IMF Country Report No. 23/334

ANGOLA

FIRST POST FINANCING ASSESSMENT DISCUSSIONS—PRESS RELEASE; AND STAFF REPORT

September 2023

In the context of the First Post-Financing Assessment, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis, following discussions that ended on July 21, 2023, 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 July 31, 2023.

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PRESS RELEASE

PR23/303

IMF Executive Board Concludes First Post Financing Assessment Discussions with Angola

FOR IMMEDIATE RELEASE

Washington, DC – September 5, 2023: On August 29, 2023, the Executive Board of the International Monetary Fund (IMF) concluded the **Post Financing Assessment** (PFA)[1], and endorsed the Staff Appraisal on a lapse-of-time basis[2]. Angola's capacity to repay the Fund is adequate, despite elevated risks.

Successful reforms coupled by firmed oil prices supported the Angola's economic recovery in 2021–22, however, declined oil production has led to significant challenges to the economy. Towards the end of 2022 and the first half of 2023, the oil sector weakened due to the extension of temporary maintenance operations. With declines of both oil prices and production in the first half of 2023, exports and oil revenues declined, resulting in a weakness in the fiscal and external sectors, and a significant depreciation in the nominal exchange rate in June 2023. Following the strong nominal exchange rate depreciation and the partial removal of fuel subsidies, inflation increased in June, to 11.3 percent (from 10.6 percent); for the first time in 15 consecutive months; whereby the BNA (Banco Nacional de Angola) responded by tightening liquidity conditions.

Growth is expected to slow down to 0.9 percent in 2023 (due to an estimated weak oil production this year), before stabilizing at around 3.4 percent in the medium term, aided by the authorities' structural reform and diversification agenda. Inflation is expected to increase temporarily in 2023/24 due to higher energy prices related to the fuel subsidy reform, and to ease thereafter.

A moderate fiscal adjustment is expected in 2023, in line with the budget, with a more significant adjustment expected in 2024 with the planned fuel subsidy reform. Although the near-term fiscal outlook has worsened since the Article IV, the authorities would reach their medium-term fiscal targets under the baseline with a full implementation of their subsidy reform. Downside risk to the outlook include a larger-than-expected decline in global oil prices, continued weakness of the oil production and failure to fully implement the planned fuel subsidy reform in 2024.

Executive Board Assessment

Angola's economic recovery in the near term remains dependent on the oil sector and is largely dependent on the materialization of the diversification plans in the medium term. Despite the weaker outturns for oil production in 2023 H1, growth momentum is expected to

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[1] After completing an IMF lending program, a country may be subject to a Post Financing Assessment (PFA). It aims to identify risks to a country's medium-term viability and provide early warnings on risks to the IMF's balance sheets. For more details click here

[2] The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

continue, once temporary maintenance operations are complete. Risks to the outlook remain high, given the continued high reliance on the oil sector, and the medium term is largely dependent on the recovery of the non-oil sector, and the authorities' progress with the diversification plan.

Angola's capacity to repay the Fund is adequate, despite elevated risks, and appears to be resilient to shocks. Under the baseline, Angola's projected repayments to the Fund will increase over the medium term but would peak in 2026 at broadly comfortable levels. Under a significant and prolonged shock scenario, the projected capacity to repay indicators would remain manageable. Steps to mitigate this shock, including allowing the exchange rate to function as a shock absorber and rationalization of some expenditure, would be important in such a scenario.

Fiscal slippage has reduced buffers and a sustained adjustment is required to mitigate risks. The authorities should continue to act swiftly to reverse the large fiscal slippage of 2022. To do so, it is critical to fully implement the subsidy reform announced on June 1 (with mitigation measures to support the vulnerable population). In parallel, the authorities should also pursue tax policy measures to mobilize non-oil domestic revenue and make further progress on the fiscal structural agenda, including public financial management and public investment management reforms.

Continued efforts are needed to bolster financial stability. Ongoing prudential reforms should continue to improve banking sector oversight and health. To safeguard market confidence and reduce contingent fiscal risks, the DGF needs to strengthen its financial and operational capacity, and the BNA should prepare for the decisive resolution or liquidation of problem banks, as necessary, while protecting only small depositors.

Maintaining focus on medium-term structural reforms is critical to maintaining growth in the context of a declining oil production. Lessening the dependence on the oil sector is critical and should remain the authorities' medium-term focus, to reduce vulnerabilities arising from the increased volatility of this sector. Accordingly, continued efforts to strengthen governance, improve the business environment, and promote private investment are needed, guided by the authorities' diversification plans, as well as strengthened macroeconomic and financial policies under the new National Development Plan (2023–27).

Angola: Selected Economic Indicators, 2022–24

	2022	2023	2024
		Proj.	
Real economy (percent change, except where otherwise indicated)			
Real gross domestic product	3.0	0.9	3.1
Oil sector	0.5	-6.1	0.5
Non-oil sector	4.2	3.4	3.8
Nominal gross domestic product (GDP)	20.1	12.5	27.0
Oil sector	5.9	-3.9	26.8
Non-oil sector	26.4	18.5	27.0
GDP deflator	16.6	11.5	23.2
Non-oil GDP deflator	21.4	14.6	22.3
Consumer prices (annual average)	21.4	14.6	22.3
Consumer prices (end of period)	13.8	18.8	25.6
Gross domestic product (billions of kwanzas)	56,778	63,851	81,078
Oil gross domestic product (billions of kwanzas)	15,330	14,732	18,687
Non-oil gross domestic product (billions of kwanzas)	41,447	49,119	62,391
Gross domestic product (billions of U.S. dollars)	122.8	96.9	94.6
Gross domestic product per capita (U.S. dollars)	3,438	2,635	2,497
Central government (percent of GDP)			
Total revenue	23.2	21.8	21.5
Of which: Oil-related	13.6	11.8	11.3
Of which: Non-oil tax	7.9	7.8	7.8
Total expenditure	22.5	23.9	20.7
Current expenditure	16.4	19.0	16.5
Capital spending	6.1	4.9	4.2
Overall fiscal balance	0.7	-2.1	0.8
Non-oil primary fiscal balance	-8.5	-8.3	-5.4
Non-oil primary fiscal balance (percent of non-oil GDP)	-11.6	-10.8	-7.0
Money and credit (end of period, percent change)			
Broad money (M2)	-1.4	12.5	24.7
Percent of GDP	20.0	20.0	19.6
Velocity (GDP/M2)	5.0	5.0	5.1
Velocity (non-oil GDP/M2)	3.6	3.8	3.9
Credit to the private sector (annual percent change)	-4.8	6.3	16.6
Balance of payments			
Trade balance (percent of GDP)	26.7	21.7	22.2
Exports of goods, f.o.b. (percent of GDP)	40.8	36.2	36.4
Of which: Oil and gas exports (percent of GDP)	38.7	33.5	33.3
Imports of goods, f.o.b. (percent of GDP)	14.1	14.5	14.2
Terms of trade (percent change)	35.6	-27.0	-6.0
Current account balance (percent of GDP)	9.6	2.3	3.2
Gross international reserves (end of period, millions of U.S. dollars)	14,661	13,701	14,034
Gross international reserves (months of next year's imports)	7.2	7.1	7.0
Exchange rate			
Official exchange rate (average, kwanzas per U.S. dollar)	462	…	…
Official exchange rate (end of period, kwanzas per U.S. dollar)	504	…	…
Public debt (percent of GDP)			
Public sector debt (gross)[1]	65.2	83.2	75.6
Of which: Central Government debt	60.8	77.1	71.7
Oil			
Oil and gas production (millions of barrels per day)	1.250	1.206	1.234
Oil and gas exports (billions of U.S. dollars)	47.5	32.5	31.5
Angola oil price (average, U.S. dollars per barrel)	100.3	76.7	72.1
Brent oil price (average, U.S. dollars per barrel)	99.0	78.4	73.6

