to bringing inflation down to its single-digit target while maintaining exchange rate flexibility. It forecasts a decline in inflation as cost-push factors subside. The central bank noted its phased strategy aimed at first resuming the disinflationary trend disrupted by the June 2023 shock and subsequently lowering inflation to 7 percent in the long term. The authorities agreed with staff on the need to maintain a tightening bias to contain inflation expectations and acknowledged the risks of premature easing, which could undermine disinflation efforts. The authorities noted progress in removing excess liquidity in the money market and aligning interbank rates with the policy rate. The BNA will continue enhancing the monetary policy implementation framework with IMF TA support. The authorities agreed with staff on the importance of exchange rate flexibility to address any backlogs but maintained their view that the exchange rate is market-determined. They noted that the structure of the FX market limits greater flexibility and pointed to recent measures aimed at reducing market fragmentation (see ¶20). They look forward to receiving IMF TA on FX operations planned in 2025.

Box 1. Enhancing BNA's FX Intervention Policy: Lessons from IPF

In 2019, the central bank of Angola (BNA) started transitioning to an Inflation Targeting (IT) regime with a floating exchange rate as part of the reforms under the 2018–21 EFF. Given Angola's reliance on oil exports, the country often faces volatility due to external shocks and its currency has fluctuated around a depreciating trend since 2023. The foreign exchange supply in the market remains concentrated within two sectors: (i) the Treasury; and (ii) international oil companies. The latter do not trade with all banks due to stringent compliance standards imposed by their parent companies. Despite the introduction of the BMATCH trading platform and considerable progress in strengthening the regulatory framework, the FX market remains fragmented, with limited liquidity and frequently one-sided trading conditions. Moreover, sharp exchange rate movements undermine the anchoring of inflation expectations.

Strengthening trust in the central bank and aiding the FX market to smooth excessive FX volatility both call for a new rule-based FX intervention policy. Since adopting a *de jure* flexible exchange rate regime during the 2018–21 ECF-supported program, the frequency and volume of FX interventions have substantially decreased. The BNA occasionally resorts to foreign exchange interventions, primarily to smooth lumpy oil-related FX inflows and mitigate excessive volatility driven by intermittent liquidity shortages in the FX market. However, the BNA's FX policy, like many other IT central banks' FX policies, is not well understood by the public. In June 2023, when the exchange rate came under significant pressure, the BNA's decision not to intervene exposed it to substantial public criticism.

include quantitative limits (e.g., 5–10 percent of the average ordinary revenue for the past three years), the determination of terms and conditions of the temporary advances — including amount, duration, and interest rates — by the board of the CB consistent with the CB's objectives, and repayment terms (as soon as possible and however within a reasonable timeframe – e.g., 3 months after the end of the financial year).

Box 1. Enhancing BNA's FX Intervention Policy: Lessons from IPF (concluded)

Staff applied the IMF Integrated Policy Framework (IPF) to Angola during the 2023 Article IV consultation.[1] The IPF offers a structured approach to formulate an FXI strategy considering a country's characteristics and the nature of the shocks. The analysis suggests that, as a commodity-intensive economy predominantly exposed to terms-of-trade shocks, Angola should rely on exchange rate flexibility and ensure an appropriate stance of monetary and fiscal policies. Moreover, given the lack of well-established policy frameworks, the use of FXI risks blurring monetary policy objectives. Against this background, FXI should be reserved to address acute FX liquidity shortages to facilitate price discovery and lean against sharp exchange rate fluctuations, provided reserves are sufficient. A transparent and rules-based FXI policy is thus best suited in Angola's context. The key elements of an effective FXI policy include the formulation of clear **objectives**, the establishment of well-defined **trigger mechanisms**, and the development of a robust **communication framework**.

A rule-based FXI policy would allow the BNA to demonstrate consistency over time and provide predictability to the market. It can also help strengthen the BNA's credibility over time and insulate the central bank from political pressures to avoid using interventions for goals outside its mandate.
The successful deployment of a FXI would also require robust central bank governance and transparency. The IMF's IPF guidance cautions against the use of FXI to delay necessary macroeconomic adjustments or deplete reserves to a point where currency pressures could intensify. Thus, the design of the parameters for the abovementioned rule-based intervention strategy should ensure that FXI is used sparingly and strikes an optimal balance between its benefits and potential unintended consequences.

Note: See Annex VII of the Staff Report for Angola 2023 Article IV Consultation, SM/24/26.

C. Financial Sector Policies: Maintaining Financial Stability and Enhancing Access to Credit

28. The financial system indicates some areas of resilience, but exposure to sovereign risk requires attention.

- System-wide regulatory capital and liquidity ratios improved in 2024, exceeding minimum regulatory requirements and enhancing resilience to shocks from exchange rate depreciation and low growth. However, the variation of these buffers across banks is sizable. A large bank—with a 6 percent share in system assets—remains insolvent. Another problem bank has largely completed its restructuring plan but remains on the BNA's watchlist. Moreover, non-performing loans (NPLs) remain high at 10 percent and reach 19.8 percent if including the NPLs of the two problem banks. As such, intrusive supervision is required to monitor banks' ongoing compliance with prudential requirements and, where necessary, to support effective early intervention to address unsafe and unsound practices.

- Banks' holdings of government debt increased to nearly 30 percent of total assets from 20 percent a year ago, primarily consisting of local currency bonds and T-bills.[29] While this exposure is partially offset by the government's substantial deposits in banks, it poses a macro-financial risk that could amplify the impact of sovereign debt distress on the real economy.

- A joint IMF-World Bank Financial Sector Assessment Program (FSAP) is scheduled for 2025, which will include bank stress tests, a comprehensive review of the supervisory framework, and an assessment of financial inclusion.

29. Following progress, the authorities should continue their efforts to enhance financial stability. Effective implementation of the new bank resolution framework remains a priority. The BNA has requested banks to submit their recovery plans by end-2024 and has engaged with Domestic Systemically Important Banks (D-SIBs) on resolvability assessments and resolution planning. Of the two large problem banks, the resolution of the largest is progressing broadly on track guided by a plan. However, it remains on the BNA’s watchlist having failed a recent stress test and has improved only slightly in supervisory risk ratings. The resolution of the second insolvent bank has been delayed, reportedly due to careful preparations aimed at mitigating the BNA’s legal risks. The authorities have publicly affirmed that the bank will not receive a bailout, though contingent fiscal liabilities remain due to the bank’s obligations to the central bank, limiting the assets available for insured deposit payouts. While limited interbank exposure reduces contagion risk, timely action is needed to ensure banks have robust recovery and contingency plans.

30. Significant work remains to effectively operationalize the financial safety net. Legal reforms over the recent years broadly aligned BNA’s supervision and resolution frameworks with international best practices. The establishment of Fundo de Garantia de Depósitos (FGD) as a pay-box plus deposit insurer, along with the creation of the Resolution Department, is welcome. However, resolution plans should be finalized as soon as practicable for D-SIBs and banks with elevated risk profiles. The FGD still requires a formalized back-up funding line from the government. Operationalization of the emergency liquidity assistance framework is required, including developing a coherent collateral policy.

31. A robust organizational structure will boost BNA’s macroprudential policymaking capacity. In 2022, the BNA updated departmental functions to align with modern macroprudential practices. The newly established Financial Stability Department is tasked with providing forward-looking macro-financial analysis to support macroprudential policy formulation, assessing trade-offs between monetary and macroprudential policies, and preparing financial stability reports.[30] Separately, the BNA advanced supervisory actions to strengthen banks’ governance framework and

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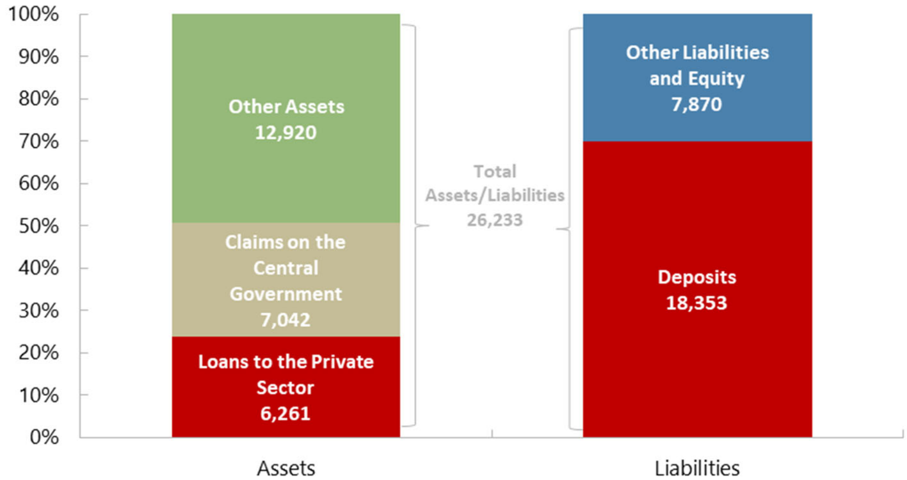
[29] Banks’ lending to SOEs remain relatively modest.

[30] An updated, standalone financial stability report is planned to commence in 2025.

risk management capacity. The BNA has also established the Resolution Unit (RU), with its function still evolving.[31]

Angola: Decomposition of Banks' Balance Sheet, November 2024

(Percent of total assets and liabilities, amounts noted in billions of Kwanzas)



Sources: National Bank of Angola (BNA) and IMF staff calculations.

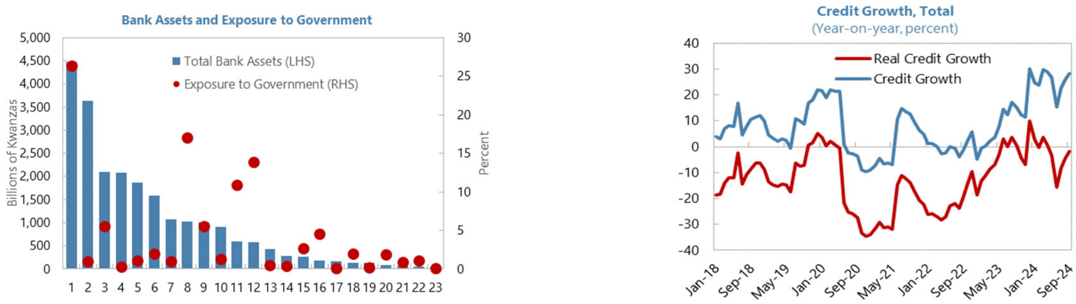
Note: "Other assets" includes currency holdings; deposits with non-residents and other depository corporations including the National Bank of Angola (BNA); debt securities and loans excluding claims on the central government and the private sector; shares and other equity, and other assets.

32. **Improving access to credit is a critical enabling factor for non-oil economic growth.** Credit growth has picked up recently, but has not kept pace with inflation, leading to a further decline in the credit-to-GDP ratio. Despite liquidity and capital in the banking sector exceeding minimum regulatory requirements, financial intermediation remains constrained. Constraints on credit growth include a lack of bankable projects, cumbersome collateral registration, and difficulties in enforcement procedures, as cited by banks. Meanwhile, private sector participants highlight high nominal interest rates and strict underwriting standards by banks. More recently, expectations of depreciation and inflation have further reduced banks' willingness to extend credit. The feedback loop between credit growth and macroeconomic outcomes has amplified the slowdown in both financial deepening and economic growth. Staff recommends (i) completing reforms to streamline property registration; (ii) improving coverage and efficiency of the credit registry bureau; (iii) strengthening insolvency frameworks for companies and individuals; and (iv) revising existing lending and credit guarantee schemes to improve their efficiency.[32]

[31] This matter will be assessed in the forthcoming FSAP scheduled for 2025.

[32] The BNA introduced the Minimum Credit Service Level regulation in 2020 and the Real Estate Credit Concession regulation in 2022, both of which regulate maximum interest rates and govern credit availability on certain parts of bank loan portfolios. In June 2024, IMF technical assistance recommended revisions to prevent distortions in lending practices caused by these fixed interest rate caps.

Angola: Financial Stability Indicators



Sources: Angolan authorities; and IMF staff estimates and projections.

Note: The x-axis of the left-hand side chart displays a notational value for individual banks to preserve confidentiality regarding assets and exposure to the government.

33. **Unaddressed lingering AML/CFT weaknesses have led to the inclusion of Angola in FATF's grey list.** [33] Recent progress in certain technical compliance areas includes strengthening the AML-CFT legal framework to improve access to beneficial ownership (BO) information and enhancing investigative capacity. However, despite the progress made, Angola was grey listed by the FATF, largely due to unaddressed weaknesses in non-bank risk-based supervision, enforcing of timely access to BO information, and the limited AML/CFT investigations, prosecutions, and sanctions relative to its high-risk profile. FATF formulated an action plan to overcome these weaknesses by early 2027, which the authorities have begun implementing with support from the Fund and other development partners. The timely implementation of this action plan supported by a clear and effective communication strategy would be critical to mitigate adverse economic impact of the grey listing, which has been limited so far (Annex VI).

Authorities' Views

34. **The authorities reiterated their commitment to financial sector reforms aimed at enhancing financial stability and supporting private sector credit growth.** The BNA highlighted its gradual approach to resolving the remaining large problem bank, noting that it is not currently receiving liquidity support and acknowledging the need to address it albeit through the current approach of relying on the bank's voluntary measures. The BNA agreed on the criticality of expanding private sector credit, highlighting their efforts to increase financial inclusion by enhancing access to mobile money.[34] Given the already weakened correspondent banking relationships, the authorities did not foresee at this stage any significant additional risks from the FATF grey listing. They are committed to swiftly implementing the action plan to ensure timely removal from the grey list and to closely monitor and mitigate any adverse economic impact.

[33] See Selected Issues Paper *Governance and the Fight Against Corruption in Angola: Quid Vales? Quo Vadis?*

[34] An example is the "Dinheiro Digital é Melhor' project in partnership with USAID and Africell to implement Afrimoney.

D. Structural Policies: Enhancing Governance and Catalyzing Sustainable, Non-Oil Sector-Led Growth

35. Despite progress in economic diversification, Angola remains heavily reliant on oil. Over the past decade, the share of the oil sector in GDP has almost halved. However, oil still accounts for over 60 percent of fiscal revenues and more than 90 percent of exports—making Angola the third most oil-dependent economy in SSA. The unexpected decline in oil production in 2023 underscores the critical role of economic diversification in ensuring macroeconomic stability and growth.

36. A well-designed and broad-based package of reforms aimed at improving governance, streamlining business regulations, and liberalizing the economy could yield the largest and most front-loaded output gains.[35] Successful country experiences have shown that broad-based (horizontal) reforms are crucial for diversification. Low growth and a limited fiscal space require the prioritization of low-cost reforms with positive demand effect. These include (i) advancing business deregulation; (ii) further streamlining import licensing; (iii) strengthening fiscal frameworks; (iii) addressing credit constraints to the private sector; and (v) enhancing financial openness. Empirical evidence suggests that bundling the above complementary reforms can amplify their impact, create synergies, and foster broader political support, which can pave the way for other reforms. In addition, increasing access to credit, prioritizing vocational education, and addressing gender education gaps will help to drive growth in non-oil sector.

37. The National Development Plan (NDP 2023–27) aims to achieve five percent growth in the non-oil sector to drive diversification.[36] The plan follows the NDP 2018–22 and incorporates input from the private sector. Staff welcomes the plan's emphasis on improving governance, macroeconomic stability, human capital development, and infrastructure modernization. However, measures to promote domestic production via import substitution, while well-intended and gradually implemented, risks limiting access to cheaper imports, increasing prices, and reducing competition.

38. Governance and anti-corruption reforms lost momentum and are progressing slowly.[37] Progress in most governance indicators has been slow since 2022, with sizeable gaps remaining relative to peers. In some cases, these gaps have widened due to reform reversals in fiscal governance and limited legal enforcement capacity. Closing these gaps is expected to deliver a

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[35] See Selected Issues Paper *Harnessing Non-Oil Economic Growth: Economic Diversification in Angola*.

[36] Angola's National Development Plan 2023–27 (NDP) is the main authorities' plan to increase quality investments in training and education, reduce gender gaps, increase access to finance, strengthen climate resilience, and sustain efforts to improve governance. The NDP is a medium-term roadmap for Angola's Long-Term Strategy 2050 (ELP). See Box 3, Angola: Staff Report for the 2023 Article IV Consultation, SM/24/26, March 2024.

[37] See Selected Issues Paper *Governance and the Fight Against Corruption in Angola: Quid Vales? Quo Vadis?*

strong growth dividend.[38] Rising corruption perceptions, as highlighted in recent surveys, underscore the need for decisive actions to reinvigorate reform momentum.[39]

- **Fiscal Governance**. Progress in fiscal governance has been limited, notably on budget transparency and oversight, public investment management (PIM), and cash management, including arrears clearance, with somewhat better results in SOE oversight, public procurement, and tax administration. Accelerating the implementation of reforms in all these areas will be critical (see ¶15, ¶17).

- **EITI**. Angola became an EITI implementing country in June 2022. To achieve full membership, it must reconcile data between authorities and extractive companies, and disclose contract terms and beneficial ownership.[40]

- **Regulatory Quality**. Curbing anti-competitive practices will need to continue thought the implementation of the recently approved legal framework, which eliminates price controls, transfers regulation of key sectors (e.g., utilities, health, education) from the Ministry of Finance to sectoral regulators, and strengthens the capacity and autonomy of Angola's Competition Authority (ARC).

- **Rule of Law.** Reforms to the judiciary system need to be reinvigorated, prioritizing the adoption of pending legal instruments, sustained capacity building, implementation of lower-level and specialized courts, and acceleration of record and proceedings digitalization.

- **Recovery of Illicit Assets.** Angola successfully established a mechanism for the voluntary recovery of illicit assets.[41] This system would benefit from increased transparency in the public use of recovered assets, greater reliance on conviction-based asset recovery, and enhanced efforts to secure the restitution of assets seized abroad.

- **Combating Corruption.** A National Strategy for the Prevention and Repression of Corruption (2024–27) was enacted in July 2024. [42] While welcome, the strategy operationalization should include concrete measures to strengthen critical institutions for the prevention (asset declaration of public officials), detection (beneficial ownership

[38] The gains could increase real GDP per capita growth by about 0.4 to 1.5 percentage point annually, with the largest impact in the government effectiveness category.

[39] See ¶ 47–51 and 64 in Selected Issues Paper *Governance and the Fight Against Corruption in Angola: Quid Vales? Quo Vadis?*

[40] After the submission of two reports (December 2023, October 2024), a validation process is ongoing. A decision is expected to be announced by June 2025 and accompanied by a time-bound action plan with corrective actions.

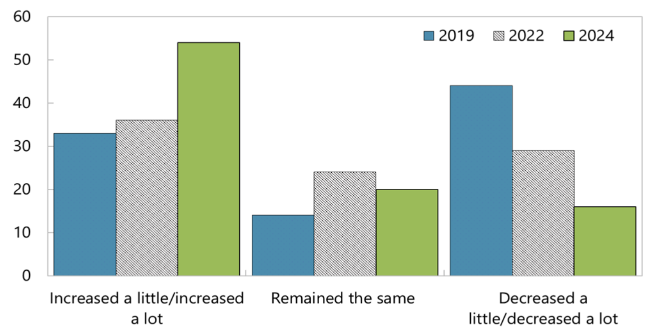
[41] More than US$19 billion of assets have been recovered voluntarily since 2019.