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

FIRST POST-FINANCING ASSESSMENT DISCUSSIONS

July 31, 2023

EXECUTIVE SUMMARY

Context. After achieving macroeconomic stability amid a difficult environment in 2020, the recovery that began in 2021 continued through 2022, aided by high oil prices. President João Lourenço second term – achieved last year – is focused on boosting diversification and non-oil growth. However, Angola faces significant challenges in 2023, including a worsening outlook for oil prices, lower oil production, a highly uncertain external environment, and the need to unwind last year's large fiscal loosening. The latter will be aided by the full completion of the fuel subsidy reform announced by the government on June 1, 2023. Angola's capacity to repay the Fund is adequate though subject to high risks. In the event of an adverse scenario involving a prolonged oil price shock, repayment indicators would weaken but remain adequate.

Policies. Managing risks requires close attention to fiscal adjustment and public finance risks, further progress on financial sector stabilization, and stepped-up efforts toward economic diversification.

- *Fiscal policy*: Reversal of fiscal slippage, is critical. Full implementation of the planned fuel subsidy reform will be a critical element. The authorities should create additional fiscal space by following through on fiscal structural reforms and introducing new non-tax policy measures.

- *Financial sector*: To safeguard market confidence and reduce contingent fiscal risk, the BNA needs to finalize ongoing prudential reforms, and prepare to deal decisively with problem banks, as necessary, while protecting small depositors. The Deposit Guarantee Fund's financial and operational capacity should be strengthened.

- *Growth and diversification*: In the near term, the authorities should continue to build buffers against shocks and to further develop their social support mechanisms. Further progress on the diversification agenda requires continued implementation of structural reforms (including the governance agenda) and a stronger coordination among the key ministries and stakeholders in order to finalize the national development plan for 2023–27. The plan should be monitored in the short term and be consistent with a medium-term fiscal framework.

Approved By
Vitaliy Kramarenko
Stefania Fabrizio

Discussions took place during May 3–12, 2023 in Luanda; and virtually during July 19–21, 2023. The mission held discussions with Minister of State for Economic Coordination Manuel Nunes Júnior, Minister of Finance Vera Esperanca dos Santos Daves de Sousa, Minister of Economy and Planning Mario Augusto Caetano Joao, Banco Nacional de Angola former and new Governors José de Lima Massano and Manuel Tiago Dias, and other senior officials. The staff team comprised Messrs. Sy (head), Ms. Abdelrazek and Mr. Weiss (AFR); Ms. Karlsdottir (MCM); Ms. Parulian and Ms. Sin (SPR); and Messrs. Souto (resident representative) and Miguel (local economist). Mr. Essuvi (OEDAE) participated in key policy meetings. Ms. Avila-Yiptong provided research support. Ms. Joseph and Ms. Tawiah assisted with the preparation of this report.

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CONTEXT

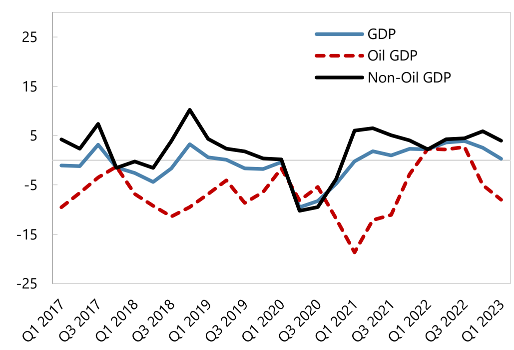
1. **Angola saw a return to growth in 2021–22 amid higher oil prices and successful reform but weakness in the oil sector this year has led to significant challenges to the economy**. Angola remained resilient amid external shocks and the political cycle last year. Fiscal loosening in 2022 and a worsening oil price outlook have reduced buffers against shocks. President João Lourenço, who won a second mandate (with a much-reduced majority) last year, and his government remain focused on Angola's diversification agenda. In 2023 H1, declines of both oil prices and production led to both lower export proceeds and oil revenues, resulting in a significant depreciation of the nominal exchange rate in Q2. These developments entail the need for spending adjustment efforts to unwind last year's fiscal loosening. The full completion of the fuel subsidy reform announced by the government on June 1, 2023, should help improve fiscal balances in the medium term.

RECENT DEVELOPMENTS AND OUTLOOK

2. **Growth improved in 2022 led by a robust performance of the non-oil sector and recovery in the oil sector.** Growth improved to 3 percent in 2022, led by the non-oil sector at 4.2 percent. The latter was broad-based and particularly strong in Q4 (5.9 percent y/y). The oil sector recovered but grew at a weaker pace (0.5 percent for the year) due to temporary maintenance operations in Q4.

Gross Domestic Product

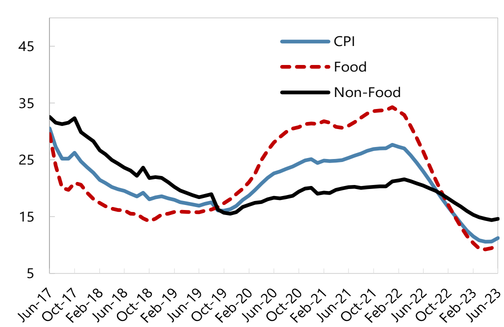
(Percent change, year-on-year)



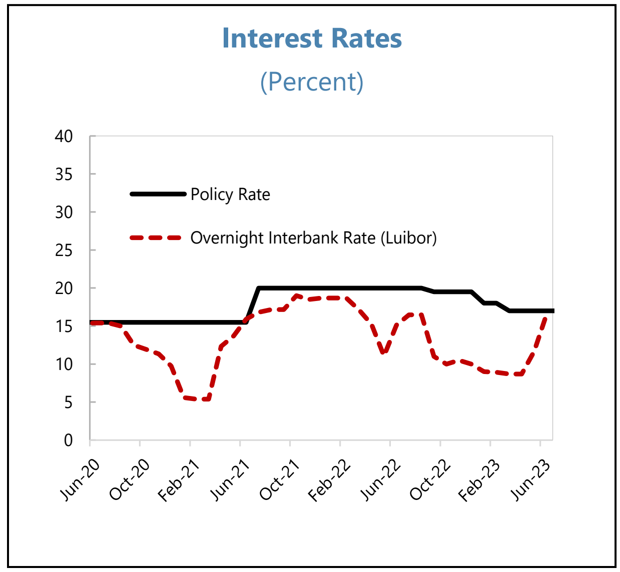
3. **However, the contraction of the oil sector in the first half of 2023 will lead to significantly weaker overall growth this year.** Oil production has remained weak into 2023 Q2 due to the extension of maintenance operations. Accordingly, GDP outturns in Q1 showed a significant weakness growing by just 0.9 percent (compared to 3.9 percent in the previous quarter). At the same time, the non-oil sector grew by 4.0 percent.

Consumer Price Inflation

(Percent, year-on-year)



4. **BNA tightened liquidity conditions in response to exchange rate depreciation and higher inflation in June.** Inflation reached 11.3 percent y/y in June from 10.6 percent in May following the partial removal of fuel subsidies (see paragraph 5) and the recent strong exchange rate depreciation (see paragraph 8). After embarking on an easing cycle in September 2022 through March 2023, the BNA kept the key policy rate on hold in May and July at 17 percent. In July, the BNA



(i) increased the lending facility rate by 50 bps to 17.5 percent; (ii) revised the range for inflation rate forecast for 2023 upwards from 9–11 percent to12–14 percent; and (iii) relaxed partly the custody fee on excess reserves. At the same time, June data show that the overnight interbank (Luibor) increased by about 490 bps to align with the key policy rate. The alignment between the rates reflect a tighter stance and a positive step in improving liquidity management, which aims to increase the effectiveness of BNA's policy tools. Although the inflationary impact of the removal of fuel subsidies is expected to be more pronounced in 2024, a move this year to further tighten monetary policy is necessary, given the recent strong exchange rate depreciation, considering a high pass-through to inflation.

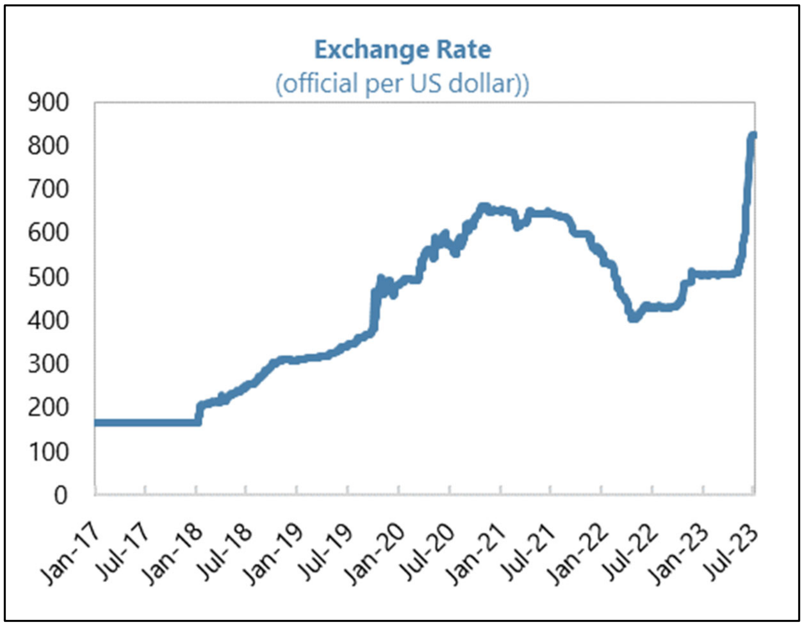
5. **Fiscal loosening in 2022 was larger than expected (see Text Table).** Oil revenues in 2022 were 0.5 percentage points of GDP lower than expected at the time of the Article IV due to continued production underperformance through Q4. Fuel subsidy costs were significantly higher than expected (0.9 percentage points of GDP) due to a shift in the method by which the price of refined products purchased by Sonangol is measured. The capital expenditure overrun was 0.5 percentage points of GDP larger than expected. Finally, non-oil revenues were moderately (0.2 percentage points of GDP) higher than expected. The overall and non-oil primary fiscal balances are, in turn, expected to have closed 2022 at 0.7 percent of GDP and -8.5 percent of GDP, respectively, representing large downward revisions from the Article IV estimates. Public debt is estimated to have closed the year at 65.2 percent of GDP, modestly lower than expected at the time of the Article IV. Non-oil revenues continued their better-than-expected performance in Q1, although oil revenues likely continued to underperform given weak oil production.

6. **The authorities have initiated fuel subsidy reform.** The government announced on June 1, 2023 (i) an 88 percent increase in the price of gasoline, representing a reduction of approximately half of the subsidy for this product, effective June 2; (ii) the gradual removal, over 2024–25, of the rest of the gasoline subsidy and subsidies for diesel and illuminating fuels; and (iii) the retention of subsidies for cooking fuel (a relatively small share of total fuel subsidies). The authorities also announced a series of mitigation measures to support those impacted by the fuel prices increases, including, for businesses, support for agriculture and fisheries and freight transport operators; and subsidies for taxi and moto-taxi operators; and, for households, reinforcement of the Kwenda cash transfer program, a reduction in personal income tax, and public transport subsidies.

7. **Strong progress has been made in improving government finance statistics.** The authorities are in the process of adopting, with Fund technical assistance, the GFSM 2014

presentation for fiscal data, which will help improve budget effectiveness and transparency. Completion and dissemination of the historical series are planned for Q3 2023.[3]

8. External balances remained healthy at end-2022, driven by strong oil and gas exports. The former grew by 49 percent y/y, despite the temporary shutdown of some oil wells, leading to a current account surplus of 9.6 percent of GDP. Imports grew by 46 percent y/y in 2022, driven by higher fuel and food imports. Trade data for Q1 2023 show a 35 percent y/y decline in exports, driven by oil; imports grew, but at a more moderate pace.



9. The kwanza had been stable since December 2022 before depreciating by over 38 percent between mid-May and end-June.[4] This mainly reflects a drop in FX supply from both oil exports and receipts (especially starting in March) and higher external debt amortizations due to the end of the debt service moratorium. International reserves ended 2022 at US$14.6 billion, or 7.2 months of imports, and remained broadly stable, until mid-June, whereby they fell by over $1 billion compared to end-2022, partly due to intervention in the FX market. Despite this, gross international reserve (GIR) coverage for 2023 is expected to remain adequate at 7 months of imports.