[42] Managed by a multisectoral commission appointed by the President, the strategy focuses on three areas aligned with NDP 2023–27: (i) prevention through education, training, asset declaration of public officials, and digitalization; (ii) detection via stronger beneficial ownership identification systems, whistleblower protection, and (iii) repression through above-mentioned judiciary reforms, greater collaboration among government agencies; private sector, and civil society; and recovery of illicit assets.

identification and whistleblower protection systems), and repression (judiciary independence) of corruption practices. Effective implementation of the National Strategy requires clear sequencing of monitorable actions, along with robust coordination, and governance mechanisms.

Angola: Corruption Perceptions, 2019–24

(Percent increase relative to previous year)



Sources: AfroBarometer and IMF staff calculations.

39. **Frequent climate shocks such as floods and droughts suggest the need for a resilient infrastructure.**[43] Investments are needed to improve irrigation, prevent soil degradation, and develop climate-smart agriculture practices. Seeking private and concessional financing for climate resilient infrastructure is crucial and can help fill critical infrastructure gap to boost economic diversification.[44]

Authorities' Views

40. **The authorities underscored their efforts to promote economic diversification, highlighting the role of import substitution policies in supporting domestic production and ensuring food security.** They attributed the stronger non-oil growth momentum in 2024 partly to these measures. The authorities estimate the potential benefits of these policies to be stronger than staff forecasts and expect increased domestic food production capacity to mitigate consumer price pressures. They remain committed to the expedited implementation of their National Development Plan 2023–27, which they plan to align with budgetary resources. Regarding governance, the authorities noted the progress achieved since 2018 and reiterated their commitment to reforms, noting that challenges in capacity building and inter-agency coordination have been addressed. They highlighted the holistic nature of their national corruption strategy and noted its ongoing sectoral implementation.

[43] See Angola 2023 Article IV Staff Report Annex VI. Macro-Fiscal Implications of Climate Change Adaptation in Angola (SM/24/46) for analysis regarding the need for climate-resilient infrastructure investments to support long-term growth using the DIGNAD model.

[44] Following the conclusion of the 2022 Country Climate and Development Report for Angola, the World Bank has identified several initiatives to build climate resilience.

STAFF APPRAISAL

41. Growth gained momentum in 2024 after a subdued performance in 2023. The oil and non-oil sectors lifted growth to 3.8 percent, narrowing the negative output gap. The resolution of maintenance bottlenecks helped the oil sector rebound from its 2023 slump, with resilience expected to persist as investment gradually revives. Stronger demand boosted the non-oil sector. However, expanding production capacity will require broad-ranging structural reforms. Vulnerabilities remain high due to oil price volatility, external financing uncertainties, and high debt service in the coming years.

42. Accelerating medium-term growth requires economic diversification, greater private sector contribution, and strengthened fiscal buffers. The implementation of the National Development Plan 2023–27 would greatly benefit from focusing on market-friendly policies. Risks from import substitution measures should be carefully assessed to avoid inflationary pressures and distortions in accessing critical production inputs. Attracting foreign and domestic private investments requires addressing governance vulnerabilities, streamlining business regulations, broadening financial inclusion, and resolving property registration constraints (Annex III). Limited fiscal space puts the burden of addressing critical infrastructure gaps and workforce skills shortages on improving spending efficiency.

43. Returning to a fiscal stabilization path, including by eliminating fuel subsidies, reprioritizing and rationalizing capital expenditure, and mobilizing non-oil revenue, is needed to rebuild buffers. Staff welcomes the authorities' determination to push ahead with fuel subsidy reform. However, increasing capital expenditure as envisaged in the 2025 budget will erode hard-won fiscal buffers. Instead, rationalizing public investment and improving spending efficiency, in line with the 2019 PIMA recommendations, will support development objectives while preserving debt sustainability. Implementing PFM and revenue reforms will be critical to limit arrears, control spending and support fiscal consolidation. Containing current expenditures, notably on goods and service is also necessary. Efforts—supported by effective and forward-looking cash and debt-management strategy—should continue to ensure that government's financing needs as well as its domestic and external payment obligations are met at the lowest possible costs. The shift from oil-collateralized commercial lending to market-based financing, along with the planned implementation of cash management TA recommendations, is positive developments.

44. Monetary policy should avoid premature easing as inflation is expected to decline. With the fading of cost-push factors, inflation has been easing since July 2024. However, it remains elevated, as do inflation expectations. Staff's baseline forecast anticipates annual inflation to fall below 20 percent—the current policy rate—by mid-2025. Maintaining a tightening bias will be crucial to anchoring inflation expectations and ensuring durable disinflation over the medium term. The absorption of excess liquidity has appropriately raised interbank rates from highly accommodative levels at the start of the year. Interbank rates are better aligned with the policy rate, but sustained efforts to implement IMF TA recommendations remain crucial for macroeconomic stability (see ¶21).

45. Exchange rate flexibility should remain a key buffer against shocks, with efforts to ensure a well-functioning currency market prioritized. The gradual increase in exchange rate flexibility in 2024 is commendable. However, continued efforts aligned with IMF TA recommendations are required to improve effectiveness of the FX trading platform (BMATCH) and address market distortions contributing to FX backlogs, as reported by few market participants. With monetary policy remaining vigilant to inflationary pressures and a flexible exchange rate facilitating necessary economic adjustments, FX interventions should be rules-based and limited (see Box 1).

46. The financial sector demonstrates some areas of resilience, but vulnerabilities persist, and private sector credit remains constrained. The risks to correspondent banking relationships and the broader economic impact of the recent grey listing require close monitoring, with expedited efforts for swift removal from the list (see Annex VI). Over time, policies to expand and diversify financial sector assets and the investor base are expected to ease sovereign-bank nexus. With credit-to-GDP remaining in a single digit, addressing the high informality of the economy and constraints on collateral availability will be critical. Recent legal reforms have broadly aligned the BNA's supervision and resolution frameworks with international best practices. However, continued vigilance is needed, particularly regarding to a large insolvent bank that requires resolution. The authorities should operationalize the financial safety net and finalize resolution plans for D-SIBs and high-risk banks as soon as practicable. Additionally, the deposit guarantee fund still requires a formalized back-up funding from the government.

47. Angola's external position is in line with the level implied by fundamentals and desirable policies. The expected decline in inflation, the NDP-driven efforts to revitalize labor productivity, and greater exchange rate flexibility are expected to support external competitiveness.

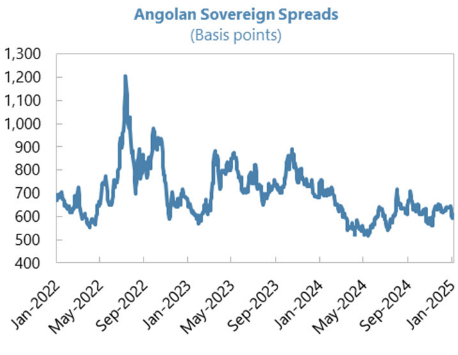
48. Efforts to strengthen statistical capacity is crucial for economic analysis and policymaking (Annex VIII). The completion of national accounts rebasing and the adoption of GFSM 2014 should be prioritized to better reflect changes in the economic structure, improve the accuracy of national accounts, and enhance the clarity and comparability of fiscal data.

49. Angola continues to maintain restrictions on the making of payments and transfers for current international transactions under the transitional arrangements of Article XIV, Section 2. See the informational Annex for additional details.

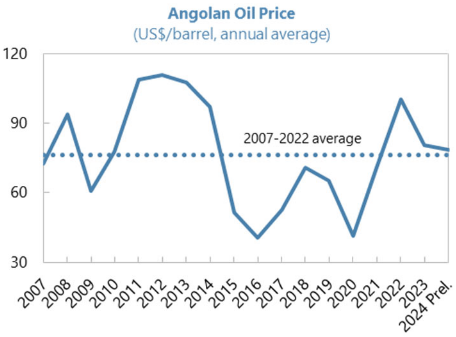
50. Staff recommend that the next Article IV consultation for Angola be held on the standard 12-month cycle. With Angola's credit outstanding to the Fund exceeding 200 percent of quota, a Post-Financing Assessment is anticipated by May 2025.

Figure 1. Angola: Fiscal Developments, 2007–25

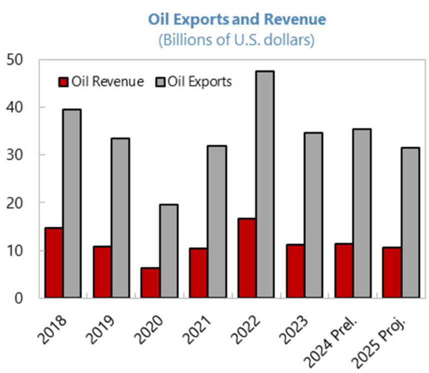
Bond yields have moderated…



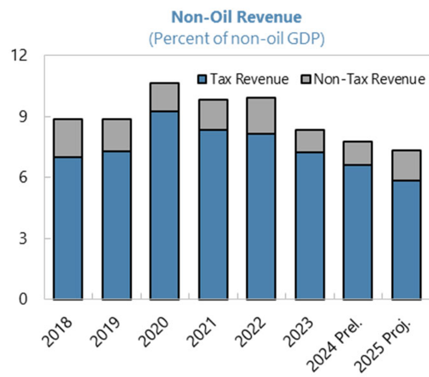
…while oil prices remain resilient.



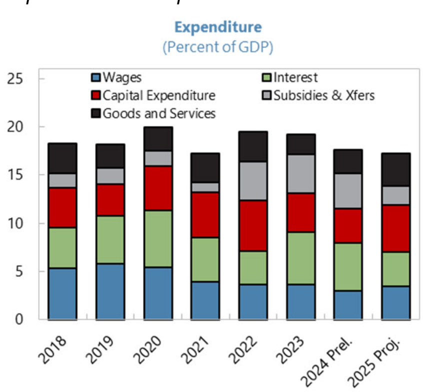
Oil revenues strengthened in 2024 thanks to production gains…



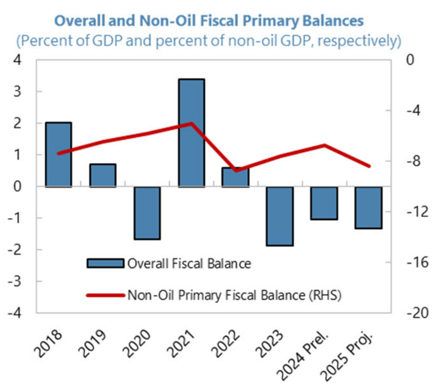
…while non-oil revenues relative to GDP decreased.



Capital expenditures is expected to increase in 2025 …



…entailing an overall deterioration of 2025 fiscal balance.

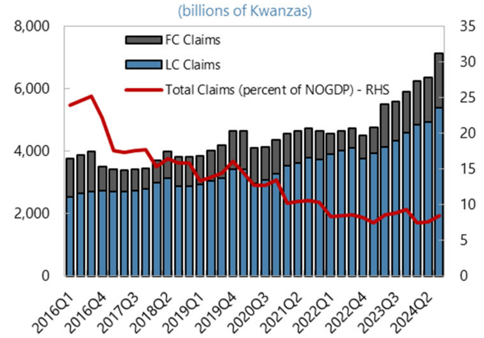


Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 2. Angola: Financial Sector, 2016–25

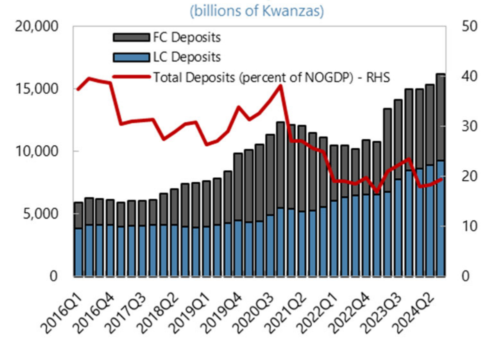
Bank credit grew in nominal terms but remain modest relative to GDP.

Credit to the Private Sector, Total
(billions of Kwanzas)



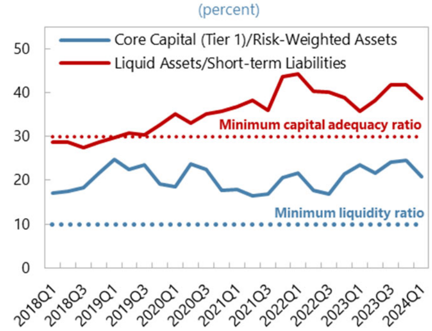
Deposits have increased …

Total Deposits
(billions of Kwanzas)



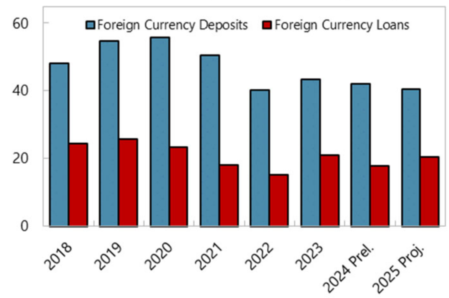
…while liquidity and capital buffers system-wide exceed minimum regulatory requirements.

Capital Adequacy and Liquidity Ratios
(percent)



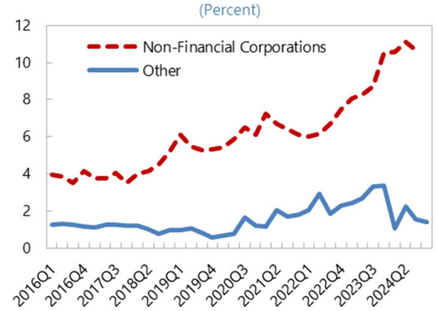
Deposit and loan dollarization remains stable.

Foreign Currency Deposits and Loans - All Sectors
(Percent of total deposits and loans, respectively)



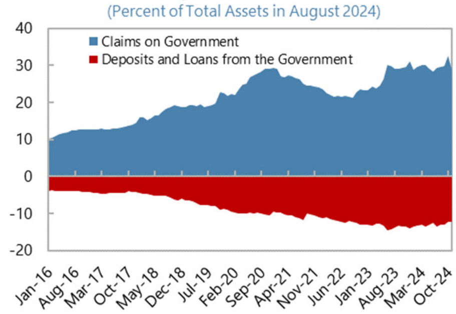
Nonbanks' market share has increased to almost 10 percent of total loans to private sector…

Non-Bank Financial Insitutions' Share in Credit to the Private Sector
(Percent)



…while exposure to sovereign debt increases.

Banks' Exposure to the Government
(Percent of Total Assets in August 2024)

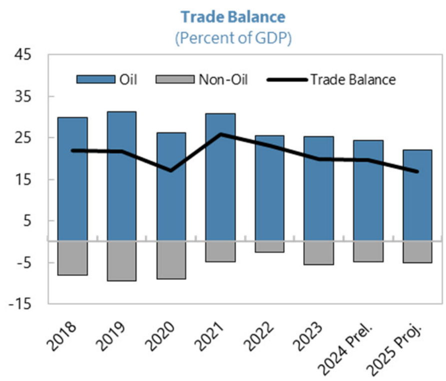


Sources: National Bank of Angola (BNA); Angolan authorities; and IMF staff estimates.

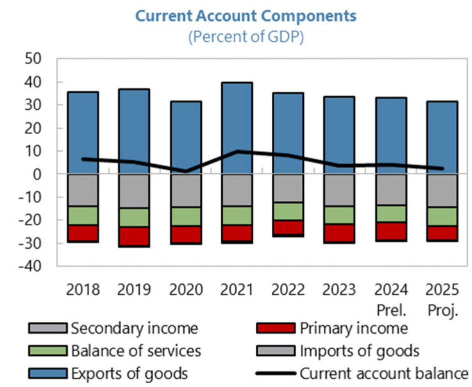
Note: The chart depicting banks' exposure to the government uses a fixed total assets throughout the time horizon (i.e., total assets in August 2024).

Figure 3. Angola: External Sector Developments, 2018–25

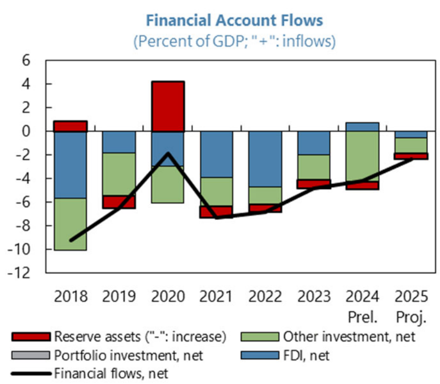
The trade balance is expected to moderate in 2025 amid oil price pressures…



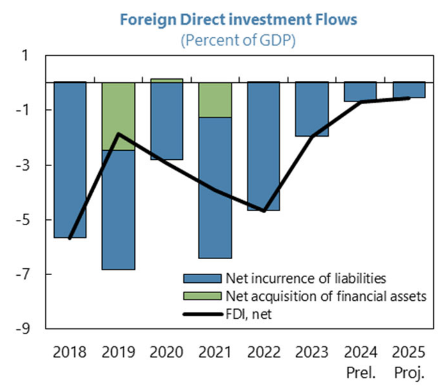
…and drive a deterioration in the current account surplus…



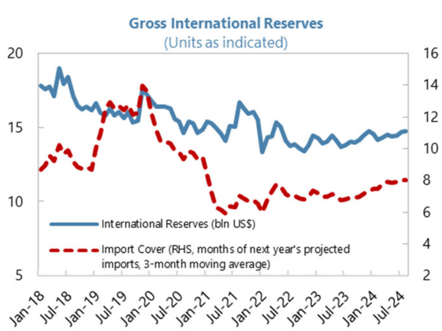
Financial account outflows continue its trend…



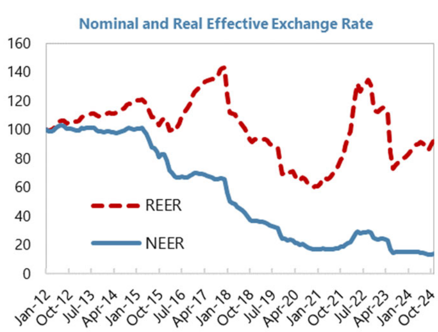
…driven by repatriation of investments.



International reserves coverage remains resilient…



…while REER appreciated driven by higher domestic inflation relative to trading partners.



Sources: Angolan authorities; and IMF staff estimates and projections.