10. Outlook:

- ***Under the baseline, growth is expected to weaken in 2023 and to stabilize at around 3.4 percent in the medium term***. The short-term outlook mainly reflects the drop in oil production and lower oil prices during this period, while the medium-term outlook would be supported by the authorities' plans for structural reforms to boost diversification. Annual inflation is expected to increase temporarily, due to the depreciation of the nominal exchange rate in 2023 and the continuation of the fuel subsidy reform in 2024 and then ease thereafter. Staff's baseline anticipates a steady medium-term decline in the non-oil primary

[3] Fiscal data and projections cited in this report remain along the lines of the previous (GFSM 1986) methodology as a revision of the complete historical series is not yet available. The series would likely shift to GFSM 2014 for the 2023 Article IV consultation, planned for later in 2023.

[4] Up to June 30.

fiscal deficit and debt ratio, with the fiscal legislation targets likely to be met in the medium term, driven by savings from the fuel subsidy reform and spending restraint in other areas. The current account is expected to deteriorate in 2023 due to a weakening oil sector but to remain in surplus, while GIRs are expected to weaken in 2023/24 and broadly remain stable thereafter. In the medium term, the current account surplus is expected to remain subdued, mainly reflecting relatively lower oil exports.

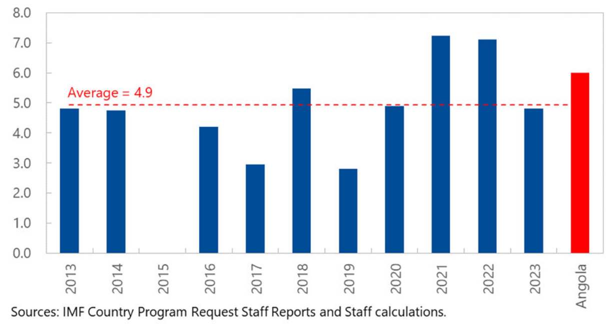
- ***Risks remain tilted to the downside***. The main risk is related to potential weaknesses in the oil sector, particularly a larger-than-expected decline in oil prices or a continuation of the weakness in oil production. A more significant drop in oil prices or production than has already occurred this year could lead to adverse impacts on the economy (paragraph 27), although maintenance of a flexible exchange rate, which in Angola generally depreciates when oil prices drop and thus boosts kwanza-denominated oil revenues, would provide some hedge against this risk. Further inflationary pressures could arise from second-round effects of the fuel subsidy reform and stronger than expected exchange rate depreciation (such as witnessed in June 2023). Other risks include a failure to meaningfully reverse the fiscal loosening of 2022 in the near term; failure to fully implement the rest of the planned fuel subsidy reform in 2024–25; materialization of financial sector risks; and a return of adverse weather conditions that negatively impact the non-oil sector, specifically the agriculture sector. Upside risks to the baseline include a smaller-than-expected drop in oil prices.

11. Authorities' Views: The authorities were broadly in line with staff's views regarding medium-term growth, particularly the non-oil sector, where the authorities anticipate dividends as diversification measures materialize. There were minor differences in oil projections. The BNA has revised its inflation forecast from 9–11 percent to 12–14 percent in 2023 and has adopted a tightening stance; and envisages a lower inflationary path than staff in the medium term (single digit), supported by its continued efforts to stabilize prices, although it acknowledged the inflationary pressures and risks highlighted by staff. Given the recent volatility in the FX market, the BNA has intervened, primarily to clear the backlog of FX needs, while closely monitoring FX demand. The BNA reiterated that the use of intervention will be minimized in the future.

CAPACITY TO REPAY

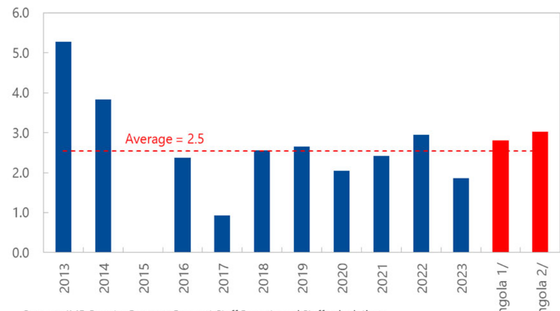
12. Angola's capacity to repay the Fund is adequate under the baseline. The total amount of outstanding Fund credit was SDR 3.2 billion (434 percent of quota or 29 percent of gross international reserves) at end-2022. As a share of GDP, credit outstanding peaked at 6 percent in 2021, above the average of recently-approved EFF programs since 2013 (4.9 percent).
While repayments to the Fund are projected to increase over the medium term, they would peak in 2026 at 6.5 percent of GIR, 11 percent of external debt service, and 2.8 percent of exports (Table 8), broadly in line with recently-approved EFF programs.

Angola and Average of Peak IMF Credit-to-GDP Ratio in Recent EFFs, Excluding Exceptional Access Cases
(Percent of GDP)



Sources: IMF Country Program Request Staff Reports and Staff calculations.

Angola and Average of Peak IMF Repayment-to-Exports Ratio in Recent EFFs, Excluding Exceptional Access Cases
(Percent of Exports of Goods and Services)



Sources: IMF Country Program Request Staff Reports and Staff calculations.
1/ Relative to exports of goods and services.
2/ Relative to unemcumbered exports of goods and services, i.e, net of oil-collaterized external debt service.

13. The primary risk to Angola's capacity to repay is public finance vulnerabilities. The 2023 budget provides for modest adjustment this year but does not fully correct the loosening of 2022, which was higher than expected at the time of the December 2022 Article IV consultation. However, the full implementation of fuel subsidy reform through 2025, as envisioned (and as currently assumed under the baseline), represents the materialization of a significant upside risk to the outlook since the Article IV and increases Angola's buffers to shocks from 2024 onward. Failure to fully implement subsidy reform as planned would reduce buffers to shocks (see paragraph 15 and Text Figure) but capacity to repay would remain adequate. Gross financing needs (GFNs) are manageable in the medium term, with Angola's fiscal targets expected to be met. [5] However, the materialization of significant shocks could still weaken Angola's capacity to repay (see paragraph 27), as would additional fiscal slippage. Capacity to repay would remain adequate under an adverse scenario[6] although more active fiscal policies, as outlined in paragraph 18, would likely be required, especially if fuel subsidy reform is not fully implemented as planned.

- **Other risks include the financial sector and growth shocks.** Continued delays in the deep restructuring or resolution/liquidation of a systemic loss-making bank could negatively affect market confidence and significantly add to accrued contingent fiscal risk. Risks to growth stem from (i) continued weaknesses in the oil sector; (ii) significant volatility in the FX market (as witnessed in June 2023), which can significantly impact inflation and to some extent the financial health of banks with large open positions in FX); (iii) potential delays in the authorities' diversification and structural reforfm plans (including for governance issues); and (iv) a climate-related shock that adversely affects the agriculture sector.

[5] The Fiscal Sustainability Law establishes medium-term debt and non-oil primary deficit targets of 60 percent of GDP and 5 percent of GDP, respectively.