Table 1. Angola: Main Economic Indicators, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj		
Real economy (percent change, except where otherwise indicated)										
Real gross domestic product	-4.0	2.1	4.2	1.0	3.8	3.0	3.2	3.3	3.3	3.3
Oil sector	-4.0	2.1	4.2	1.0	3.2	0.0	0.0	0.0	0.0	0.0
Non-oil sector	-4.0	2.1	4.2	1.0	3.9	3.5	3.8	3.8	3.9	3.9
GDP deflator	16.1	35.7	18.1	13.4	28.5	20.8	16.2	11.6	10.9	11.2
Consumer prices (annual average)	22.3	25.8	21.4	13.6	28.2	21.0	15.4	11.2	10.0	10.0
Consumer prices (end of period)	25.1	27.0	13.8	20.0	27.5	18.9	12.7	10.0	10.0	10.0
Gross domestic product per capita (U.S. dollars)	1,990	2,445	3,975	2,967	2,991	2,782	2,676	2,734	2,806	2,889
Central government (percent of GDP)										
Total revenue	18.3	20.7	20.1	17.4	16.6	16.0	15.8	15.3	14.8	14.3
Of which: Oil-related	9.4	12.4	11.7	10.3	10.0	9.7	9.5	8.9	8.3	7.6
Of which: Non-oil tax	7.8	7.0	6.8	6.1	5.6	5.0	5.0	5.0	5.1	5.2
Total expenditure	20.0	17.3	19.5	19.2	17.6	17.3	17.7	17.4	16.8	16.2
Current expenditure	15.4	12.6	14.2	15.2	14.1	12.4	12.8	12.7	12.6	12.5
Of which: Subsidies [1]	*0.1*	*0.1*	*3.2*	*3.1*	*2.8*	*1.1*	*1.1*	*1.1*	*1.0*	*0.9*
Capital spending	4.6	4.7	5.3	4.1	3.6	4.9	4.9	4.7	4.2	3.7
Overall fiscal balance	-1.7	3.4	0.6	-1.9	-1.0	-1.3	-1.9	-2.1	-1.9	-1.9
Primary balance	4.3	8.0	4.1	3.6	4.0	2.2	2.1	1.8	1.9	2.1
Non-oil primary fiscal balance (NOPB)	-4.9	-4.2	-7.3	-6.4	-5.7	-7.2	-7.1	-6.7	-6.1	-5.3
Money and credit (end of period, percent change)										
Broad money (M2)	24.3	-9.3	-1.4	37.8	30.6	38.5	25.7	21.0	17.5	17.9
Percent of GDP	33.0	21.6	17.3	20.8	20.4	22.7	23.8	25.0	25.6	26.3
Broad money - local currency (LC M2)	20.3	1.0	18.6	30.4	34.0	41.9	28.7	23.9	20.3	20.6
Velocity (GDP/M2)	3.0	4.6	5.8	4.8	4.9	4.4	4.2	4.0	3.9	3.8
Credit to the private sector (annual percent change)	-7.7	5.6	-4.8	28.8	28.1	27.0	13.7	13.8	13.7	15.3
Balance of payments										
Trade balance (percent of GDP)	17.1	25.8	23.1	19.9	19.7	17.0	17.2	16.7	16.4	15.7
Exports of goods, f.o.b. (percent of GDP)	31.5	39.8	35.3	33.6	33.1	31.5	31.8	31.0	29.9	28.8
Of which : Oil and gas exports (percent of GDP)	29.4	37.7	33.5	31.6	30.9	28.6	27.8	26.5	25.0	23.6
Imports of goods, f.o.b. (percent of GDP)	14.3	14.0	12.2	13.8	13.4	14.5	14.6	14.3	13.5	13.0
Terms of trade (percent change)	-36.0	52.4	35.1	-19.3	-4.0	-10.4	-4.1	-2.3	-1.2	-1.6
Current account balance (percent of GDP)	1.3	10.0	8.3	3.8	4.1	2.4	2.3	2.2	2.6	2.4
Gross international reserves (excluding pledged repo securities)[2]										
End of period, millions of U.S. dollars	10,978	14,375	14,661	14,727	15,227	15,277	15,427	15,727	16,177	17,227
Months of next year's imports	7.0	6.0	7.4	7.3	7.3	7.3	7.1	7.2	7.2	7.2
Exchange rate										
Official exchange rate (average, kwanzas per U.S. dollar)	578	631	462	685	876	...	...	...	...	...
Official exchange rate (end of period, kwanzas per U.S. dollar)	656	555	504	829	924	...	...	...	...	...
Public debt (percent of GDP)										
Public sector debt (gross)	119.1	74.3	56.1	71.4	62.4	63.3	61.8	59.2	57.2	55.0
Of which : Central Government debt	110.4	69.0	52.3	67.9	60.4	61.9	61.1	56.8	54.6	54.7
Oil										
Oil and gas production (millions of barrels per day)	1.388	1.252	1.250	1.205	1.262	1.266	1.266	1.267	1.265	1.263
Oil and gas exports (billions of U.S. dollars)	19.6	31.8	47.5	34.7	35.4	31.5	30.5	30.7	30.8	30.9
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	80.6	78.5	70.3	68.6	67.8	68.0	68.3
Brent oil price (average, U.S. dollars per barrel)	43.3	70.8	99.0	82.3	80.0	71.4	69.7	68.9	68.6	68.5

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes fuel subsidies beginning in 2022, in line with inclusion in the 2022 budget, and reform mitigation measures beginning in 2023.

[2] Consistent with the treatment by the BNA, Treasury's FX deposits at the BNA are excluded from the GIR starting 2022 (US$1.2 billion at the time of adjustment).

Table 2a. Angola: Statement of Central Government Operations, 2020–29

(Billions of kwanzas, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj.		
Revenue	**7,053**	**11,017**	**13,183**	**13,053**	**16,637**	**19,904**	**23,550**	**26,279**	**29,262**	**32,390**
Taxes	6,605	10,346	12,197	12,356	15,640	18,304	21,630	23,867	26,497	29,013
Oil	3,612	6,615	7,706	7,741	10,055	12,106	14,194	15,243	16,461	17,276
Non-oil	2,993	3,731	4,491	4,615	5,585	6,198	7,436	8,624	10,036	11,737
Social contributions	320	350	409	549	666	580	695	1,001	1,147	1,518
Grants	4	2	1	1	0	0	0	0	0	0
Other revenue	123	319	576	147	331	1,021	1,225	1,411	1,617	1,858
Expenditure	**7,691**	**9,207**	**12,800**	**14,463**	**17,664**	**21,539**	**26,421**	**29,905**	**33,083**	**36,635**
Current expenditure	**5,918**	**6,727**	**9,326**	**11,392**	**14,100**	**15,390**	**19,099**	**21,811**	**24,796**	**28,246**
Compensation of employees	2,067	2,095	2,360	2,709	2,983	4,300	5,157	5,943	6,810	7,825
Use of goods and services	965	1,646	2,054	1,582	2,454	4,305	5,164	5,951	6,819	7,760
Interest	2,300	2,444	2,277	4,079	5,000	4,418	5,956	6,769	7,661	8,987
Domestic	1,008	1,203	1,151	1,543	1,827	1,782	1,975	2,279	2,537	3,170
Foreign	1,292	1,242	1,126	2,536	3,174	2,636	3,981	4,490	5,123	5,817
Subsidies[1]	38	62	2,071	2,367	2,823	1,351	1,649	1,842	2,071	2,095
Other expense	547	480	564	655	840	1,017	1,173	1,305	1,436	1,580
Net investment in nonfinancial assets	**1,773**	**2,480**	**3,473**	**3,071**	**3,564**	**6,150**	**7,322**	**8,094**	**8,288**	**8,389**
Net lending (+) / Net borrowing (-)	**-638**	**1,811**	**383**	**-1,410**	**-1,026**	**-1,635**	**-2,871**	**-3,626**	**-3,822**	**-4,245**
Statistical discrepancy	690	2,772	-250	-1,274	-187	-149	0	0	0	0
Net acquisition of financial assets (+: increase)	**-1,714**	**1,663**	**119**	**-2,130**	**2,167**	**-1,929**	**-516**	**-547**	**-137**	**36**
Domestic	-1,548	691	-621	-1,445	351	-341	-229	-235	-137	36
Cash and deposits[2]	-1,052	549	-383	-1,002	451	-241	-129	-135	-137	36
Equity and investment fund shares	-496	142	-238	-443	-100	-100	-100	-100	0	0
Other accounts receivable	0	0	0	0	0	0	0	0	0	0
Foreign	-166	972	739	-685	1,816	-1,587	-286	-312	0	0
Net incurrence of liabilities (+: increase)	**-386**	**2,624**	**-518**	**-1,997**	**3,007**	**-443**	**2,356**	**3,079**	**3,685**	**5,264**
Domestic	-1,040	-247	-547	-1,510	-95	897	1,352	2,077	5,060	5,321
Debt securities	-1,041	-399	369	29	399	897	1,352	2,077	5,060	5,321
Disbursements	2,874	2,911	3,112	4,383	5,377	3,608	2,944	3,351	9,033	9,679
Amortizations	-3,915	-3,311	-2,743	-4,354	-4,978	-2,711	-1,591	-1,274	-3,972	-4,358
Loans	125	-60	120	-1,102	0	0	0	0	0	0
Other accounts payable	-123	212	-1,037	-436	-494	0	0	0	0	0
Foreign	654	2,871	29	-488	3,102	-1,340	1,003	1,002	-1,375	-57
Debt securities	195	2,364	760	-288	3,302	-1,340	1,003	1,002	-1,375	-57
Disbursements	1,802	4,245	2,994	3,173	7,961	6,333	8,923	9,446	9,834	11,893
Amortizations	-1,606	-1,880	-2,235	-3,461	-4,659	-7,673	-7,920	-8,444	-11,209	-11,951
Other accounts payable	458	507	-730	-200	-200	0	0	0	0	0
Memorandum items:										
Non-oil primary fiscal balance[3]	-1,867	-2,234	-4,821	-4,833	-5,725	-8,930	-10,647	-11,604	-12,087	-11,973
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	80.6	78.5	70.3	68.6	67.8	68.0	68.3
Social expenditures[4]	1,726	2,806	3,597	4,121	5,494	6,831	8,194	9,443	10,820	12,432
Public sector debt (gross)[5]	45,831	39,581	36,809	53,675	62,471	78,869	92,323	101,978	112,792	124,640
Of which : Central Government	42,486	36,758	34,323	51,018	60,503	77,135	91,285	101,332	112,152	124,079

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes fuel subsidies beginning in 2022, in line with inclusion in the 2022 budget, and reform mitigation measures beginning in 2023.

[2] Historical figures may include valuation effects related to FX-denominated deposits. 2020-23 includes deposit withdrawals from FSDEA.

[3] Non-oil primary fiscal balance series reflects inclusion of fuel subsidies starting in 2022.

[4] Spending on education, health, social protection, and housing and community services.

[5] Includes debt of the Central Government, external debt of Sonangol and state airline company TAAG, and guaranteed debt.

Table 2b. Angola: Statement of Central Government Operations, 2020–29

(Percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj.		
Revenue	**18.3**	**20.7**	**20.1**	**17.4**	**16.6**	**16.0**	**15.8**	**15.3**	**14.8**	**14.3**
Taxes	17.2	19.4	18.6	16.4	15.6	14.7	14.5	13.9	13.4	12.8
Oil	9.4	12.4	11.7	10.3	10.0	9.7	9.5	8.9	8.3	7.6
Non-oil	7.8	7.0	6.8	6.1	5.6	5.0	5.0	5.0	5.1	5.2
Social contributions	0.8	0.7	0.6	0.7	0.7	0.5	0.5	0.6	0.6	0.7
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.3	0.6	0.9	0.2	0.3	0.8	0.8	0.8	0.8	0.8
Expenditure	**20.0**	**17.3**	**19.5**	**19.2**	**17.6**	**17.3**	**17.7**	**17.4**	**16.8**	**16.2**
Current expenditure	**15.4**	**12.6**	**14.2**	**15.2**	**14.1**	**12.4**	**12.8**	**12.7**	**12.6**	**12.5**
Compensation of employees	5.4	3.9	3.6	3.6	3.0	3.5	3.5	3.5	3.5	3.5
Use of goods and services	2.5	3.1	3.1	2.1	2.4	3.5	3.5	3.5	3.5	3.4
Interest	6.0	4.6	3.5	5.4	5.0	3.5	4.0	3.9	3.9	4.0
Domestic	2.6	2.3	1.8	2.1	1.8	1.4	1.3	1.3	1.3	1.4
Foreign	3.4	2.3	1.7	3.4	3.2	2.1	2.7	2.6	2.6	2.6
Subsidies[1]	0.1	0.1	3.2	3.1	2.8	1.1	1.1	1.1	1.0	0.9
Other expense	1.4	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7
Net investment in nonfinancial assets	**4.6**	**4.7**	**5.3**	**4.1**	**3.6**	**4.9**	**4.9**	**4.7**	**4.2**	**3.7**
Net lending (+) / Net borrowing (-)	**-1.7**	**3.4**	**0.6**	**-1.9**	**-1.0**	**-1.3**	**-1.9**	**-2.1**	**-1.9**	**-1.9**
Statistical discrepancy	1.8	5.2	-0.4	-1.7	-0.2	-0.1	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-4.5**	**3.1**	**0.2**	**-2.8**	**2.2**	**-1.5**	**-0.3**	**-0.3**	**-0.1**	**0.0**
Domestic	-4.0	1.3	-0.9	-1.9	0.4	-0.3	-0.2	-0.1	-0.1	0.0
Cash and deposits[2]	-2.7	1.0	-0.6	-1.3	0.4	-0.2	-0.1	-0.1	-0.1	0.0
Equity and investment fund shares	-1.3	0.3	-0.4	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.4	1.8	1.1	-0.9	1.8	-1.3	-0.2	-0.2	0.0	0.0
Net incurrence of liabilities (+: increase)	**-0.3**	**5.4**	**-0.6**	**-4.1**	**2.5**	**-0.4**	**1.6**	**1.8**	**-0.2**	**2.3**
Domestic	-2.0	0.0	-0.7	-3.5	-0.6	0.7	0.9	1.2	0.5	2.3
Debt securities	-2.0	-0.3	0.7	-1.4	0.4	0.7	0.9	1.2	0.5	2.3
Disbursements	8.1	5.9	5.3	6.0	5.4	2.9	2.0	1.9	4.6	4.3
Amortizations	-10.2	-6.2	-4.5	-7.5	-5.0	-2.2	-1.1	-0.7	-4.1	-1.9
Loans	0.3	-0.1	0.2	-1.5	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	-0.3	0.4	-1.6	-0.6	-1.0	0.0	0.0	0.0	0.0	0.0
Foreign debt securities	1.7	5.4	0.0	-0.6	3.1	-1.1	0.7	0.6	-0.7	0.0
Disbursements	4.7	8.0	4.6	4.2	7.9	5.1	6.0	5.5	5.0	5.2
Amortizations	-4.2	-3.5	-3.4	-4.6	-4.7	-6.2	-5.3	-4.9	-5.7	-5.3
Other accounts payable	1.2	1.0	-1.1	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Non-oil primary fiscal balance[3]	-4.9	-4.2	-7.3	-6.4	-5.7	-7.2	-7.1	-6.7	-6.1	-5.3
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	80.6	78.5	70.3	68.6	67.8	68.0	68.3
Social expenditures[4]	4.5	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Public sector debt (gross)[5]	119.1	74.3	56.1	71.4	62.4	63.3	61.8	59.2	57.2	55.0
Of which : Central Government	110.4	69.0	52.3	67.9	60.4	61.9	61.1	58.8	56.8	54.7

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes fuel subsidies beginning in 2022, in line with inclusion in the 2022 budget, and reform mitigation measures beginning in 2023.

[2] Historical figures may include valuation effects related to FX-denominated deposits. 2020-23 includes deposit withdrawals from FSDEA.

[3] Non-oil primary fiscal balance series reflects inclusion of fuel subsidies starting in 2022.

[4] Spending on education, health, social protection, and housing and community services.

[5] Includes debt of the Central Government, external debt of Sonangol and state airline company TAAG, and guaranteed debt.

Table 3. Angola: Monetary Accounts, 2020–29

(End of period; Billions of kwanzas, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj.		
					Monetary Survey					
Net foreign assets	**7,311**	**5,913**	**6,105**	**10,614**	**12,513**	**18,182**	**21,308**	**24,533**	**28,382**	**33,437**
Net domestic assets	**5,392**	**5,606**	**5,251**	**5,030**	**7,917**	**10,106**	**14,237**	**18,477**	**22,162**	**26,164**
Claims on central government (net)	6,143	4,679	4,707	5,829	5,827	7,051	7,942	9,580	14,182	19,148
Claims on other financial corporations	211	262	285	330	440	552	666	775	896	1,038
Claims on other public sector	132	120	91	341	454	570	688	801	925	1,072
Claims on private sector	4,036	4,260	4,056	5,225	6,692	8,497	9,960	11,580	13,375	15,408
Other items (net)[1]	-5,129	-3,715	-3,889	-6,696	-5,495	-6,564	-5,017	-4,259	-7,216	-10,502
Broad money (M3)	**12,702**	**11,518**	**11,356**	**15,644**	**20,431**	**28,288**	**35,545**	**43,010**	**50,543**	**59,601**
Money and quasi-money (M2)	12,698	11,513	11,356	15,644	20,431	28,288	35,545	43,010	50,543	59,601
Money	3,674	3,632	4,009	5,693	7,626	10,833	13,950	17,291	20,787	25,045
Currency outside banks	405	402	495	664	890	1,289	1,670	2,089	2,499	2,949
Demand deposits, local currency	3,270	3,230	3,515	5,028	6,735	9,545	12,280	15,201	18,288	22,095
Quasi-money	2,166	2,270	2,991	3,435	4,601	6,521	8,389	10,385	12,494	15,095
Time and savings deposits, local currency	2,166	2,270	2,991	3,435	4,601	6,521	8,389	10,385	12,494	15,095
Foreign currency deposits	6,857	5,612	4,356	6,516	8,204	10,934	13,206	15,334	17,262	19,462
					Monetary Authorities					
Net foreign assets	**5,783**	**4,869**	**4,930**	**8,658**	**10,332**	**15,135**	**17,943**	**20,904**	**24,468**	**29,217**
Net international reserves	5,499	5,399	5,230	9,269	11,014	16,087	18,994	22,038	25,691	30,536
Net incurrence of liabilities	284	-530	-300	-611	-681	-952	-1,051	-1,134	-1,223	-1,319
Net domestic assets	**-3,422**	**-2,283**	**-2,156**	**-4,933**	**-5,657**	**-8,904**	**-10,354**	**-11,966**	**-14,619**	**-18,285**
Claims on other depository corporations	121	42	79	338	431	513	578	636	699	770
Claims on central government (net)	267	575	1,236	509	203	-935	-1,707	-2,415	-3,205	-3,917
Claims on private sector	97	127	123	110	147	184	222	259	299	346
Other items (net)[1]	-3,906	-3,027	-3,594	-5,890	-6,438	-8,666	-9,447	-10,445	-12,412	-15,484
Reserve money	**2,361**	**2,586**	**2,774**	**3,725**	**4,675**	**6,231**	**7,589**	**8,938**	**9,849**	**10,932**
Currency outside banks	549	569	658	819	1,098	1,589	2,059	2,576	3,081	3,636
Commercial bank deposits	1,812	2,018	2,116	2,906	3,578	4,642	5,530	6,362	6,768	7,296
***Memorandum items*:**										
Nominal gross domestic product (percent change)	11.4	38.5	23.1	14.6	33.3	24.3	19.9	15.2	14.6	14.9
Reserve money (percent change)	3.3	9.5	7.3	34.3	25.5	33.3	21.8	17.8	10.2	11.0
Money and quasi-money (M2) (percent change)	24.3	-9.3	-1.4	37.8	30.6	38.5	25.7	21.0	17.5	17.9
Claims on private sector (percent change)	-7.7	5.6	-4.8	28.8	28.1	27.0	17.2	16.3	15.5	15.2
Claims on central government (percent of GDP; net)	16.0	8.8	7.2	7.8	5.8	5.7	5.3	5.6	7.2	8.4
Money multiplier (M2/reserve money)	5.4	4.5	4.1	4.2	4.4	4.5	4.7	4.8	5.1	5.5
Velocity (GDP/M2)	3.0	4.6	5.8	4.8	4.9	4.4	4.2	4.0	3.9	3.8
Velocity (non-oil GDP/M2)	2.5	3.9	4.8	4.1	4.1	3.8	3.6	3.5	3.4	3.4
Credit to the private sector (percent of non-oil GDP)	12.5	9.5	7.4	8.2	7.9	8.0	7.8	7.8	7.7	7.7
Foreign currency deposits (share of total deposits)	55.8	50.5	40.1	43.5	42.0	40.5	39.0	37.5	35.9	34.4
Credit to the private sector in foreign currency (share of total credit)	23.3	18.0	15.1	21.0	18.3	20.1	18.9	17.6	16.4	15.3

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Including exchange rate valuation.

Table 4a. Angola: Balance of Payments, 2020–29

(Millions of U.S. dollars, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj.		
Current account	**872**	**8,399**	**11,763**	**4,185**	**4,736**	**2,617**	**2,480**	**2,600**	**3,238**	**3,164**
Trade balance	11,394	21,787	32,771	21,800	22,498	18,698	18,814	19,405	20,211	20,660
Exports, f.o.b.	20,937	33,581	50,038	36,885	37,878	34,686	34,850	35,928	36,788	37,787
Crude oil	18,297	27,860	40,282	31,420	31,622	27,737	27,064	27,276	27,386	27,497
Gas and oil derivatives	1,288	3,978	7,217	3,251	3,786	3,744	3,461	3,471	3,443	3,415
Diamonds	1,070	1,550	1,946	1,572	1,635	1,701	1,770	1,860	1,973	2,091
Other	283	194	593	642	835	1,503	2,555	3,322	3,986	4,783
Imports, f.o.b	9,543	11,795	17,267	15,085	15,380	15,988	16,036	16,523	16,577	17,127
Services (net)	-5,536	-6,957	-11,215	-8,527	-8,703	-9,046	-9,075	-9,353	-9,382	-9,693
Credit	67	94	82	76	69	72	71	71	73	75
Debit	5,603	7,050	11,297	8,603	8,772	9,118	9,146	9,423	9,454	9,768
Primary income (net)	-4,924	-5,784	-8,696	-8,603	-8,538	-6,539	-6,766	-6,931	-7,038	-7,214
Credit	536	355	177	584	608	635	660	685	712	738
Debit	5,460	6,139	8,873	9,186	9,145	7,174	7,427	7,617	7,750	7,953
Secondary income (net)	-63	-646	-1,097	-485	-521	-496	-493	-521	-553	-589
General Government	4	-11	-31	-17	-17	-11	-10	-10	-10	-10
Others	-71	-629	-1,059	-449	-504	-485	-483	-511	-543	-579
Of which: Personal transfers	-71	-23	-112	-116	-121	-117	-116	-123	-131	-139
Capital account	**1.2**	**2.0**	**-2.2**	**2.4**	**0.3**	**0.8**	**1.0**	**1.3**	**1.3**	**1.3**
Financial account (+ = outflows)	**2,382**	**5,376**	**7,839**	**4,456**	**3,999**	**2,073**	**1,621**	**1,592**	**2,078**	**1,582**
Direct investment	1,957	3,298	6,640	2,153	808	613	1,124	1,006	934	897
Net acquisition of financial assets	91	-1,057	41	33	29	30	29	30	30	30
Net incurrence of liabilities	-1,866	-4,355	-6,599	-2,120	-778	-582	-1,095	-977	-904	-867
Portfolio investment	-1,640	35	-923	-33	-2,635	-34	-33	-35	-38	-40
Net acquisition of financial assets	-1,640	35	192	-33	-35	-34	-33	-35	-38	-40
Net incurrence of liabilities	0	0	1,114	0	2,600	0	0	0	0	0
Financial derivatives (net)	-20	19	4	0	0	0	0	0	0	0
Other investment	2,085	2,024	2,118	2,337	5,826	1,494	531	621	1,182	725
Trade credits and advances	-512	1,073	2,254	-2,336	1,441	196	134	100	100	421
Currency and deposits	519	537	-163	-1,423	1,332	335	325	-235	-136	414
Loans	2,096	1,772	-39	5,784	-1,894	2,648	1,216	1,535	4,243	3,457
Of which: Central Government (net)	867	-537	107	3,742	-3,125	2,390	899	1,482	4,389	3,472
Others[1]	-18	-1,358	67	312	4,946	-1,684	-1,143	-780	-3,025	-3,567
Errors and omissions	**-3,071**	**-5,663**	**-3,046**	**918**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-4,599**	**-2,618**	**875**	**649**	**738**	**545**	**860**	**1,010**	**1,161**	**1,583**
Financing	**4,599**	**2,618**	**-875**	**-649**	**-738**	**-545**	**-860**	**-1,010**	**-1,161**	**-1,583**
Change in gross reserves (- = increase)	2,819	-852	-881	-800	-500	-50	-150	-300	-450	-1,050
Repurchases/repayments to the Fund (- = increase)	...	...	...	-179	-238	-495	-710	-711	-533	-474
Exceptional financing	1,184	2,708	0	581	...	...	...	...	...	...
IMF	1,019	2,007	0	-179	...	...	...	...	...	...
Other IFIs	165	701	0	760	...	...	...	...	...	...
***Memorandum items*:**										
Current account (percent of GDP)	1.3	10.0	8.3	3.8	4.1	2.4	2.3	2.2	2.6	2.4
Goods and services balance (percent of GDP)	8.8	17.6	15.2	12.1	12.1	8.8	8.9	8.7	8.8	8.4
Trade balance (percent of GDP)	17.1	25.8	23.1	19.9	19.7	17.0	17.2	16.7	16.4	15.7
Capital and financial account (percent of GDP)	-4.9	8.4	6.8	5.5	4.8	2.9	3.0	3.1	3.6	3.6
Overall balance (percent of GDP)	-6.9	-3.1	0.6	0.6	0.6	0.5	0.8	0.9	0.9	1.2
Exports of goods, f.o.b. (percent change)	-39.7	60.4	49.0	-26.3	2.7	-8.4	0.5	3.1	2.4	2.7
Of which: Oil and gas exports (percent change)	-41.3	62.6	49.2	-27.0	2.1	-11.1	-3.0	0.7	0.3	0.3
Imports of goods, f.o.b. (percent change)	-32.4	23.6	46.4	-12.6	2.0	4.0	0.3	3.0	0.3	3.3
Terms of trade (percent change)	-36.0	52.4	35.1	-19.3	-4.0	-10.4	-4.1	-2.3	-1.2	-1.6
Exports of goods, f.o.b. (share of GDP)	31.5	39.8	35.3	33.6	33.1	31.5	31.8	31.0	29.9	28.8
Imports of goods, f.o.b. (share of GDP)	14.3	14.0	12.2	13.8	13.4	14.5	14.6	14.3	13.5	13.0
Gross international reserves (excluding pledged repo securities)[2]										
Millions of U.S. dollars	10,978	14,375	14,661	14,727	15,227	15,277	15,427	15,727	16,177	17,227
Months of next year's imports	7.0	6.0	7.4	7.3	7.3	7.3	7.1	7.2	7.2	7.2
Percent of ARA metric (floating)	97.0	116.1	110.7	127.1	118.9	124.3	123.4	120.9	124.8	131.8
Percent of ARA metric (managed)	69.0	81.6	75.5	88.2	83.1	86.7	85.5	83.8	86.0	89.7
Gross international reserves (including pledged repo securities)[2]										
Millions of U.S. dollars	14,879	15,508	14,661	14,727	15,227	15,277	15,427	15,727	16,177	17,227

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes SDR allocation of about $1 billion in 2021.

[2] Consistent with the treatment by the BNA, Treasury's FX deposits at the BNA are excluded from the GIR starting 2022 (US$1.2 billion at the time of adjustment).

Table 4b. Angola: Balance of Payments, 2020–29

(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj.		
Current account	**1.3**	**10.0**	**8.3**	**3.8**	**4.1**	**2.4**	**2.3**	**2.2**	**2.6**	**2.4**
Trade balance	17.1	25.8	23.1	19.9	19.7	17.0	17.2	16.7	16.4	15.7
Exports, f.o.b.	31.5	39.8	35.3	33.6	33.1	31.5	31.8	31.0	29.9	28.8
Crude oil	27.5	33.0	28.4	28.6	27.6	25.2	24.7	23.5	22.2	21.0
Gas and oil derivatives	1.9	4.7	5.1	3.0	3.3	3.4	3.2	3.0	2.8	2.6
Diamonds	1.6	1.8	1.4	1.4	1.4	1.5	1.6	1.6	1.6	1.6
Other	0.4	0.2	0.4	0.6	0.7	1.4	2.3	2.9	3.2	3.6
Imports, f.o.b	14.3	14.0	12.2	13.8	13.4	14.5	14.6	14.3	13.5	13.0
Services (net)	-8.3	-8.2	-7.9	-7.8	-7.6	-8.2	-8.3	-8.1	-7.6	-7.4
Credit	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debit	8.4	8.4	8.0	7.8	7.7	8.3	8.3	8.1	7.7	7.4
Primary income (net)	-7.4	-6.9	-6.1	-7.8	-7.5	-5.9	-6.2	-6.0	-5.7	-5.5
Credit	0.8	0.4	0.1	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Debit	8.2	7.3	6.3	8.4	8.0	6.5	6.8	6.6	6.3	6.1
Secondary income (net)	-0.1	-0.8	-0.8	-0.4	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
General Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.1	-0.7	-0.7	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Of which: Personal transfers	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Capital account	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial account (+ = outflows)	**3.6**	**6.4**	**5.5**	**4.1**	**3.5**	**1.9**	**1.5**	**1.4**	**1.7**	**1.2**
Direct investment	2.9	3.9	4.7	2.0	0.7	0.6	1.0	0.9	0.8	0.7
Net acquisition of financial assets	0.1	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	-2.8	-5.2	-4.6	-1.9	-0.7	-0.5	-1.0	-0.8	-0.7	-0.7
Portfolio investment	-2.5	0.0	-0.7	0.0	-2.3	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets	-2.5	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	0.0	0.0	0.8	0.0	2.3	0.0	0.0	0.0	0.0	0.0
Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	3.1	2.4	1.5	2.1	5.1	1.4	0.5	0.5	1.0	0.6
Trade credits and advances	-0.8	1.3	1.6	-2.1	1.3	0.2	0.1	0.1	0.1	0.3
Currency and deposits	0.8	0.6	-0.1	-1.3	1.2	0.3	0.3	-0.2	-0.1	0.3
Loans	3.2	2.1	0.0	5.3	-1.7	2.4	1.1	1.3	3.4	2.6
Of which: Central Government (net)	1.3	-0.6	0.1	3.4	-2.7	2.2	0.8	1.3	3.6	2.6
Others[1]	0.0	-1.6	0.0	0.3	4.3	-1.5	-1.0	-0.7	-2.5	-2.7
Errors and omissions	**-4.6**	**-6.7**	**-2.1**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-6.9**	**-3.1**	**0.6**	**0.6**	**0.6**	**0.5**	**0.8**	**0.9**	**0.9**	**1.2**
Financing	**6.9**	**3.1**	**-0.6**	**-0.6**	**-0.6**	**-0.5**	**-0.8**	**-0.9**	**-0.9**	**-1.2**
Change in gross reserves (- = increase)	4.2	-1.0	-0.6	-0.7	-0.4	0.0	-0.1	-0.3	-0.4	-0.8
Repurchases/repayments to the Fund (- = increase)	...	...	...	-0.2	-0.2	-0.4	-0.6	-0.6	-0.4	-0.4
Exceptional financing	1.8	3.2	0.0	581.0	...	...	...	...	...	...
IMF	1.5	2.4	0.0	-178.9	...	...	...	...	...	...
Other IFIs	0.2	0.8	0.0	759.8	...	...	...	...	...	...
***Memorandum items*:**										
Gross international reserves (excluding pledged repo securities)[2]	16.5	17.0	10.3	13.4	13.3	13.9	14.1	13.6	13.1	13.1
Gross international reserves (including pledged repo securities)[2]	22.4	18.4	10.3	13.4	13.3	13.9	14.1	13.6	13.1	13.1

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes SDR allocation of about $1 billion in 2021.

[2] Consistent with the treatment by the BNA, Treasury's FX deposits at the BNA are excluded from the GIR starting 2022 (US$1.2 billion at the time of adjustment).

Table 5. Angola: Public Debt, 2020–29

(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Prel.			Proj.		
Total public debt[1]	**119.1**	**74.3**	**56.1**	**71.4**	**62.4**	**63.3**	**61.8**	**59.2**	**57.2**	**55.0**
Short-term	4.2	1.9	0.9	2.5	1.9	0.3	0.5	0.7	1.1	1.0
Medium and long-term	115.0	72.4	55.2	68.9	60.4	63.1	61.3	58.6	56.1	53.9
Domestic	30.3	20.4	15.4	15.9	12.5	11.1	11.6	12.9	15.2	16.5
Short-term	4.0	1.8	0.9	2.4	1.8	0.1	0.4	0.6	1.0	0.9
Medium and long-term	26.3	18.6	14.5	13.5	10.7	10.9	11.2	12.3	14.3	15.6
External	88.9	53.9	40.7	55.5	49.8	52.2	50.2	46.3	41.9	38.5
Owed to: Commercial creditors	57.8	35.3	26.6	35.8	33.2	35.9	33.4	32.4	30.5	29.1
Owed to: Official creditors	19.4	14.3	10.6	14.9	13.5	13.8	15.2	13.0	10.7	9.0
Owed to: Other private sector	11.7	4.3	3.5	4.9	3.1	2.6	1.6	1.0	0.7	0.4
Short-term	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Medium and long-term	88.7	53.8	40.7	55.4	49.7	52.1	50.1	46.2	41.8	38.4
Of which: Sonangol	7.3	4.3	3.1	2.9	1.7	1.2	0.6	0.3	0.2	0.2
Of which: TAAG	0.3	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed

Table 6. Angola: Fiscal Financing Needs and Sources, 2024–29

(Billions of U.S. dollars, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029
	Prel.			Proj.		
Financing Needs[1] (A)	**12.8**	**10.5**	**9.1**	**9.0**	**11.9**	**12.5**
Primary deficit	-4.5	-2.5	-2.3	-2.1	-2.4	-2.7
Debt service	16.5	13.0	11.4	11.1	14.3	15.2
External debt service	8.9	9.1	8.7	8.7	10.2	10.9
Principal	5.3	6.8	5.8	5.7	7.0	7.5
Interest	3.5	2.3	2.9	3.0	3.2	3.4
Domestic debt service	7.7	3.8	2.6	2.4	4.1	4.4
Principal	5.7	2.4	1.2	0.9	2.5	2.5
Interest	2.0	1.4	1.4	1.5	1.6	1.8
Recapitalizations	0.0	0.0	0.0	0.0	0.0	0.0
Net clearance of domestic arrears / accounts payable	0.6	0.0	0.0	0.0	0.0	0.0
Net clearance of external arrears / accounts payable	0.2	0.0	0.0	0.0	0.0	0.0
Financing Sources (B)	**12.8**	**10.5**	**9.1**	**9.0**	**11.9**	**12.5**
External debt disbursements	9.1	5.6	6.5	6.4	6.1	6.9
Domestic debt disbursements	3.7	4.9	2.6	2.6	5.7	5.6
Financing Gap (A-B)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
***Memorandum Items*:**						
Total usable cash balances[2]	1.2	1.8	2.1	2.4	2.7	2.9
Total usable cash balances (in months of expenditure)[3]	1.7	3.4	3.4	3.7	3.9	3.9
External debt rollover rate (in percent)[4]	102	61	75	73	60	67
Domestic debt rollover rate (in percent)[5]	79	80	83	94	139	129

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] To be filled with new issuances. These financing needs may differ from the DSA's standardized GFN.

[2] Government deposits at the BNA, including valuation changes.

[3] Government deposits at the BNA, in months of wage and interest expenditure, including valuation chan

[4] Ratio of disbursements (excl. program financing) to external debt service.

[5] Ratio of disbursements (excl. BNA advance, and government securities issued for recapitalizations and arrears clearance) to domestic debt service (excl. bonds issued to repay BNA advance).

Table 7. Angola: Financial Indicators, 2015–24 [1,2]

(Percent)

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Sep-24
Capital adequacy										
Regulatory capital to risk-weighted assets	19.8	19.2	18.9	24.2	23.2	20.3	23.8	28.4	26.0	21.8
Capital (net worth) to risk-weighted assets	13.8	14.3	17.6	21.7	19.1	17.7	20.6	21.3	24.6	20.8
Asset quality										
Foreign exchange loans to total loans	30.8	29.5	25.1	28.1	31.6	30.3	21.7	20.0	25.2	27.5
Nonperforming loans to gross loans	11.6	13.1	28.8	28.3	32.4	18.4	20.3	14.4	15.6	19.6
Nonperforming loans net of provisions to capital	20	27.4	35.0	19.9	-28.4	-38.3	-32.9	-14.1	-13.6	-12.5
Sectoral distribution of credits										
Credit to public sector to total credit	29.4	8.7	10.9	11.6	9.7	10.2	9.1	8.1	12.3	11.8
Credit to private sector to total credit	42.1	91.3	89.1	88.5	90.3	89.8	90.9	91.9	87.7	88.2
Earnings and profitability										
Return on assets (ROA)	1.7	2.2	2.1	4.4	-1.3	-2.9	2.2	2.7	2.9	3.0
Return on equity (ROE)	12.9	15.6	14.5	26.6	-10.0	-29.8	26.7	22.1	21.2	24.8
Expense/income	99.8	99.7	99.8	99.6	109.8	121.5	81.3	76.3	66.3	76.9
Lending rate minus demand deposit rates	9.9	19.3	23.8	27.3	20.4	14.5	10.2	8.2	3.4	9.2
Saving deposit rates	3.5	4.8	9.7	4.5	8.3	11.4	10.8	10.0	10.2	8.8
Interest margin to gross income	53.01	63.1	72.3	43.2	44.9	168.3	91.0	73.2	63.6	65.6
Liquidity										
Liquid assets/total assets	39.7	46.3	33.8	22.2	26.6	30.1	35.8	30.9	35.3	33.1
Liquid assets/short term liabilities	50.6	59.2	43.2	28.6	32.6	35.8	43.6	38.9	41.8	38.6
Loan/deposits	59	51.6	49.3	44.2	42.0	32.7	35.9	34.4	34.9	40.5
Foreign exchange liabilities/total liabilities	0.0	34.4	33.5	46.1	53.0	54.2	45.5	36.3	42.0	41.0
Sensitivity to market risk										
Net open position in foreign exchange to capital [3 4]	34.37	42.9	46.1	36.5	2.1	32.6	39.6	17.2	…	…
NUMBER OF REPORTING BANKS [5, 6]	**28**	**27**	**29**	**27**	**26**	**26**	**25**	**23**	**23**	**23**

Sources: Angolan authorities; and IMF staff estimates.

[1] This data is from from the Department of Supervision of Financial Institutions of Banco Nacional de Angola and differs from the IMF's Financial Soundness Indicators database.

[2] One bank, which is currently undergoing restructuring, reports deferred provisions (a regulatory forbearance measure) as "other assets". This accounting treatment results in overstated banking sector regulatory capital but does not affect NPLs. The deferred provisions are to be recognized over the next several years (by reducing the value of "other assets"). Staff did not discuss whether similar practices are widespread.