[6] A full implementation of the fuel subsidy reform is assumed under the adverse scenario.

14. Angola's external position in 2022 is assessed to be stronger than the level implied by fundamentals and desirable policies, but this assessment is subject to substantial uncertainty emerging from risks inherent in a country with a high degree of oil dependence.[7] Angola's net international investment position (NIIP) was -18 percent of GDP at end-2022, with foreign liabilities amounting to 58 percent of GDP, down from over 104 percent of GDP the year prior. The NIIP is expected to improve in the medium term in line with the projected fall in the external debt-to-GDP ratio. Angola's foreign reserves are also projected to remain adequate in the medium term.

15. Risks to Angola's capacity to repay are contained and manageable. Angola's comfortable reserve coverage position and maintenance of a flexible exchange rate would serve as shock absorbers. External debt rollover risks are mitigated by Angola's access to development partner financing and positive prospects for further Eurobond issuance. Angola's resilience to the oil price shock during the pandemic, its strong track record of implementing reforms under the 2018–21 EFF, its proven ability to adjust policies in the face of shocks, and its strong Fund repayment record suggest that the repayment risks to the Fund are contained and manageable. In the event of downside risks materializing, financing needs could increase (paragraph 27) but would be expected to remain manageable.

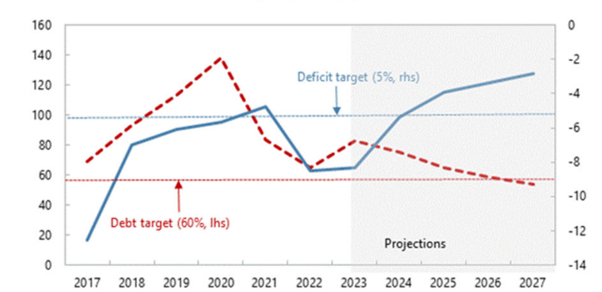
RISKS AND POLICY DISCUSSIONS

Post-Financing Assessment discussions centered on risks from public finance, the financial sector, and growth, and covered an adverse scenario.

A. Risks from Public Finance

16. Although the near-term fiscal outlook has worsened since the Article IV, subsidy reform means that, with full implementation, the authorities would reach their medium-term fiscal targets under the baseline. A worsening outlook for oil prices and production; higher-than-expected fuel subsidy costs in 2022–23; and higher interest payments due to global conditions leave fewer buffers against shocks this year. Relative to the Article IV, oil revenue projections for 2023 have been revised slightly upwards (due to the impact of depreciation) while fuel subsidy costs have been revised up significantly (despite lower oil prices and a reduction in gasoline subsidies), as have

Baseline Fiscal and Debt Path
(Percent of GDP)



Sources: Angolan authorities and IMF staff estimates and projections.
1/ Non-oil primary balance series reflects inclusion of fuel subsidies starting in 2022.

7 2022 Angola Article IV Staff Report, Annex II.

interest payments (Text Table).[8] Non-oil revenue projections have been revised up, partly on better-than-expected performance in 2022 and Q1 2023. This results in projected deterioration of the overall balance to -2.1 percent of GDP in 2023 and a modest improvement of the non-oil primary fiscal deficit (NOPFD) to 8.3 percent of GDP. The debt ratio, in turn, is projected to increase to 83.2 percent of GDP this year, driven by (1) a weaker exchange rate (given the large FX component of public debt), considering the depreciation in late May and June; (2) a less favorable interest rate-growth differential; (3) relatively less debt reduction impetus from the (downwardly revised) primary surplus. In the medium term, the NOPFD is expected to steadily decline on modestly improving non-oil revenues, moderately lower current and capital expenditure, and, beginning in 2024, significant savings from fuel subsidy reform. The decree mandating the 2023 partial subsidy reform also commits to eliminating most remaining subsidies by 2025 (although it does not publicly specify planned measures) and this, in turn, has been assumed in the baseline. The debt ratio, in turn, is also projected to steadily decline from 2024 onward as a primary surplus is maintained and the growth outlook improves (Text Figure). These legal targets would reach their thresholds in 2024 and 2026, respectively. However, failure to fully implement the rest of the fuel subsidy reform program beginning in 2024, as described by the government, would mean a much more gradual adjustment path and much narrower buffers against shocks (Text Figure). Angola's oil dependence and large share of external debt continue to pose fiscal risks.

Fiscal Revisions, 2022–23

(Percent of GDP)

	2022		2023	
	Article IV	**Est.**	**Article IV**	**Proj.**
Revenue	**23.5**	**23.2**	**21.2**	**21.8**
Oil Taxes	14.1	13.6	11.4	11.8
Non-Oil Taxes & Revenues	8.7	8.9	9.3	9.6
Other Revenue	0.7	0.7	0.5	0.5
Expenditure	**21.8**	**22.5**	**21.6**	**23.9**
Wages	4.3	4.2	4.5	4.4
Goods and Services	3.8	3.6	4.6	4.5
Interest Payments	4.4	4.0	4.1	5.2
Subsidies	2.7	3.6	2.4	3.9
Transfers & Other Current Spending	1.0	1.0	1.0	1.0
Capital Spending	5.6	6.1	4.9	4.9
Overall Fiscal Balance	**1.7**	**0.7**	**-0.4**	**-2.1**
Overall Primary Fiscal Balance	**6.1**	**4.7**	**3.8**	**3.1**
Non-Oil Primary Fiscal Balance	**-7.6**	**-8.5**	**-7.2**	**-8.3**

Sources: Angolan authorities and IMF staff estimates and projections.

17. Fiscal financing appears manageable under the baseline. The baseline projects a temporary increase in GFNs in 2023 due to large prepayments of external debt being made this year. It assumes a continued successful issuance of longer-term domestic debt in 2023 and beyond; the materialization of planned World Bank budget support in 2023–24; and no need for Eurobond issuance in 2023–24. The baseline assumes domestic debt maturities for new borrowing in 2023–24 to remain in line with those of 2022 and for domestic interest rates to move in line with inflation. Under these assumptions, GFNs remain manageable through the medium term, although financing needs increase moderately amid large Eurobond maturities in 2028–29.

[8] Fuel subsidies are projected to remain elevated in 2023 as gasoline subsidies represent a relatively small share of total subsidy cost (an estimated 23 percent in 2022) and only about half of the subsidy will be removed during the last seven months of 2023. Large net savings from subsidy reform are not expected until 2024, when it is anticipated that the authorities would move to further reduce subsidies on gasoline and begin to reduce subsidies on diesel (which represented about two-thirds of total subsidy costs in 2022).

18. Policies to mitigate risks: Given that the near-term fiscal outlook has worsened since the Article IV, it would be useful to consider spending rationalization, especially for 2023. The authorities are also advised to create additional fiscal space via non-oil tax policy measures, including a VAT threshold reduction, lower PIT rate brackets, and the development of a property registry and new property tax; and fiscal structural measures identified during the recent Article IV, including those related to tax administration, public financial management and capital spending controls, SOE reform and privatization, and procurement – in particular, the full implementation of the recommendations of the Public Investment Management Assessment diagnostic.[9] Substantial progress has been made in developing a medium-term fiscal framework, and the authorities need to follow through on its completion and publication, particularly in the context of the large fiscal slippage in 2022 relative to the planned budget. The authorities should continue to build cash buffers. They should also continue to work toward fully identifying and clearing remaining arrears, including via an audit of newly recognized arrears, which remains a fiscal risk. Continued pro-active debt management efforts – for instance, by extending debt maturities and prepaying external debt where appropriate – would also help mitigate risks.

: Estimated Gains From Proposed Tax Policy Measures
(Percent of GDP)

	Total	Year 1	Year 2	Year 3
Total	**0.9**	**0.5**	**0.2**	**0.2**
VAT Threshold Reduction	0.3	0.1	0.1	0.1
Lower PIT Rate Brackets	0.5	0.4	0.1	0.1
Property Registry/Property Tax	0.1	0.0	0.1	0.1

Sources: Fenochietto R., Santos P.C., Chaves A. (2020).

19. Authorities' Views: The authorities reiterated their commitment to the targets under the Fiscal Sustainability Law. They viewed these targets as anchors for fiscal policy and recognized the need for fiscal adjustment following last year's slippage. Their focus for revenue enhancement is on tax base expansion through continued structural and administrative reforms, including ongoing efforts in digitalization and property registration improvements. They do not anticipate tax policy measures. In the context of the ongoing fuel subsidy reform, the authorities recognized the importance of mitigation measures for the vulnerable. The authorities also noted thatcurrent and capital expenditure rationalization are being considered in 2023, especially in light of the recent strong depreciation experienced in late May and June. The authorities highlighted ongoing efforts to further develop domestic debt markets and obtain concessional external financing as positive for the near- and medium-term financing outlook, and also underscored efforts to improve cash managemnt practices.

B. Risks from the Financial Sector

20. Vulnerabilities in the banking sector need to be carefully monitored and addressed. Reported regulatory capital rose from 23.8 percent to 28.4 percent last year following capital injections in Q4. Two systemically important problem banks (16 percent of system assets) are undergoing restructuring and rely heavily on regulatory forbearance, causing sector capital to be overstated. Nonperforming loans fell by eight percentage points in December 2022 to 14.4 percent

[9] See paragraph 15 of the 2022 Article IV Staff Report for a fuller discussion of the fiscal structural agenda.

due to large write-offs. The recent kwanza depreciation has cristalized losses in some banks that have large negative net open FX positions (NOPs), which will require BNA's attention, in particular if capital augmentation will be needed. Credit risk appears to be better contained due to relatively small loan portfolios (20 percent of system assets), restrictions on FX lending, and high loan loss provisions. With Treasury bonds accounting for 26 percent of system assets, the financial health of banks and the sovereign is strongly intertwined.

21. Bank restructuring continues to face significant challenges. The recent FX volatility has delayed the restructuring of a systemic state-owned bank due to its large NOP. A smaller systemic bank (6 percent of the system's assets), which has been undergoing restructuring since 2014, has been unable to monetize non-interest-bearing assets (70 percent of total assets) and received a non-cash capital injection (through a voluntary bail-in of large depositors), leaving its liquidity and profitability problems unresolved. The banks' shareholders are not willing to inject new capital, and the authorities have publicly ruled out fiscal support. Swift and deep restructuring or resolution is thus needed to avoid accumulation of further operational losses, including from FX volatility.

22. Policies to mitigate risks*:* The BNA's ongoing effort to operationalize and implement the banking law reform of 2021 is aligning Angola's prudential oversight with international standards. The mission advised the BNA to strengthen its supervision of FX risk and enforce prudential limits on NOPs. BNA also needs to take a more comprehensive approach to bank restructuring, predicated on robust viability analyses and should prepare for the decisive resolution or liquidation of problem banks, as necessary, while protecting only small depositors. To this end, the new resolution framework should be fully operationalized, and the adequacy of legal protection provided for BNA officials ensured. To boost public confidence, the Deposit Guarantee Fund (DGF) should be provided with a dedicated, pre-arranged fiscal back-up funding arrangement, subject to robust safeguards and recourse from failed banks' asset recoveries and/or from industry levies. The DGF needs to improve its operational capacity for prompt reimbursement of insured deposits and revise its investment policy to address FX risk.

23. Authorities' Views*:* The authorities broadly agreed with the staff's advice. The BNA noted improvements in its supervisory review process for banks – adding top-down stress testing to the 2022–23 process – and recent instructions that banks improve their risk management and corporate governance, and that some banks augment their capital. The BNA also noted progress in operationalizing the new bank resolution framework, including resolution planning for higher risk banks. The DGF expressed its intentions to reprioritize its work in line with staff's recommendations and the MoF took good note of staff 's advice regarding a fiscal backstop for the DGF.

C. Risks to Growth

24. The Angolan economy remains heavily dependent on the oil sector, with oil comprising 90 percent of exports and 27 percent of GDP. Oil production poses a risk to growth due to (i) aging oil fields; (ii) uncertainty regarding international prices and, in turn, investments; and (iii) in the longer term, an expected global shift toward non-oil energy sources.

25. Growth is also exposed to climate shocks. Climate shocks pose significant uncertainty and risks for the non-oil sector, especially the agriculture and fishery sectors, and the authorities' diversification plans. Climate change is likely to lead to shorter durations for the rainy seasons, higher volatility in rainfall, and drier conditions in the south. This could, in turn, negatively impact the agriculture, fisheries, and hydropower sectors.

26. Policies to mitigate risks*:* The mission advised the authorities to rebuild and maintain internal and external buffers in the near term and to continue to develop social support mechanisms (such as Kwenda). In the medium term, continued progress for the authorities' diversification agenda, including structural and green reforms, will be critical to building economic resilience and reducing dependence on oil. The mission discussed the status of the 2023–27 National Development Plan (NDP) with the authorities. The NDP has not been finalized, but progress has been made since the Article IV consultation. The authorities provided a draft NDP, which is anticipated to have an increased focus on monitoring outcomes in a timely manner, and it will be discussed in more detail during the 2023 Article IV consultation. Meanwhile, the Angola 2050 Strategy has been approved in July 2023 by the Council of Ministers, reflecting the country's long-term development strategy. The mission also discussed progress on the preparation of an ESG (Environmental, Social, and Governance) bond to possibly be issued in 2023. [10] Some progress has been made with reducing corruption and improving government's effectiveness as well as the AML/CFT framework. This includes the recently approved AML/CFT law with assistance from the Fund, as well as various fiscal governance reforms[11]. However, more progress is needed including on transparency of beneficial ownership information (such as in procurement contracts); and asset recovery efforts. Meanwhile, an AML/CFT assessment with the Eastern and Southern Africa Anti-Laundering Group (ESAAMLG) was completed and the authorities should promptly address the deficiencies noted in the 2023 Mutual Evaluation Report.