[3] At end-2023, banking sector's total assets amounted to 35 percent of GDP. There are 6 foreign banks, with total assets amounting to 12½ percent of system assets. One foreign bank is classified as systematically important with 6.4 percent of system assets. There are no foreign branches.

[4] Positive numbers indicate a long position in U.S. dollars.

[5] The figure for March and June 2023 was not provided during the authorities' latest data submission.

[6] At end-September 2022 there were 6 foreign banks in Angola with total assets amounting to 12.3 percent of system assets. During 2022Q3, a small bank voluntarily surrendered its license and another had its license revoked by the BNA.

Table 8. Angola: Capacity to Repay the Fund, 2021–30

(Units as indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Prel.	Proj.					
Existing and prospective Fund arrangements, in SDR millions										
Disbursements	1,408.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	3,213.4	3,213.4	3,079.3	2,900.5	2,526.9	1,991.3	1,455.8	920.2	518.7	162.0
Obligations	49.3	91.9	326.9	384.1	517.9	652.4	627.1	606.6	452.8	392.8
Principal (repayment/repurchase)	0.0	0.0	134.1	178.8	373.6	535.6	535.6	535.6	401.5	356.7
Charges and interest	49.3	91.9	192.8	205.2	144.3	116.9	91.5	71.0	51.3	36.1
Fund obligations, in percent of										
Quota	6.7	12.4	44.2	51.9	70.0	88.2	84.7	82.0	61.2	53.1
Gross domestic product	0.1	0.1	0.4	0.4	0.6	0.8	0.7	0.7	0.5	0.4
Export of goods and services	0.2	0.2	1.2	1.3	2.0	2.5	2.3	2.2	1.6	1.3
Gross international reserves	0.5	0.8	3.0	3.4	4.5	5.6	5.3	5.0	3.5	2.9
Government revenue	0.4	0.4	2.3	2.7	3.9	5.0	4.7	4.4	3.2	2.7
External debt service	1.4	1.7	5.0	5.7	7.5	9.9	9.5	7.9	5.8	5.7
Fund credit outstanding, in percent of										
Quota	434.2	434.2	416.1	391.9	341.4	269.1	196.7	124.3	70.1	21.9
Gross domestic product	5.3	3.0	3.7	3.4	3.0	2.4	1.7	1.0	0.5	0.2
Exports of goods and services	13.3	8.5	11.1	10.1	9.6	7.6	5.4	3.3	1.8	0.6
Gross international reserves	31.2	29.1	27.9	25.2	21.9	17.1	12.3	7.6	4.0	1.2
Government revenue	25.7	15.0	21.6	20.2	19.0	15.3	10.9	6.7	3.7	1.1
External debt	8.7	8.0	8.2	7.2	6.6	5.2	3.7	2.4	1.4	0.4

Sources: Angolan authorities; and IMF staff projections.

Annex I. Risk Assessment Matrix[1]

Risks	Likelihood	Potential Impact	Mitigation measures
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations cause recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**High.** Angola is an oil-dependent economy. External and fiscal pressures in EMDEs would also negatively affect Angola's prospects to access global capital markets.	• **Accelerate structural reforms** to support economic diversification. • **Pursue fiscal consolidation** through both revenue mobilization and expenditure control to build fiscal buffers. • **Develop local debt markets** and proactively manage debt to smooth debt service. • **Tighten monetary policy as needed** to control inflation while allowing the exchange rate to function as a shock absorber and preserve external buffers.
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**Low.** While higher oil prices can strengthen Angola's external position, disrupted food supply chains and rising global inflation are expected to tighten global financial conditions. This will likely increase Angola's sovereign spreads and exert upward pressure on domestic inflation.	• **Pursue fiscal consolidation** to build fiscal buffers and create space to protect vulnerable. • **Scale up the cash transfer programs** while enhancing efficiency to target the most vulnerable. • **Tighten monetary policy as needed** to control inflation. • **Develop local debt markets** and proactively manage debt to smooth debt service.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Potential Impact	Mitigation measures
Global growth surprises: **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	**Medium**	**High.** This is likely to impact oil prices, leading to lower oil revenues for Angola and placing additional fiscal and external sector pressures on the economy.	• **Accelerate structural reforms** to support economic diversification. • **Proactively manage debt and pursue fiscal consolidation** through both revenue mobilization and expenditure control to build fiscal buffers and smooth debt service. • **Tighten monetary policy as needed** to control inflation while allowing the exchange rate to function as a shock absorber and preserve external buffers.
Sovereign debt distress. Domino effects from high global interest rates, deteriorating debt sustainability in some AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, loss of market access, and contraction of growth and social spending.	**Medium**	**Medium.** Contagion effects and swings in investor sentiment could drive Angola's sovereign spreads higher, exacerbating external financing pressures.	• **Pursue fiscal consolidation** through both revenue mobilization and expenditure control to build fiscal buffers. • **Proactively manage external debt** while developing local debt markets and prioritizing financing from the donor community. • **Tighten monetary policy as needed** to control inflation while allowing the exchange rate to function as a shock absorber and preserve external buffers.
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading to policy uncertainty and market repricing.	**Medium**	**High.** Social unrest is likely to disrupt policy implementation, hampering the government's ability to execute fiscal consolidation measures and further undermining macroeconomic outcomes	• **Pursue fiscal consolidation** to create space for poverty-reducing social spending, including scaling up targeted cast transfers. • **Accelerate structural reforms** to improve governance and tackle corruption. • **Enhance economic policy communication** to strengthen public confidence.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A	**Medium**	**Medium.** Angola is vulnerable to climate change, facing frequent shocks that impact agriculture, as well as transition risks	• **Accelerate structural reforms and purse fiscal consolidation** to support economic diversification and crease space for financing free transition.

Risks	Likelihood	Potential Impact	Mitigation measures
disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.		stemming from reduced global demand for oil—on which the country heavily relies.	• **Seek private and concessional financing** from donors to support the development of climate-resilient infrastructure.

Annex II. External Sector Assessment

Overall Assessment: Angola's external position in 2024 is assessed to be broadly in line with the level implied by fundamentals and desirable policies. Despite fiscal slippages, the recovery in oil production and broadly stable oil prices in 2024 have strengthened the external position.

Potential Policy Responses: Containing inflation while increasing exchange rate flexibility will help improve external competitiveness. Advancing reforms aimed at improving the business environment, including measures to address challenges related to profit repatriation, are crucial to bolster investor confidence and attract foreign investment in the non-oil sector. Accelerating fiscal consolidation efforts and improving access to credit will support economic diversification and external sustainability over the medium term. Maintaining de facto central bank independence is vital to mitigate the risks to international reserves from lending to government under political pressures.

Foreign Assets and Liabilities: Position and Trajectory

Background. Angola remains a net debtor country with a reliance on oil exports. The net international investment position (NIIP) improved to -14.5 percent of GDP in Q3 2024, reflecting net debt repayments and an increase in reserve assets compared to the same period last year. In recent years, the NIIP has increased, largely due to FDI outflow, reflecting investment repatriation by oil companies. Going forward, exchange rate fluctuations and net FDI flows are expected to remain the primary drivers of the NIIP over the medium term.

Assessment. The external balance sheet remains broadly stable. Risks from the gross external liabilities are mitigated by external assets, including the oil companies' accumulated assets on escrow accounts[1].

Current Account

Background. The current account surplus is projected to reach 4.1 percent in 2024, driven by improved oil production and relatively stable prices. Completion of oil fields maintenance operations led to an approximate 3 percent increase in production during the first semester. Despite the strong growth momentum, imports contracted in 2024, driven by exchange rate depreciation, and import licensing requirements. The current account surplus is expected to remain around 2 percent over the medium term. However, uncertainty surrounding Angola's oil production and international oil prices, weigh on the external balance outlook.

Angola: EBA-lite Model Results, 2024
(Percent of GDP)

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**4.1**	
Cyclical contributions (from model) (-)	0.5	
Natural disasters and conflicts (-)	0.3	
Adjusted CA	**3.4**	
CA Norm (from model) 2/	**2.8**	
Adjusted CA Norm	**2.8**	
CA Gap	**0.5**	**-1.1**
o/w Relative policy gap	1.1	
Elasticity	-0.2	
REER Gap (in percent)	**-2.5**	**5.4**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Current Account

Assessment. The external position is assessed to be broadly in line with the level implied by fundamentals and desirable policies, reflecting a slight strengthening of the external position from the assessment in the 2023 Article IV consultation. The qualitative assessment is informed by the CA and real effective exchange rate (REER) models, indicating the CA gap in the range of 0.5 to -1.1. The EBA-lite cyclically-adjusted current account surplus of 3.4 percent of GDP—incorporating cross-country consistent adjustors—is higher than the CA norm of 2.8 percent of GDP for 2024. The positive CA gap is in part driven by import compression on the back of import substitution measures and the depreciation of the exchange rate.

Real Exchange Rate

Background. The REER has markedly appreciated since its decline in 2023 driven by rising inflation and despite the continued depreciation of the nominal effective exchange rate (NEER). The REER is returning to pre-shock levels, retracing the depreciation observed in 2023, when oil production was disrupted by maintenance operations and debt servicing pressures increased following the end of pandemic-related moratoriums. As of November 2024, the NEER depreciated by 16 percent year-on-year while the REER appreciated 8 percent during the same period.

Assessment. The EBA-lite CA gap model indicates a slight REER overvaluation of 5.4 percent, largely attributed to higher inflation relative to its trading partners. Over time, considering the disinflation trend, the REER gap is expected to correct through relative price adjustments.

Capital and Financial Accounts: Flows and Policy Measures

Background. Angola relies on large oil income to finance its financial outflows mostly in the form of repatriating investments and servicing public external debt. The repatriation of these investments—recorded as FDI outflows—is largely conducted by oil companies and correlates with oil balances. The higher oil income results in proportionally larger outflows. As oil exports recover in the first half of 2024 compared to last year, investment repatriations are also expected to increase relatively. Non-oil FDI inflows saw a slight increase, partly driven by growing investor confidence in the potential benefits of the Lobito Corridor.

Assessment. Structural reforms remain critical to create a business environment conducive to attract much-needed foreign direct investment and catalyze growth in the non-oil sector.

FX Interventions and Reserves Level

Background. Angola is progressing towards greater exchange rate flexibility and the BNA is reducing its foreign exchange interventions. As of December 2024, the Kwanza depreciated against the USD by over 10 percent since the start of the year—helping preserve foreign exchange reserves. The depreciation has been mainly driven by fiscal pressures, including external debt repayments. With the Treasury's repayment of FX debt to the central bank, gross international reserves increased to $15.2 billion as of December 2024, equivalent to 7.3 months of imports or 83 percent of the ARA metric.[2] The provision in the adopted 2025 budget, which also contradicts the central bank law permitting increased long-term central bank lending to the government poses risks to international reserves.[3] Despite reserves being at an adequate level, Angola remains reliant on oil exports and is vulnerable to terms of trade shocks. Any increase in imports from the current compressed levels could exert additional pressure on the reserves. To mitigate the spillover risks of volatile terms of trade, continued exchange rate flexibility and strong liquidity buffers are critical.

Assessment. Staff assesses that the adequate level of gross international reserves for Angola is close to 100 percent of the ARA metric.[4] Consistent with the assessment, accumulating international reserves when feasible over the medium term is advisable to strengthen external buffers.

Removing the provision in the budget law that permits central bank lending to the government beyond the terms allowed by the central bank law, at the earliest opportunity, will mitigate risks to central bank independence and help safeguard international reserves.

[1]US$2.5 billion as of June 2024.

[2] Angola's de jure exchange rate arrangement is floating. However, based on the IMF Exchange Rate Classification Methodology, the de facto exchange rate arrangement is crawl-like. See IMF AREAER Database.

[3] 2025 Budget Law (Law 18/24), Article 5.

[4] See "Assessing Reserve Adequacy (ARA)" Board Papers (IMF 2011, 2013, 2014) and "Guidance Note on The Assessment of Reserve Adequacy and Related Considerations" (IMF 2016).

Annex III. Key Reforms to Implement in the Current Macroeconomic and Political Environment

Policy Frameworks and Coordination

Ministry of Finance

- Close gaps in Public Financial Management by adopting a MTEF and strengthening oversight, enforcement, and transparency in investment and procurement.
- Advance the implementation of the remaining recommendations from the 2019 Public Investment Management Assessment.
- Improve cash flow management in line with IMF CD recommendations.
- Complete the digitalization of tax services and adopt the risk-based auditing to strengthen non-oil revenue mobilization.
- Bring to completion the SOE privatization strategy and its implementation.
- Initiate a Medium-Term Domestic Debt Strategy, leveraging IMF capacity development.

Central Bank

- Continue reforming monetary policy implementation framework in line with IMF CD.
- Develop a rule-based FX interventions strategy.
- Advance Forecasting and Policy Analysis System (FPAS) framework in line with IMF CD, including strengthening monetary policy communication framework.

Policy Coordination

- Revive cross-institutional working group meetings on interbank liquidity management, cash flow management, and domestic debt market development that would allow for regular engagement and information exchange.

AML/CFT Legal Framework

- Develop an action plan to (i) mitigate the economic impact of a FATF grey listing; and (ii) undertake remedial measures to get off the list.

National Governance Strategy

- Continue illicit asset recovery efforts.
- Finalize the establishment of a multisectoral commission to implement the National Strategy for the Prevention and Repression of Corruption, ensuring it is fully resourced and equipped to effectively enforce the strategy and accelerate anti-corruption efforts.
- Strengthen law enforcement against corruption offenses and complete reorganization of judiciary system to improve the efficiency of the system.
- Close EITI gaps by addressing data reconciliation issues and ensuring disclosure of contracts and beneficial ownership in the second report.

Business Regulations

- Continue efforts to reduce the bureaucratic costs for starting a business.
- Initiate measures to lower entry barriers for firms in all sectors, including in utilities and energy sectors.
- Complete decentralizing price controls by effectively implementing the new framework that transfers authority to sectoral regulators.
- Strengthening corporate governance in SOEs by adopting governance code and devising a plan for shoring up their balance sheets.

External Policies

- Streamline import licensing procedure to improve efficiency and establish sunset closure for licensing requirements.
- Enhance financial openness, including eliminating remaining exchange restrictions for current transactions.
- Continue efforts to streamline the visa application process for foreign visitors.

Credit Market Regulations

- Complete reforms to streamline real estate registration.
- Finalize the establishment of a credit registry bureau and broaden the coverage of Credit Reporting Act.
- Improve the insolvency framework by providing guidance to insolvency practitioners.
- Revise existing lending and credit guarantee schemes in line with IMF CD recommendations to improve their efficiency.
- Adopt Financial Consumer Protection Regulations against predatory lending practices.

Labor Market Policies

- Initiate discussions with industry associations to design a government-supported on-the-job training scheme.
- Design an action plan to advance vocational education and increase its accessibility.
- Collaborate with donors to establish a reform strategy for the education system, with concrete actions and timelines.

Climate and Gender Policies

- Initiate climate responsive budgeting by incorporating climate-smart policy proposals and their impact analysis in the Budget Strategy Paper for the Ministry of Agriculture.
- Initiate Climate-Public Investment Management Assessment (C-PIMA) to strengthen climate resilience.
- Develop a strategy for mobilizing international funding, including donor-funds and affordable market-based financing for building climate resilience, and supporting green transition.
- Sustain adoption of gender budgeting in coordination with development partners.

Annex IV. Debt Sustainability Analysis

Figure 1. Angola: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**High**	Angola's public debt is expected to decline but the risk of debt distress remains high, reflecting fiscal and oil sector vulnerabilities in the medium term and moderate long-term risks. Fiscal vulnerabilities have increased compared to AIV 2023.
Medium term	**High**	**High**	Staff's assessment on the medium-term risk of debt distress remains high. This is aligned with the mechanical signals of the fanchart and the GFN module.
Fanchart	**High**	...	
GFN	**High**	...	
Stress test	Comm. Prices Cont. Liabty.	...	
Long term	...	**Moderate**	Staff's assessment of the long-term risk of sovereign stress is moderate, reflecting the downward trend in public debt and diversification efforts.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Angola's public debt is expected to decline but the risk of distress remains high. The debt-to-GDP ratio is higher in the near term than in AIV 2023 DSA but converges in the medium term to approximately 55% of GDP. These risks stem from currency exposure (with about 80% of debt in foreign currency), oil price and production vulnerabilities, and a narrow creditor base in domestic markets. Fiscal vulnerabilities have also increased. A positive primary fiscal balance and active debt liability management are expected to ease liquidity risks and GFNs in the medium term. However, a timely return to the market will be needed to ensure orderly refinancing of the maturing external debt in the coming years. On the other hand, the agreement with China to partly relax conditions of the escrow account is a step in the right direction and has provided some liquidity buffer since April (average $150-200 million per month). This is expected to help improve the debt outlook in the near term. Proposed policies to reduce vulnerabilities are elaborated in ¶ 9-18 of Staff Report.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Angola: Debt Coverage and Disclosure

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

				No.	Subsectors captured in the baseline	Inclusion	Comments
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	
				2	Extra budgetary funds (EBFs)	No	Not applicable
				3	Social security funds (SSFs)	Yes	
				4	State governments	Yes	
				5	Local governments	Yes	
				6	Public nonfinancial corporations	Yes	
				7	Central bank	No	
				8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

code: chosen coverage | Missing from recommended coverage | Not applicable

Reporting on Intra-Government Debt Holdings

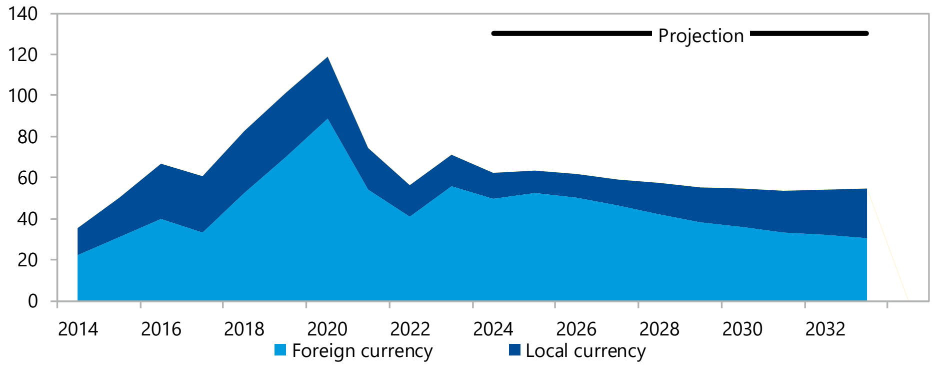
				No.	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

The public debt perimeter covers domestic and external debt of the Central Government; the external debt of the state-owned oil company, Sonangol, and the state-owned airline, TAAG; public guarentees; and reported external liabilities of other state entities, including external arrears.