27. Authorities' Views: The authorities acknowledged the critical need to boost non-oil sector growth, given the heightened volatility of international oil prices in the near-term and their declining trend in the longer-term. They highlighted the strong and difficult measures that were achieved since 2018 in the areas of public financial management, the monetary and exchange rate policy framework, and banking and financial sector stability, as well as the need to continue with this reform momentum with the forthcoming NDP 2023–27.

D. An Illustrative Adverse Scenario

28. An adverse scenario in which Angola faces an extended oil price and production shock would heighten risks, although other factors would partially mitigate these risks and help preserve Angola's capacity to repay. Reserve buffers would remain adequate and gross financing needs manageable. Staff envisions an adverse scenario in which oil prices fall sharply and remain at a lower level for a protracted period of time (Text Table 3): The Brent price declines in 2023

[10] For further discussion of climate-related policies see 2022 Angola Article IV Staff Report, Annex I.

[11] For further discussion of fiscal governance reforms see 2022 Angola Article IV Staff Report, Staff Report (paragraphs 15 and 17).

by about 40 percent from 2022 (23 percent from the current 2023 baseline) to $60 per barrel.[12] This leads, in turn, to (1) a parallel large contraction in oil production, with spillovers to non-oil growth; and (2) a reduction in FX supply that leads to a strong REER depreciation, with a large nominal exchange rate depreciation component that passes through to inflation. The shock is assumed to last three years, mirroring the nature of oil price shocks in recent decades and, in particular, the extended period of low prices experienced over 2015–19.[13] In 2026, the oil price returns to the current baseline; the nominal exchange rate slightly appreciates in line with a rising oil price and partial recovery in the oil production, but on average to a weaker level than under the baseline. At the same time, inflation gradually declines but remains at a higher level compared to the baseline in the medium term.

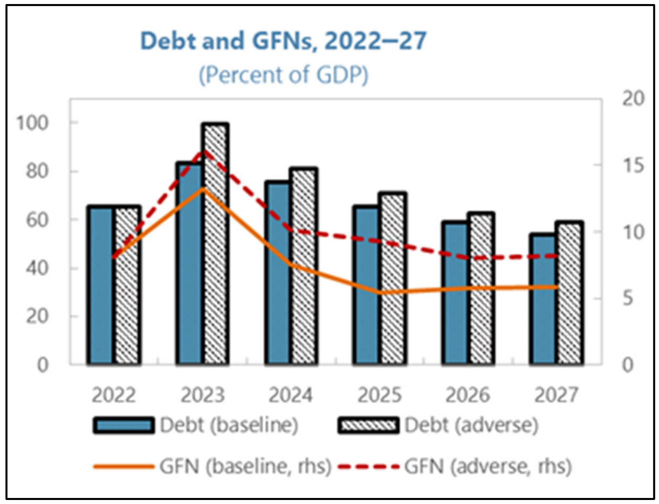
- **Real sector:** A large contraction in oil production (an average of 9.0 percent drop per year between 2023–25) spills over to the non-oil sector, leading to a contraction in total GDP growth (an average of 1.5 percent per year) between 2023–25. Continued subdued oil prices in 2024 and 2025 spur an additional reduction in oil production: the production level remains below the baseline into the medium term (with the 2026 level still well below that of 2022). Meanwhile, non-oil growth recovers very gradually and remains below its 2022 growth rate in 2026. Inflation is expected to increase significantly during this period, especially in 2024. This mainly reflects (i) increased depreciation pressures, which comes in addition to (ii) the impact of the removal fuel subsidy reforms.

- **External sector:** Reflecting the lower oil price and production, the current account would fall into deficit in 2023. It would then return to a modest surplus in 2026, in line with oil price recovery and bolstered by import compression relative to the baseline due to exchange rate depreciation. Pressure on the financial account would be partly offset by lower FDI outflows and lower trade receivables (registered as financial account outflows), which generally decline as the oil price decreases. International reserves are projected to fall to below US$12 billion by end-2023, or to 104 percent of the ARA metric under a floating regime, within the range considered adequate. The GIR would continue to fall to around 100 percent of the ARA metric in 2026 and import coverage would remain adequate. Angola's capacity to repay would remain sufficient, as repayments to the Fund would remain manageable at 8.3 percent of GIR, 11.2 percent of external debt service, and 3.3 percent of exports when they peak in 2026.

- **Fiscal sector:** Overall balances would deteriorate significantly in 2023 as oil revenues are projected to be 2.3 percentage points of GDP lower than under the baseline in 2023. There is some offset 0from lower fuel subsidies (on lower oil prices) and capital expenditure as a share of GDP (due to a higher denominator) while other current expenditures increase on

[12] This oil price shock is in line with the previous three episodes of oil shocks between 2008–20.

[13] A one-year shock followed by recovery to baseline oil prices in 2024 results in a much milder adverse scenario than considered here. Given the longer-duration nature of shocks historically, staff instead focuses on a three-year scenario.



higher interest payments in 2025–26. The debt ratio, in turn, would rise to 99.5 percent of GDP in 2023 (due to higher nominal exchange rate depreciation and output contraction under the adverse scenario compared to the baseline); and gross financing needs would be almost 3.5 percentage points of GDP higher. The non-oil primary deficit would improve relative to the baseline as it is shielded from oil revenues and higher interest costs and benefits from capital and some current expenditure remaining flat in nominal terms. The overall balance would recover in 2026 in line with oil prices and production, and accordingly overall growth. In turn, the debt ratio would decline driven by: (i) a recovery in growth (ii) a higher overall primary balance, following higher oil revenues in kwanza terms, and the positive impact of subsidy reforms; and (iii) the follow through for planned external debt repayments, which will reduce the foreign-currency denominated debt and, in turn, the exposure to exchange rate depreciation. An assumed flexible exchange rate is key to this recovery, as strong depreciation supports kwanza-denominated oil revenues. However, GFNs would remain elevated relative to the baseline (the scenario assumes that Angola maintains market access, in line with similar past episodes). This scenario also assumes continued follow through on fuel subsidy reform over 2024–25, as in the baseline; a pause in this process would significantly reduce buffers against this shock.

- **Financial sector:** In the adverse scenario, NPLs and funding costs are expected to rise, weakening banks' balance sheets and ability to support growth. The risk is partly mitigated by banks' relatively small loan books, and the base-line assumption of low credit growth, and the authorities' commitment to operationalize the bank resolution framework. Banks that do not address their large negative NOPs, will suffer from further currency depreciation.