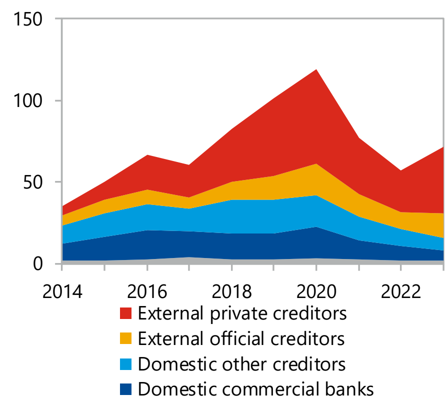
Figure 3. Angola: Public Debt Structure Indictors

Debt by Currency (Percent of GDP)



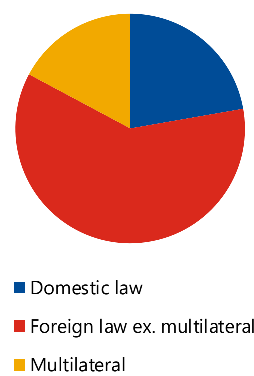
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



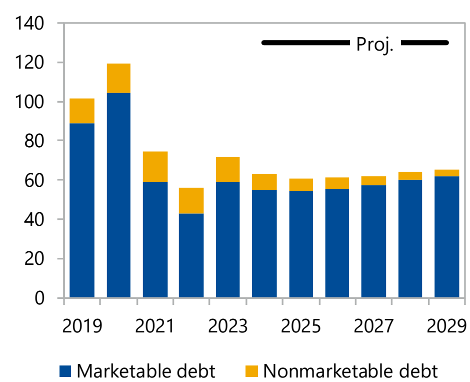
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2023 (percent)



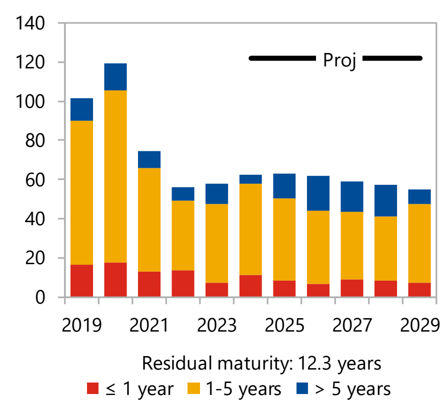
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

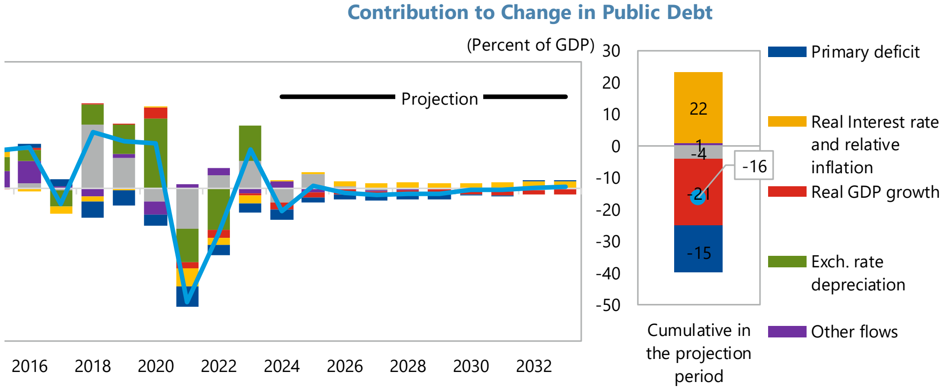
In the medium term, the baseline assumes: (i) increasing the reliance on domestic debt and, correspondingly, reducing the share of external debt; (ii) continued IFI budget support. Sonangol's external debt outstanding will average $774 million between 2024-2029, with its debt decreasing from 2.2 percent in 2024 to 0.2 percent in 2029 (as a share of GDP).

Figure 4. Angola: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Prel.	Medium-term projection					Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	71.4	62.4	63.3	61.8	59.2	57.2	55.0	54.4	53.7	54.1	54.7
Change in public debt	15.3	-9.1	1.0	-1.5	-2.6	-2.1	-2.2	-0.6	-0.7	0.4	0.6
Contribution of identified flows	4.5	-3.4	-4.5	-2.5	-1.8	-1.6	-1.7	0.0	0.3	0.9	1.1
Primary deficit	-3.6	-4.0	-2.2	-2.1	-1.8	-1.9	-2.1	-0.5	-0.3	0.0	0.1
Noninterest revenues	17.4	16.6	16.0	15.8	15.3	14.8	14.3	13.9	13.6	13.3	13.0
Noninterest expenditures	13.8	12.6	13.7	13.7	13.4	12.9	12.2	13.4	13.3	13.3	13.0
Automatic debt dynamics	10.0	-2.3	-0.8	-0.1	0.3	0.4	0.4	0.5	0.5	0.8	0.9
Real interest rate and relative inflatio	-3.2	0.3	1.0	1.9	2.3	2.3	2.2	2.2	2.3	2.5	2.7
Real interest rate	-6.6	-10.3	-6.5	-4.2	-1.9	-1.3	-1.1	-0.8	-0.3	0.4	0.6
Relative inflation	3.4	10.6	7.5	6.1	4.2	3.6	3.3	3.1	2.6	2.2	2.0
Real growth rate	-0.6	-2.6	-1.8	-2.0	-2.0	-1.9	-1.8	-1.8	-1.8	-1.8	-1.8
Real exchange rate	13.8	...	...	...	...	...	...	...	...	...	...
Other identified flows	-2.0	2.9	-1.5	-0.3	-0.3	-0.1	0.0	0.0	0.0	0.2	0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-2.0	2.9	-1.5	-0.3	-0.3	-0.1	0.0	0.0	0.0	0.2	0.1
Contribution of residual	10.8	-5.6	5.5	1.0	-0.8	-0.5	-0.5	-0.5	-0.9	-0.6	-0.5
Gross financing needs	9.9	11.3	10.7	9.2	9.1	11.4	11.3	12.6	12.1	15.2	14.8
of which: debt service	13.5	15.2	12.9	11.3	10.9	13.4	13.4	13.1	12.4	15.1	14.7
Local currency	7.5	6.7	3.8	2.6	2.4	3.9	4.2	4.5	4.4	5.7	6.0
Foreign currency	6.0	8.6	9.1	8.7	8.6	9.5	9.2	8.6	7.9	9.4	8.7
Memo:											
Real GDP growth (percent)	1.0	3.8	3.0	3.2	3.3	3.3	3.3	3.4	3.4	3.4	3.4
Inflation (GDP deflator; percent)	13.4	28.5	20.8	16.2	11.6	10.9	11.2	11.3	10.3	9.3	9.1
Nominal GDP growth (percent)	14.6	33.3	24.3	19.9	15.2	14.6	14.9	15.0	14.0	13.1	12.9
Effective interest rate (percent)	0.0	9.2	7.9	8.2	8.1	8.5	9.0	9.5	9.6	10.1	10.4

Contribution to Change in Public Debt

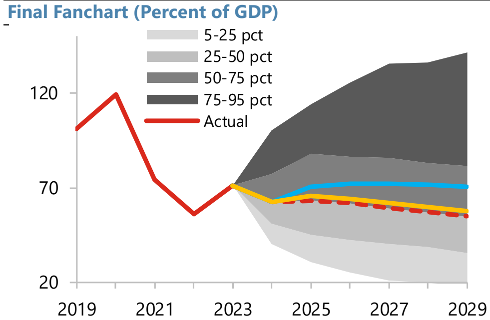


Commentary: Public debt declined in 2024 benefitting from higher nominal GDP growth and higher external debt repayment and is projected to stabilize below 60 percent in the medium term. This stabilization is driven by a primary surplus and nominal growth. However, as primary surpluses decline, their impact on debt reduction will lessen. Financing assumptions are tight in the medium-term, with a temporary increase in GFNs due to large external debt service and a moderate rise with Eurobond maturities in 2028-29. A timely return to the market will also be needed to ensure orderly refinancing of the maturing external debt in the coming years. Interest rates are assumed to align with inflation and spreads. Downside risks include fiscal slippages due to capital spending overruns and/or lower-than-expected oil prices/production, while upside risks include potential increases in oil prices/production and spillover effects from global monetary easing.

Figure 5. Angola: Medium-Term Risk Analysis

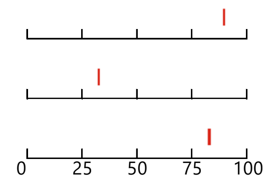
	Value	Contrib 1/	Percentile in peer group 2/

Final Fanchart (Percent of GDP)

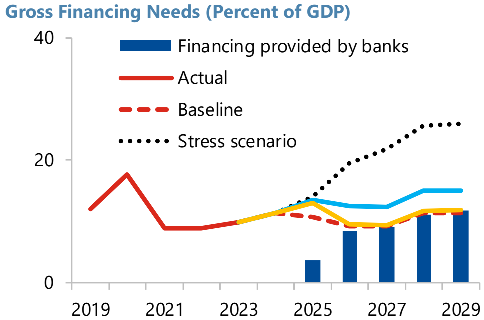


Debt fanchart module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	124.5	1.8
Probability of debt non-stabilizaiton *(percent)*	13.9	0.1
Terminal debt-to-GDP x institutions index	44.7	1.0
Debt fanchart index (DFI)		2.9
Risk signal: 3/		**High**

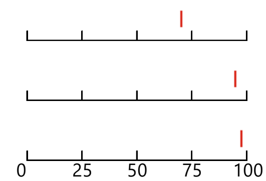


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

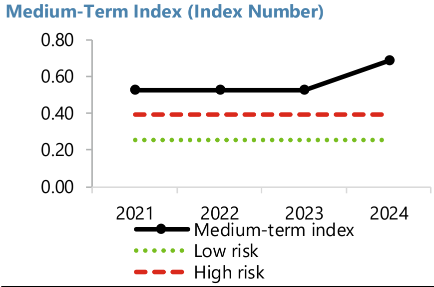
	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	10.5	3.6
Initial Banks' claims on the gen. govt *(pct bank assets)*	31.1	10.1
Chg. In banks' claims in stress *(pct banks' assets)*	72.6	24.3
GFN financeability index (GFI)		37.9
Risk signal: 4/		**High**



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	2.9	0.6	0.5	0.3
GFN finaceability index	37.9	0.7	0.5	0.4
Medium-term index		0.7		
Risk signal: 5/		**High**		
Final assessment:		**High**		

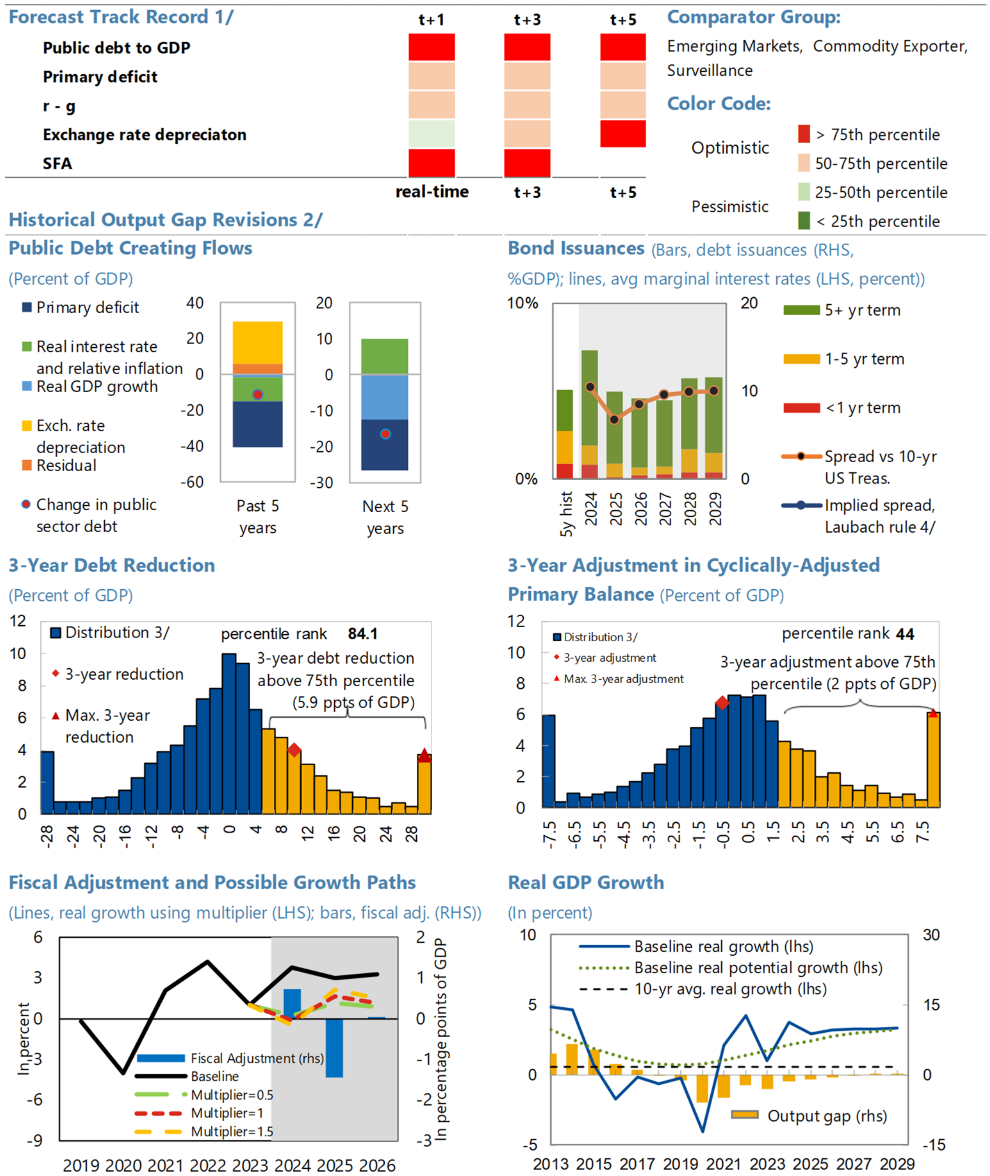
Prob. of missed crisis, 2024-2029, if stress not predicted: 81.8 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 2.3 pct.

Given the shock in 2023 and the significant increase in debt-GDP ratio and volatility of the macro-variables in the past (oil sector), the debt fan chart remains at a high level of risk. The gross financing needs tool suggests a high risk due to increased GFNs (given lower-than-expected consolidation efforts). Pending problem bank restructuring/resolution could result in the materialization of a contingent fiscal liability, amounting to up to 1 percent of GDP. Similarly, the Total Return Swap (TRS) operation with J.P. Morgan, amounting to 2 percent of GDP, presents another contingent fiscal liability in the near-term. If sovereign spreads were to deteriorate and the price of the Eurobond, pledged as collateral under the TRS, were to fall significantly, this would require the authorities to add collateral in response to the margin call from J.P. Morgan.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Angola: Realism of Baseline Assumptions



Commentary: The realism tool indicates relatively high probability of optimism for key indicators, mainly on the back of significant volatility of historical series: (i) The FX depreciation in 2023 has significantly impacted the historical 5-year average due to the oil sector shock; and (ii) given the shocks in the past 5 years, it negatively impacted the growth average and accordingly the contribution to debt/GDP reduction. The baseline (next 5 years) forecasts a recovery based on recent GDP outturns and accordingly it contributes to the reduction of debt to GDP. The projected three-year debt reduction reflects the authorities' prioritization of external debt repayment as well as the expected recovery during that time.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 7. Angola: Long-Term Risk Assessment

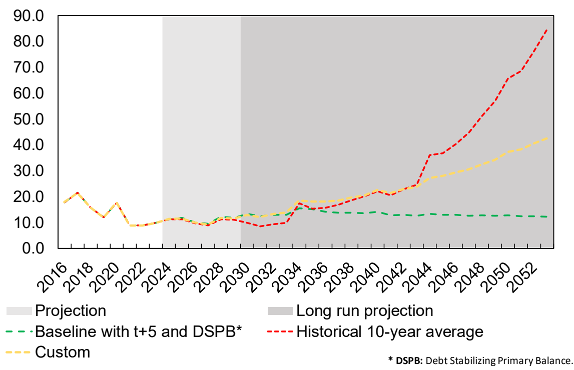
Large Amortization Trigger

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Overall Risk Indication		

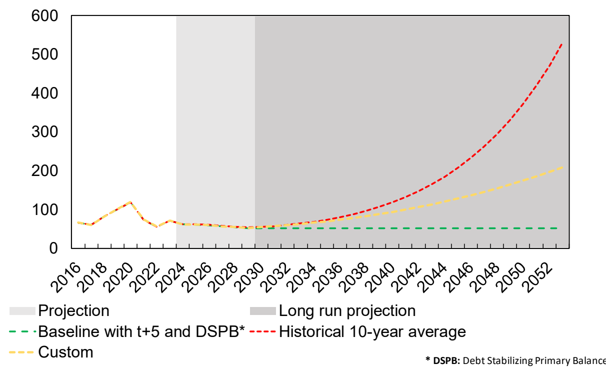
Custom Baseline: Conservative Scenario for Long-term Projections

	Baseline extension of fifth projection year	Custom baseline
Real GDP growth	3.3%	1.7%
Primary Balance-to-GDP	2.1%	0.3%
Real depreciation	-3.0%	2.0%
Inflation (GDP deflator)	11.2%	11.2%

GFN-to-GDP Ratio



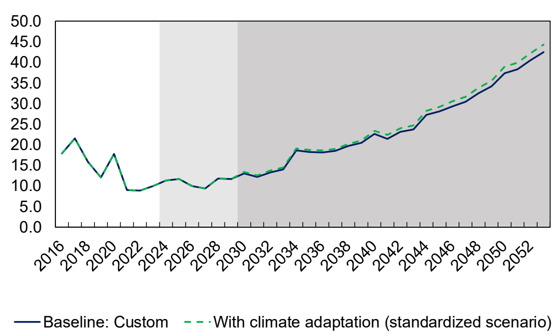
Total Public Debt-to-GDP Ratio



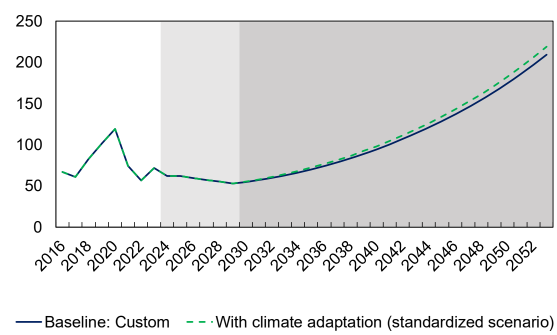
Commentary: The custom baseline is a downside scenario for the extension of the fifth projection year and projects a gradual increase in the debt ratio to around 170 percent of GDP by 2050. Sound debt management, fiscal consolidation, mobilisation of non-oil revenues, and diversification efforts will be important to contain increasing financing needs. The long-term risk indicator for amortization under the 10-year historical average scenario is triggered given the inclusion of 2023 data which reflects the expiry of the three-year debt moratorium. Overall, the long-run risk indicator is low given the positive annual GDP growth and fiscal primary surplus expected in the medium-term (i.e., extension of t+5).

Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

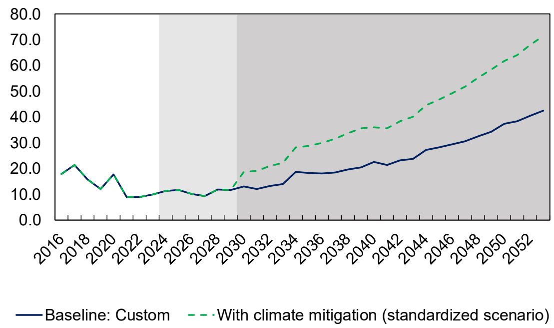


Commentary: The adaptation module looks at the fiscal costs of building resilience to climate change impacts. Upfront spending to build resilience will give rise to increased financing needs and public debt in the absence of complementary measures, including contingency planning, strong fiscal management, and the pursuit of other financing sources.

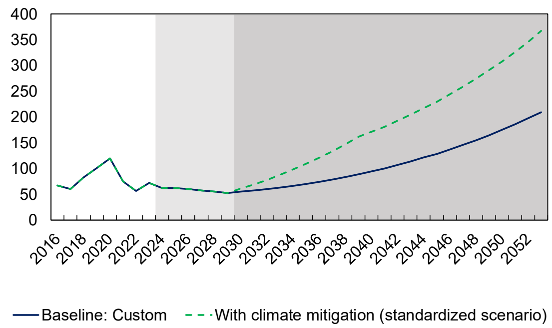
Figure 7. Angola: Long-Term Risk Assessment (concluded)

Climate Change: Mitigation

GFN-to-GDP Ratio



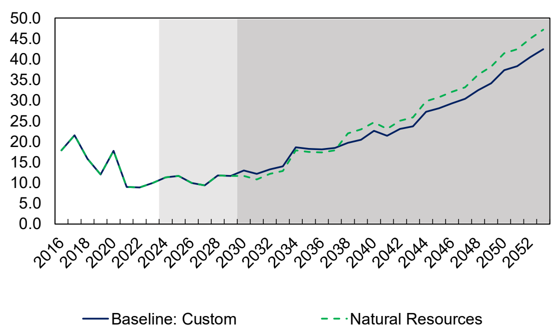
Total Public Debt-to-GDP Ratio



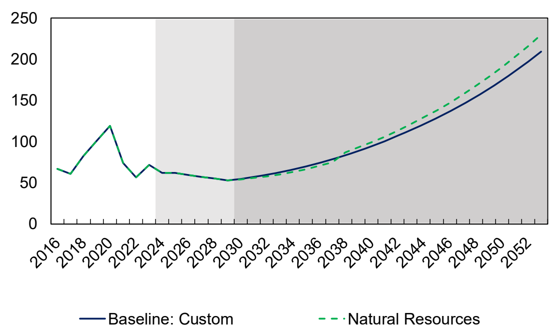
Commentary: The mitigation sub-module captures the public investment required for reducing greenhouse gas emissions and for infrastructure needed to support the green transition. Reflecting this, the standardized scenario shows that the associated fiscal costs seem high in the absence of supporting measures.

Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: The scaling down of petroleum production and the exhaustion of oil reserves pose a risk to Angola's future fiscal position. The Angolan authorities have recently undertaken several measures to boost exploration and foreign investment in the crude oil sector as well as in the oil refinery sector. These policies have improved the outlook for oil production compared to the 2023 Article IV. However, it will be important to advance diversification efforts, as well as efforts to promote the country's green transition in the context of maturing oil assets and the drawing down of crude oil reserves. Over the long term, the "natural resources" scenario indicates that the debt to GDP could increase substantially as a results of these long-run oil production factors.

Annex V. Status of Key Recommendations from 2023 Article IV Consultation

	Key Recommendation	Assessment
Fiscal Policy	Pursue fiscal consolidation by continuing the fuel subsidy reform and rationalizing the capital budget.	• The authorities made further progress toward reducing fuel subsidies in 2024; however, the savings were lower than anticipated, partly due to external factors such as international price fluctuations and the impact of exchange rate movements on domestic fuel prices. • Substantial room remains to rationalize capital spending, improve spending efficiency, and implement better prioritization.
	Reducing tax exemptions, broadening the tax base, and strengthening tax administration to enhance revenue mobilization.	• Progress has been slow. The authorities plan to reduce informality by increasing the number of registered commercial establishments, but the measures have not yet been implemented.
	Advance PFM and fiscal reforms to support debt sustainability.	• Improvements have been made in public procurement practices and the development of a Medium-Term Fiscal Framework (MTFF). • However, a more comprehensive approach is needed to address PFM gaps, and to enhance transparency in procurement practices, SOE governance, and revenue administration.
Monetary Policy	Maintain tightening bias to address inflation expectations.	• The central bank (BNA) has raised monetary policy rate by 150 bps since the start of the year to 19.5 percent, while streamlining interbank liquidity management—resulting better alignment of interbank rate with the policy rate. • Withdrawing excess liquidity from the interbank market resulted in an increase of interbank rates by 14 percentage points to around 22 percent since the start of 2024.
	Gradually increase exchange	• Satisfactory progress has been made in transition

	Key Recommendation	Assessment
	rate flexibility and improve FX market functioning to strengthen external position.	to a more flexible exchange rate. • As the exchange rate remained under pressure, it has depreciated by over 10 percent against the U.S. dollar since the beginning of 2024.
	Limiting FX interventions and develop a rule-based strategy.	• The BNA's FX interventions were limited to addressing excessive volatility, driven by severe FX liquidity shortages. • The authorities have begun developing a rule-based FX intervention strategy, but it has not yet been implemented.
	Improve monetary policy implementation framework and absorb excess interbank liquidity.	• The authorities requested IMF technical assistance on improving the monetary policy implementation framework, which has taken place in May 2024. • The authorities have begun implementing the IMF CD recommendations, making progress in absorbing excess liquidity. However, sustained efforts will be needed to establish an effective interbank liquidity management framework and strengthen the monetary policy implementation framework.
Financial Sector Policy	Address problem banks to strengthen financial stability.	• The 2021 legislative reforms provide the BNA with extensive powers to resolve troubled banks, broadly consistent with the FSB Key Attributes. Further work is required regarding implementation of the law. • The resolution of the second insolvent bank has been delayed, reportedly due to careful preparations aimed at mitigating the BNA's legal risks.
	Strengthen the supervisory framework through the effective implementation of regulatory standards.	• The BNA has taken supervisory actions to strengthen banks' governance framework and risk management capacity. • Following an attempted cyber security attack on the BNA, TA on Cybersecurity Risk Supervision/ On-site Examination is planned for February 2025.

	Key Recommendation	Assessment
	Continue efforts to enhance financial intermediation.	• Despite liquidity and capital indicators in the banking sector meeting minimum regulatory requirements, financial intermediation remains constrained. Further reforms are needed to improve financial intermediation.
Structural Policy	Strengthen governance and expedite anti-corruption efforts.	• A National Strategy for the Prevention and Repression of Corruption (2024–27) was enacted in July 2024. • A new Justice and Law Reform Commission was set up in June 2024 to finalize over the next 1 ½ year several unfinished legal instruments and reorganize the judiciary system to make it more accessible, fair, and agile.
	Reduce regulatory barriers and promote competition.	• A new legal regime that transfers the mandate of price regulation from the Ministry of Finance to sectoral regulators was submitted to Parliament in August 2024.
	Build on recent progress with gender policies.	• Gender markers, which have been temporarily discontinued in the 2024 budget, are expected to be resumed in the 2025 budget to be fully aligned with the latest NDP priorities.

Annex VI. Managing the Economic Impact of Grey Listing in Angola

1. FATF grey listing may bring financial and economic costs. Grey listing can restrict cross-border transactions, reduce capital inflows, and raise the cost and volume of external financing as institutions de-risk or reprice business relations. A sudden loss of inflows may deplete reserves, heighten exchange rate pressures, and lead to depreciation, financing gaps, and inflation. Empirical evidence shows capital inflows drop by an average of 7.6 percent of GDP after grey listing, with some effects occurring before the announcement.[1] Extended grey listing, as seen in South Africa, amplifies economic impacts.[2]

2. Angola lost U.S. dollar CBRs during a previous grey listing episode. Angola was previously grey listed in February 2010 and delisted only in February 2016. While no significant impact was reported immediately prior or following the announcement, Angola lost U.S. dollar Corresponding Banking Relations (CBRs) in December 2015. The country's prolonged period in the list may have been a contributing factor.[3] It has not fully regained CBRs since then.

3. The economic impact of the current grey listing has yet to be felt. Aside from slower cross-border transactions due to compliance, there is no evidence of reduced capital inflows or higher borrowing costs. Already limited U.S. Dollar CBRs and progress in banking supervision may explain this. However, inclusion in the EU High-Risk Third Country list is expected to increase due diligence requirements, while prolonged grey listing could delay U.S. CBR recovery and FDI tied to the Lobito Corridor.[4]

4. Managing the economic impact of grey listing requires commitment, collaboration, capacity development, and communication, with a focus on timely delisting. High-level political commitment is essential for implementing the action plan and communicating progress. Effective inter-agency collaboration, including information-sharing among law enforcement, intelligence, and regulators, is critical. Capacity development for involved agencies, supported by the private sector, development partners, and regional peers, is vital, along with technical assistance to reform legal frameworks and enhance agency autonomy. Coordinated efforts among CD and TA providers will avoid duplication. Frequent communication with FATF and clear updates to domestic and external stakeholders, delivered at a high level, are crucial for transparency and credibility.

[1] Kida, M., & Paetzold, S. (2021). The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning. IMF Working Paper WP/21/153, International Monetary Fund.

[2] De Koker, L., Howell, J., & Morris, N. (2023). Economic Consequences of Grey Listing by the Financial Action Task Force. Risks, 11(5), 81.

[3] See Angola's 2016 Article IV Staff Report for an account of the factors leading to the loss of CBRs.

[4] This list includes jurisdictions with AML/CFT deficiencies that threaten the EU financial system, with grey listed countries added shortly after announcement.

Annex VII. Capacity Development Strategy

1. The Angolan authorities have received extensive capacity development in recent years from the IMF and other institutions, and priorities remain unchanged. A careful sequencing and prioritization of reforms benefit to absorption and implementation of the recommendations. CD should align with four key surveillance priorities outlined in the 2024 Article IV consultation: (i) achieving fiscal consolidation and advancing critical fiscal reforms; (ii) strengthening the monetary policy framework to reign-in inflation, providing foundation to domestic debt market development, and supporting the transition to de-facto exchange rate floating regime; (iii) maintaining financial stability and unlocking access to credit; and (iv) strengthening governance, including AML/CFT framework to catalyze rapid, green, inclusive, and diversified growth.

2. The capacity building effort will continue to support the implementation of the authorities' National Development Plan (NDP) 2023–27. Capacity-building in Angola involves short- and long-term experts, TA, and training across areas such as PFM, tax administration, expenditure policy, AML/CFT, monetary and exchange rate policies, central bank governance, financial stability, statistics, and climate change.[5] Key achievements and plans include the following:

- **Public Financial Management (PFM) is a priority for CD in Angola.** Weaknesses in cash management, expenditure control, and financial reporting continue to hinder the efficient allocation of resources and budget implementation. The Ministry of Finance is prioritizing addressing these gaps, building on progress made with the Medium-Term Fiscal Framework (MTFF), fiscal risk analysis, and the Medium-Term Expenditure Framework (MTEF). The 2024 TA on cash management provided key recommendations for improving processes; if necessary, a follow-up mission should be considered to ensure effective implementation. The 2019 PIMA follow-up is needed to improve capital spending efficiency, a key surveillance priority.

- **Fiscal Policy and Institutional Reform.** AFRITAC South (AFS) plans to provide TA on macroeconomic frameworks for the Ministry of Finance to ensure consistent forecasting and fiscal risk analysis. The forthcoming mandated review of the Fiscal Sustainability Law is a key priority for CD efforts to maintain robust fiscal anchors and enhance their effectiveness. On public debt management, a long-term expert funded by USAID is supporting the Treasury's operational capacity building. International institutions, including the World Bank, support capacity building for social protection, cash transfers, and fuel subsidy reforms in coordination with the IMF. Capacity development in health, education, and social policies by UNICEF and AfDB should continue.

- **Tax Policy and Revenue Administration.** The IMF Fiscal Affairs Department (FAD) has focused its technical support on reviewing tax policy and boosting revenue administration capacity. This support included modernizing income tax, establishing crisis management,

[5] See Technical Assistance, Angola 2024 Article IV Consultation – Informational Annex.

implementing project management, and enhancing electronic access and compliance risk management at AGT for VAT. Following the 2023 joint policy and revenue administration TA report on income taxation, a review of the new draft income tax law is underway to ensure its compliance with earlier CD recommendations.

- **Monetary policy framework.** The IMF Monetary and Capital Market Department (MCM) is providing TA to support the transition to an inflation-targeting regime, enhance forecasting and policy analysis systems, and strengthen monetary and FX operations frameworks. IMF staff, TA experts, and the authorities have collaborated closely to ensure the effective implementation of recommendations and to harness synergies between surveillance and capacity development. Refining the monetary and FX operations framework remains a key priority for the central bank, and capacity development efforts in this area should continue.

- **Financial Sector.** The IMF MCM continues to provide TA on operationalizing the new bank recovery and resolution frameworks. Follow-up TA was undertaken in 2024 in relation to operationalizing the bank resolution framework. Progress has been made on implementing the IMF STA recommendation to improve the accuracy and operational efficiency for compiling financial soundness indicators. The BNA prioritizes the assistance on strengthening macroprudential oversight and policies, with the request made in 2024. BNA will participate in AFS' cyber risk supervision and regulation initiatives as well as receive TA on the core elements of risk-based supervision in 2025.

- **AML/CFT framework.** Following Angola's recent grey listing, coordinated capacity development for relevant agencies is essential to reform legal frameworks and address deficiencies in the AML/CFT framework, which remains a key priority.

- **Climate Change.** Following the conclusion of the 2022 Country Climate and Development Report (CCDR) for Angola, the World Bank continues providing CD to build climate resilience and support green growth, and the AFD and EU support green financing, and AfDB climate-smart PPPs. An IMF's C-PIMA is also being considered.

- **Statistics.** Alongside ongoing statistical improvements, completing national accounts rebasing remains a key CD priority to better reflect economic changes. Adopting GFSM 2014 and addressing large errors in external sector statistics are also crucial for data consistency and reliability.

Annex VIII. Data Issues

Table 1. Angola: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	C	B	B	C	B

Detailed Questionnaire Results

Data Quality Characteristics	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency
Coverage	B	A	C	B	A	
Granularity 3/	C		C	B	B	
			C		C	
Consistency			C	C		C
Frequency and Timeliness	B	A	C	A	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Macroeconomic data is broadly available yet data shortcomings exist in most sectors. In May 2024, the National Institute of Statistics (INE) revised the base year for national accounts. The full integration of the base year revision has not been completed and the authorities continue to publish quarterly GDP data using the previous base year. The base year was revised from the end of the civil war in 2002 to 2015 to reflect changes in the economic structure—mainly the larger size of the agriculture sector. For this reason, staff has determined that the new base year better reflects the current economic structure and has integrated this into IMF estimates and projections. Thus, completion of the full rebasing of the national accounts will enhance data consistency and benefit IMF surveillance. Issues with data quality and timeliness are persistent for government finance statistics. Staff faces challenges when integrating fiscal data due to inconsistencies between data published publicly by authorities and data provided directly to staff from the authorities. Although the provision of external sector statistics occurs on a timely basis, errors and omissions have been persistently large (i.e., averaging about 2 percent of GDP between 2019 and 2023) thus reducing data consistency and certainty regarding Angola's reported external position. Moreover, improved granularity in financial sector data would be beneficial for staff to perform deeper analyses of financial sector conditions (e.g., decomposition of household loans). However, staff assesses that data is broadly adequate for surveillance as (i) shortcomings in other sectors are limited; (ii) the central bank and INE have made progress to improve the extensiveness and transparency in statistical reporting; and, (iii) generally, data is published on a timely basis. There remains scope to improve data across sectors.

Changes since the last Article IV consultation. The authorities continue to make efforts to strengthen the statistical base, improve data provision, and boost statistical reporting transparency with the help from IMF and World Bank technical assistance. Staff has deepened discussions with the authorities on their integration of the new base year for the national accounts statistics, as well as their plans to review the CPI basket in 2025.

Corrective actions and capacity development priorities. Staff recommends that the authorities complete the full integration of the new base year in the published national accounts data and the adoption of GFSM 2014. Efforts to address large errors and omissions in external sector statistics are also recommended. Continued application of the recommendations from technical assistance provided by the IMF and the World Bank is also advised.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the policy note in lieu of official statistics. Note that IMF estimates for annual national accounts data beginning in 2023 utilize the new base year.

Other data gaps. Not applicable.

Table 2. Angola: Data Standards Initiatives

Angola participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since December 2018.

Table 3. Angola: Table of Common Indicators Required for Surveillance

As of December 31, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Angola[8]	Expected Timeliness[6,7]	Angola[8]
Exchange Rates	Dec-24	Dec-24	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Dec-24	Jan-25	M	M	M	...	1M	...
Reserve/Base Money	Dec-24	Jan-25	M	M	M	30	2M	30
Broad Money	Dec-24	Jan-25	M	M	M	30	1Q	30
Central Bank Balance Sheet	Dec-24	Jan-25	M	M	M	30	2M	30
Consolidated Balance Sheet of the Banking System	Dec-24	Jan-25	M	M	M	30	1Q	30
Interest Rates[2]	Dec-24	Jan-25	M	M	M	30	...	30
Consumer Price Index	Dec-24	Jan-25	M	M	M	30	2M	60
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	NA	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Sep-24	Dec-24	Q	Q	Q	90	1Q	90
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-24	Dec-24	Q	Q	Q	365	2Q	180
External Current Account Balance	Sep-24	Dec-24	Q	Q	Q	90	1Q	210
Exports and Imports of Goods and Services	Sep-24	Dec-24	Q	Q	M	90	12W	60
GDP/GNP	Sep-24	Dec-24	Q	Q	Q	365	1Q	120
Gross External Debt	Sep-24	Dec-24	Q	Q	Q	90	2Q	210
International Investment Position	Sep-24	Dec-24	Q	Q	A	90	3Q	210

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

ANGOLA

February 6, 2025

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By | The African Department (in consultation with other departments)

CONTENTS

FUND RELATIONS

As of December 31, 2024

Membership Status Joined: September 19, 1989; Article XIV

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	740.10	100.00
Fund holdings of currency (holdings rate)	3,527.08	476.57
Reserve tranche position	113.54	15.34

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	982.36	100.00
Holdings	369.01	37.56

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
Extended Arrangements	2,900.48	391.90

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Extended Fund Facility	7-Dec-18	27-Dec-21	3,213.40	3,213.40
Stand-By Arrangement	23-Nov-09	30-Mar-12	858.90	858.90

Projected Payments to the Fund

			Forthcoming		
Year	2025	2026	2027	2028	2029
Principal	373.58	535.57	535.57	535.57	401.48
Charges/Interest	142.20	114.54	89.62	69.53	50.23
Total	515.78	650.11	625.19	605.10	451.72

Implementation of HIPC Initiative

Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI)

Not Applicable

Implementation of Catastrophe Containment and Relief (CCR)

Not Applicable

Safeguards Assessment:

An updated safeguards assessment, completed in 2019, recommended legal and institutional reforms to improve the BNA's mandate, autonomy, and governance. Following staff recommendations, the authorities adopted a new BNA Law, and an audit committee was established to provide independent oversight of the central bank's operations. The BNA has also taken steps to strengthen its governance and control environment, including to improve capacity and operational controls in key functions. An updated foreign reserves management framework was implemented to reduce high-risk exposures and align with leading practices. Further, the BNA improved transparency of its financial statements and resolved key deviations from International Financial Reporting Standards (IFRS), including through implementation of IFRS 9. In addition, a framework for emergency liquidity assistance has been established in consultation with Fund staff. Efforts continue to modernize the internal audit function, with an external quality assessment planned for 2026.

Exchange Rate Arrangement

The de jure exchange rate arrangement is floating. The de facto exchange rate arrangement is crawl-like.

Angola maintains restrictions on the making of payments and transfers for current international transactions under the transitional arrangements of Article XIV, Section 2. The measures maintained pursuant to Article XIV are: (i) limits on the availability of foreign exchange for invisible transactions i.e., travel expenses; and (ii) limits on unrequited transfers to foreign-based individuals and institutions. In December 2023, Angola introduced exchange restrictions subject to the Fund's approval under Article VIII Section 2(a) arising from (i)10 percent international transfer tax imposed on legal entities for the purposes of payments for TA, service and consulting contracts; and (ii) 2.5 percent international transfer tax imposed on individuals for the purposes of payments for TA, service and consulting contracts and personal remittances.

Article IV Consultation

Angola is on the standard 12-month cycle. The next Article IV Consultation is scheduled to be completed by December 2025.

Financial Sector Assessment Participation

A joint IMF-World Bank Financial Sector Assessment Program (FSAP) is scheduled for 2025, which will include bank stress tests, a comprehensive review of the supervisory framework, and an assessment of financial inclusion. A previous FSAP was conducted in 2012.

Resident Representative

Mr. Victor Duarte Lledo has been the IMF Resident Representative in Angola since August 8, 2023.

TECHNICAL ASSISTANCE

The Fund has been providing Angola with technical assistance and training to help authorities strengthen their capacity to design and implement effective policies. Capacity Development covers wide range of areas in macroeconomic, fiscal, and monetary. Technical assistance activities since 2014 are listed below:

Description	**Year of Delivery**
Monetary and Capital Markets (MCM)	
Emergency Liquidity Assistance and Collateral Frameworks	2024
Forecasting and Policy Analysis System (FPAS)	2024
Bank Resolution and Financial Crisis Management	2024
Monetary Policy Implementation and Operations	2024
AFRITAC South: Diagnostic Mission for FMI & Fintech Analysis	2023
In-Debt Assessment of the Internal Audit Function	2023
Operationalizing Bank Resolution Framework	2023
Virtual TA: Enhancing Central Bank Governance	2022
Monetary Policy Framework Modernization/Inflation Targeting	2022
Financial Management	2021
Emergency Liquidity Assistance	2021
Basel II/III SREP Implementation	2021
Banking Sector Restructuring	2020
Development of Capital Markets	2020
Monetary Policy Implementation and Operations	2020
Banking Sector Restructuring	2020
Foreign Operations and FX Policy Implementation	2019–20
Medium- and Long-Term Debt Strategy (with WB)	2019
Technical Assistance on FX Market Operations	2018
Basel II Implementation	2018
Technical Assistance on Correspondent Banking Relationships	2016
AFRITAC South: Liquidity Management (Various Missions)	2015–18
AFRITAC South: Inflation Forecasting Framework (Various Missions)	2015–18
AFRITAC South: Macro-Prudential Analysis	2016, 2017
Fiscal Affairs Department (FAD)	
Revenue Administration	2024
Tax Administration	2024
Customs Administration	2024

Budget Preparation	2024
Organizational Design, Strategic Management and Leadership	2023
Compliance Risk Management System in VAT	2023
Enhancing Access to Electronic Information	2023
Modernization of Income Taxation	2023
Medium Term Expenditure Framework	2023
Arrear Prevention and Cash Management, Fiscal Risk Managing, Fiscal Reporting and Other Treasury Reforms	2023
Gender Budgeting	2023
Medium Term Fiscal Framework and Fiscal Risks	2022–23
Tax Compliance	2022
PIMA Follow-Up	2022–23
Fiscal Reporting (Follow-Up)	2022–23
Seminar On Fiscal Risks	2021
PIMA Follow-Up	2021
Gender Budgeting	2021
AFRITAC South: Arrears Prevention and Cash Management	2022
AFRITAC South: Medium-Term Expenditure Framework	2021
AFRITAC South: Program-Based Budgeting	2021
AFRITAC South: Expenditure Management Procedures and Capacity Building	2021
AFRITAC South: Improving Cash Management to Prevent Arrears Incurrences	2020
Fiscal Reporting	2019–20
Informality and International Transfer Pricing	2020
Excise Tax	2020
VAT Refunds	2019
Transfer Pricing	2019
VAT Strategy	2019
Tax Policy Diagnostic Assessment	2019
AFRITAC South: Building Capacity in The Implementation and Monitoring of The Multi-Year Reform Plan	2019
AFRITAC South: Enhancing AGT Capacity to Manage Reforms	2019
AFRITAC South: IT Upgrade to Enable Effective Administration of VAT	2019
Public Investment Management Assessment (PIMA)	2019
PFM Diagnostic	2019
FAD And AFRITAC South: Information Requirements for Fiscal Execution Reports	2019
FAD And LEG: Fiscal Responsibility Law	2019
AFRITAC South: Customs and Tax Administration (Various Missions)	2015–18

AFRITAC South: (Incl. FRL And Fiscal Rules) (Various Missions)	2014–18
AFRITAC South: Public Investment Management (Various Missions)	2015, 2017
AFRITAC South: Expenditure Control and Arrears (Various Missions)	2014, 2016, 2017
Vat Implementation	2016, 2017
MTFF (Incl. FRL And Fiscal Rules)	2014, 2016
Statistics Department (STA)	
Financial Institutions	2024
Government finance and debt statistics	2019–24
Consumer Price Index (CPI)	2020–24
National accounts, and external and monetary statistics	2019–24
Monetary and Financial Statistics (Various Missions)	2014, 2016 ,2017
AFRITAC South: Price Statistics	2017
AFRITAC South: National Accounts (Various Missions)	2015–18
Institute for Capacity Development (ICD)	
ICD and AFR: Macroframework and Financial Programming	2020–21
Financial Programming and Policies (FPP1.0)	2014, 2020
Legal Department	
AML/CFT Framework	2017, 2018, 2019, 2020
BNA Law	2020

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/angola
- African Development Bank: https://www.afdb.org/en/countries/southern-africa/angola
- Regional Technical Assistance Center for Southern Africa (AFRITAC South—AFS): http://www.southafritac.org/

**Statement by Mr. Ubisse, Executive Director for Angola,
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On behalf of our Angolan authorities, we extend our sincere appreciation to Mr. Sy and his team for their constructive discussions and recommendations during the Article IV mission. The authorities broadly agree with the staff's analysis and the key policy priorities identified. They reaffirm their strong commitment to economic transformation and enhancing long-term resilience, consistent with the National Development Plan (NDP) 2023–27. Alongside, they are forging forward to consolidate progress made under the 2018 Extended Fund Facility (EFF) program.

After a slow 2023, Angola's economic growth picked up speed in 2024, owing to strong performance of the oil and non-oil sectors. The oil production capacity has been restored because of the authorities' decision to address the challenges in production, by updating the infrastructure and making investments in exploration and recovery technologies. They remain optimistic about the global oil market outlook and confident that stability in the domestic oil production, will support growth going forward.

The authorities therefore recognize that for Angola to achieve higher and sustainable growth, there is a need to diversify the economy and identify new sources of growth, beyond the oil sector. They are acutely aware of the challenging trade-offs between the revenue-based fiscal consolidation for long-term debt and macroeconomic stability. However, there is a necessity for substantial infrastructure investment, to foster long-term economic growth, generate employment and enhance social services. The authorities are dedicated to balancing infrastructure expansion and structural reforms with fiscal prudence, ensuring that targeted investments yield significant returns to GDP growth. The 2025 budget is based on careful consideration of domestic economic factors, realistic assumptions, feasibility of budget execution and balanced risk management.

I. Recent Economic Developments and Outlook

Real GDP is projected to rise from 1.0 percent in 2023 to 3.3 percent in 2024, underpinned by positive growth in the non-oil sectors. The contraction in the oil and gas moderated from 2.4 percent in 2023 to 1.0 percent in 2024 and is expected to rebound to 1.6 percent in 2025. Growth in the non-oil sector increased from 2.2 percent in 2023 to 5.1 percent in 2024 and expected to accelerate further to 5.2 percent in 2025, suggesting that the ongoing economic diversification efforts and related investments are starting to bear fruit. That said, the outlook is faced with downside risks, including a slowdown in global growth, volatility in commodity price, tighter global financial conditions and increasing geopolitical tensions. However, greater momentum and effectiveness of domestic reforms are expected to boost investment and support overall growth.

Headline inflation increased from 20.0 percent at the end of December 2023, peaked at 31.1 percent in July 2024, and moderated to 27.5 percent by end December. The inflation was primarily driven by the reduction in fuel subsidies (gasoline), rising food and transportation costs, climate change factors, and the depreciation of the Kwanza. In January 2025, the year-on-year inflation receded to 26.5 percent and this downward trend is anticipated throughout 2025, with inflation expected to decrease to 17.5 percent as per the Banco Nacional de Angola's (BNA) projection.

The current account surplus is projected to expand from 6.8 percent in 2023 to 7.0 percent in 2024, reflecting a fall in imports. International reserves remained stable at 7 months of import cover from the end of 2023 to the end of 2024, a relatively strong position compared to peer countries.

II. Fiscal Policy and Debt Management

The authorities are committed to putting public debt on a sustainable trajectory, in order to create the much-needed fiscal space. Government debt is expected to moderate to 69 percent of GDP by end of December 2024 and further to 63 percent by end of 2025. To this end, they are actively pursuing debt management strategies, including reprioritizing concessional financing, refinancing costly resource-backed loans, and collaborating with major creditors to optimize debt structures and enhance liquidity. The composition of external debt, including currency, maturity and creditor, is considered important in managing debt. The 2025 Annual Debt Plan has been published to support debt management operations.

Furthermore, the authorities are committed to a revenue-based fiscal consolidation path to ensure sustainable debt management and securing investment expenditure. Through steadfast efforts, the authorities have successfully reduced the overall fiscal deficit from 2.8 percent of GDP in 2023 to 1.5 percent of GDP in 2024, while improving the primary surplus from 3.8 percent to 4.8 percent of GDP over the period.

The authorities are pursuing their revenue mobilization efforts in line with staff's recommendations. Specifically, they are on track with the modernization of the tax system to improve compliance, unification of corporate income taxes into a single corporate income tax (IRPC), while also moving towards a single personal income tax (IRPS). They are implementing a new legal framework for invoices, establishing a property tax registry to facilitate the introduction of property taxes, reviewing the statutes of the General Tax Administration, and revising the codes for general tax, customs, and tax benefits.

The authorities are however anticipating an increase in spending due to accelerated capital expenditures, higher public sector wages, and increased government spending on health and education. To mitigate this, authorities have enacted control measures, including restrictions on new hirings and contracts, prohibiting overtime payment, and forbidding spending on non-budgeted items. They are also gradually eliminating fuel subsidies to free up resources for priority spending. The inaugural publication of the Medium-Term Expenditure Framework (MTEF) is envisaged by June 2025, for implementation with the 2026 State Budget. The MTEF will assist in setting the indicative spending limits for the 2026 budget and in forecasting expenditure limits by mission and funding sources, as required by the Fiscal Sustainability Law.

The authorities are actively implementing reforms to strengthen State-Owned Enterprises (SOEs). To this end, ongoing efforts include defining the State's roles as shareholder and the regulator, restructuring and optimizing SOEs' efficiency, enhancing governance by strengthening management and accountability principles, improving oversight to minimize fiscal risks, and enhancing financial reporting standards and transparency. They are also reclassifying companies within the SOEs through distinguishing those with a policy-driven focus from those with a commercial focus. The latter are envisaged to be managed by a Holding Company (SGPS), to be established soon by the government.

In line with the NDP 2023–27, the authorities are focused on reducing dependence from the oil sector. Therefore, they are prioritizing investments in infrastructure, particularly in transport and port logistics, energy, and utilities, as well as in human capital development, to foster long-term economic growth and generate employment opportunities. The authorities have secured multi-partner and domestic private sector funding for critical projects. That said, for the projects already underway, authorities continue to monitor the impact, especially with regards to output and job creation. Thus far, investing in economic diversification has resulted in real growth in the agricultural sector surging from 2.7 percent in 2023 to 4.3 percent in 2024, in fisheries and derivatives from 2.8 percent to 6.4 percent, in manufacturing from 1.4 percent to 4.6 percent, in energy production from 5.3 percent to 8.8 percent and in construction a rebound from a contraction of 1.5 percent to an increase of 1.7 percent.

The authorities recognize the need to improve the public investment process. Based on the Public Investment Management Assessment (PIMA) recommendations from 2021, the Ministry of Planning created an Action Plan to enhance public investment management for better spending efficiency and project outcomes. Out of fourteen planned actions, two are completed, eight are ongoing for completion by December 2025, and four have not yet started. Completed actions focus on protecting priority projects and enhancing coordination between governmental ministries. To this end, they have tightened the criteria for project selection, focusing on those with an execution rate of 75 percent or higher, significant economic returns, positive societal impact, and sizable contributions to food and energy security. Key ongoing actions include updating project management regulations and improving quarterly financial programming. The authorities appreciate the ongoing technical support from the IMF and other expert agencies to enhance resource allocation, monitoring efforts and deliver fruit-bearing projects.

The authorities are implementing public financial management reforms to improve fiscal transparency, accountability, and public-private partnerships (PPPs). They have released more comprehensive budget reports that detail revenue and expenditure, thereby facilitating better fiscal planning, project assessment, and budget execution. Further, they are enhancing tracking of government expenditures and ensuring effective allocation of public funds. They are also focusing on strengthening public investment management by fostering competition and modernization of public procurement, revising the legal framework of the National Public Procurement System (SNCP), regulating and updating the Electronic Procurement Regulation.

III. Monetary and Exchange Rate Policies

The BNA is committed to maintaining price stability and anchoring inflation expectations. In response to ongoing inflationary pressures, the BNA adopted a tighter monetary policy, increasing policy rate from 18.0 percent in November 2023 to 19.5 percent in May 2024 and keeping it unchanged for the remainder of the year. This has led to a reduction in both monthly and annual inflation rates from July to December 2024. The monetary policy committee upheld the restrictive monetary policy stance at 19.5 percent in January 2025.

The BNA is committed to transitioning to an inflation-targeting framework in line with the IMF Technical Mission's recommendations in 2022. The BNA continues to allow greater flexibility in the exchange rate, reaffirming its commitment to reforms to improve foreign exchange operations, refine forecasting methods, and effectively communicating foreign exchange intervention policies. The BNA has made significant progress in aligning interbank market conditions with the policy rate.

IV. Financial Sector Polices

Angola's financial sector continues to demonstrate resilience. The capital adequacy ratio (CAR) stood at 21 percent as of September 2024 and has consistently remained above the regulatory minimum of 8 percent, signifying strong capitalization and the ability to absorb potential losses. The ratio of non-performing loans (NPLs) edged to 19.57 percent in September 2024 from 16.7 percent in February. Banks have continued to report stable profits, the return on assets (ROA) stood at 3 percent in September 2024 from 2.27 percent in February, while the return on equity (ROE) increased from 21.6 percent to 24.7 percent. The loan-to-deposit ratio remained stable at 40 percent at the end of September 2024.

The banks' holdings of government securities remain high, however, this is in line with trends observed in emerging markets. To mitigate risks associated with the sovereign-bank nexus, the BNA will continue to promote asset diversification among banks, while reinforcing supervisory measures to manage potential threats. Significant progress has been made to improve the overall soundness of the banking sector. To this end, the BNA is publishing biannual Financial Stability Reports to monitor systemic risks, mandating banks to submit as from July 2024, recovery plans that outline strategies for financial distress institutions and conducting a top-down stress tests to assess the resilience of banks under adverse scenarios.

The bank resolution framework has been operationalized to bolster financial stability and mitigate systemic risks. Currently, the BNA is implementing the third phase of the Resolution framework, with emphasis on Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requisites and the crisis simulation exercise. The BNA is committed to enforcing this framework more rigorously, while preparing for the resolution or liquidation of distressed banks, safeguarding small depositors and minimizing costs to taxpayers. The establishment of the official backup funding for the Deposit Guarantee Fund (FGD) and the Resolution Fund (FDR) is on track, capitalized by contributions from commercial banks with fiscal financing mechanism provided for in emergency situations. In 2024, a survey was carried out to identify the need for the improvement in the Law of Financial Institutions, with particular emphasis on non-bank entities.

The Financial Information Unit (FIU) and the BNA have escalated initiatives to address AML/CFT strategic deficiencies. In May 2024, the National Assembly ratified amendments to the AML/CFT legislation, thereby enhancing the legal structure for tackling financial crimes. The FIU and the BNA have implemented measures to ensure adherence to international sanctions and to maintain the integrity of its financial system. Furthermore, collaboration with international organizations such as the Financial Action Task Force (FATF) to fortify the AML/CFT framework and exit from the grey list by early 2027, is ongoing. Thus far, five main recommendations pertaining to the BNA have been implemented, while the other government agencies are putting concerted efforts to resolve the remaining 12 recommendations.

V. Structural Reforms and Governance

The Lobito Corridor is a key infrastructure and economic reform project in Angola that seeks to help the economy diversify from the oil reliance. The benefits of this project span wide, including giving farmers better market access, improving mining efficiency, boosting logistics and transportation business, enhancing digital services and connectivity, and developing industrial zones. The project is expected to generate jobs for the youths and women, directly in construction and logistics, and indirectly in trade and services, thereby improving the living standards and lowering the unemployment rate in regions along the railway, as well as in the neighboring countries of Democratic Republic of Congo and Zambia. Furthermore, the project will facilitate higher household incomes, improve social services, enhance connections between urban and rural areas, and boost revenue collection in line with expected growth elevation. The successful implementation of this reform hinges on the support of both the international partners and the domestic private sector.

Collaborating with the private sector to boost food production and ensuring a stable supply of food remains a top priority for the authorities. Alongside, the authorities are continuing to enhance food security through collaborative projects such as Angola Commercial Agriculture Development Project (PDAC), which aim to support farmers and SMEs with financing, technical assistance, and credit guarantees to transition from subsistence to market-driven farming. The National Development Strategies aimed at boosting local production, reducing imports, and enhancing food security are also proving to serve the course well.

The authorities are committed to strengthening resilience against climate change. To achieve this, they are continuing to invest in hydropower and solar energy to ensure a reliable and increased power supply. In October 2024, Angola hosted its first National Climate Outlook Forum (NOCF), which aimed to enhance renewal energy production capacity and the use of climate services while fostering collaboration among stakeholders, which include researchers, policymakers, and end-users. They also continue to collaborate with international agencies to improve climate resilience and secure the necessary funding.

The authorities have implemented a range of initiatives aimed at combating corruption and improving governance. In July 2024, they launched the National Strategy for the Prevention and Repression of Corruption (ENAPREC) through a Presidential Decree. This strategy is designed to increase public awareness regarding corruption, provide citizens with the necessary tools to recognize and address it. Notable progress has been achieved in refining the asset forfeiture framework to bolster the current asset recovery program and to address the AML/CFT concerns highlighted by FATF.

Conclusion

The authorities reiterate their strong commitment to prudent macroeconomic policies and transformation reforms. The fiscal consolidation efforts reflect a shift toward macroeconomic stability, with a focus on debt reduction, expenditure efficiency, and diversified revenue sources.