29. Policies to mitigate risks*:* Policies to minimize the impact of such a shock should include, in addition to the fiscal measures discussed above, additional fiscal adjustment – centered on lower expenditure while preserving social spending – as needed to create additional space, as well as seeking other financing sources to fill potential gaps. The authorities should continue to evaluate the use of active liability management operations and engage in them as appropriate. The authorities should also be prepared to tighten monetary policy as necessary should inflation spike under such a scenario. Finally, exchange rate flexibility is critical to absorb shocks and counteract the fall in dollar-denominated oil revenues. As such, the authorities should maintain exchange rate flexibility while developing a rule-based intervention strategy with a mechanism for reserve accumulation that would help build buffers that are needed in the event of a shock.

30. Authorities' Views: The authorities suggested that, in such a scenario, steps would be taken to limit expenditure more closely, with a focus on rationalizing capital spending while protecting more sensitive current spending categories, such as the wage bill. They also stressed that steps are already being taken to remove fuel subsidy, mobilize domestic revenues, and bolster non-oil economic activity which will help guard against the materialization of such a shock. The BNA confirmed its commitment to its price stability mandate and stands ready to contain inflationary pressures via tightening monetary conditions, as necessary, including by moving quickly to respond to such a shock, and enhancing the effectiveness of their policy tools. The authorities agreed that the more flexible exchange rate since 2018 has functioned as an important shock absorber and reiterated their commitment to this regime. The BNA is committed to limiting FX intervention but noted that any reserve accumulation needs should be conducted with caution so as not to create excess kwanza liquidity.

Illustrative Adverse Scenario, 2022–26

	Prel.	Current Baseline				Downside			
	2022	2023	2024	2025	2026	2023	2024	2025	2026
Real Economy (percent change)									
Real GDP	3.0	0.9	3.1	3.4	3.5	-2.7	-1.1	-0.8	4.5
o/w Oil	0.5	-6.1	0.5	0.0	0.0	-10.0	-8.2	-8.7	7.5
o/w Non-Oil	4.2	3.4	3.8	4.5	4.5	0.1	0.7	1.1	4.0
Consumer Prices (eop)	13.8	18.8	25.6	10.6	9.2	29.6	37.6	17.3	12.6
Brent Price (USD per barrel)	99.0	78.4	73.6	70.9	68.9	60.4	60.4	60.4	68.9
Oil & Gas Production (mn barrels per day)	1.250	1.206	1.234	1.238	1.238	1.125	1.042	0.973	1.045
Balance of Payments (percent of GDP)									
Current Account Balance	9.6	2.3	3.2	2.1	1.4	-2.0	-1.0	-1.5	0.9
o/w Oil & Gas Exports	38.7	33.5	33.3	31.1	28.6	27.4	26.7	22.6	23.1
o/w Imports of Goods	14.1	14.5	14.2	14.1	13.9	15.6	14.9	13.2	12.2
Financial Account Balance	7.7	1.5	3.8	2.9	2.4	-4.8	-1.0	-1.4	1.7
Gross International Reserves (USDmn)	14,661	13,701	14,034	14,325	14,636	11,832	11,583	11,198	11,339
months of next year's imports	7.2	7.1	7.0	7.0	7.1	7.2	7.2	6.5	6.0
percent of ARA metric	110	113	116	121	124	104	102	101	100
Public Finance (percent of GDP)									
Revenue	23.2	21.8	21.5	20.8	20.3	20.1	19.8	18.5	18.8
o/w Oil Revenue	13.6	11.8	11.3	10.5	9.8	9.6	9.2	7.6	8.0
o/w Non-Oil Revenue	9.6	10.1	10.1	10.3	10.5	10.5	10.6	10.9	10.9
Expenditure	22.5	23.9	20.7	19.6	19.2	24.3	21.1	20.9	20.5
o/w Subsidies	3.6	3.9	1.8	1.1	1.0	3.2	1.6	0.9	0.9
Overall Balance	0.7	-2.1	0.8	1.2	1.1	-4.2	-1.3	-2.4	-1.7
Overall Primary Balance	4.7	3.1	5.6	6.2	6.1	1.5	3.9	3.9	4.7
Non-Oil Primary Balance	-8.5	-8.3	-5.4	-3.9	-3.4	-7.8	-4.9	-3.4	-3.0
Public Debt	65.2	83.2	75.6	65.2	59.0	99.5	80.8	71.1	62.8
Gross Financing Need	8.1	13.2	7.5	5.4	5.8	16.1	10.1	9.3	8.0
Obligations to IMF, relative to: (percent)									
Total obligations	122.9	436.4	505.7	765.5	946.5	436.4	505.7	765.5	946.5
Gross international reserves	0.8	3.2	3.6	5.3	6.5	3.7	4.4	6.8	8.3
External debt service	1.7	4.9	6.6	8.6	11.1	4.9	6.6	8.7	11.2
Export of goods and services	0.2	1.2	1.5	2.2	2.8	1.7	2.0	3.2	3.3

Source: IMF staff estimates and projections.

STAFF APPRAISAL

31. Angola's recovery in the near term remains dependent on the oil sector and is largely dependent on the materialization of the diversification plans in the medium term. Despite the weaker outturns for oil production in 2023 H1, growth momentum is expected to continue, once temporary maintenance operations are complete. Risks to the outlook remain high, given the continued high reliance on the oil sector, and the medium term is largely dependent on the recovery of the non-oil sector, and the authorities' progress with the diversification plan.

32. Angola's capacity to repay the Fund is adequate, despite elevated risks, and appears to be resilient to shocks. Under the baseline, Angola's projected repayments to the Fund will increase over the medium term but would peak in 2026 at broadly comfortable levels. Under a significant and prolonged shock scenario, the projected capacity to repay indicators would remain manageable. Steps to mitigate this shock, including allowing the exchange rate to function as a shock absorber and rationalization of some expenditure, would be important in such a scenario.

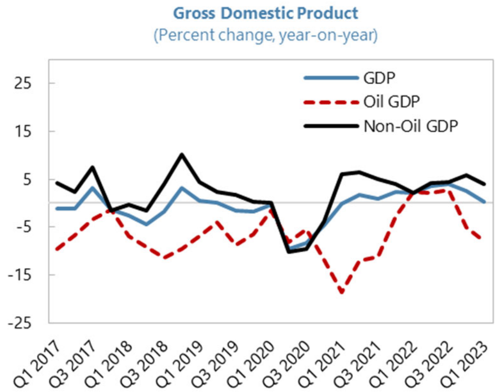
33. Fiscal slippage has reduced buffers and a sustained adjustment is required to mitigate risks. The authorities should continue to act swiftly to reverse the large fiscal slippage of 2022. To do so, it is critical to fully implement the subsidy reform announced on June 1 (with mitigation measures to support the vulnerable). In parallel, the authorities should also pursue tax policy measures to mobilize non-oil domestic revenue and make further progress on the fiscal structural agenda, including public financial management and public investment management reforms.

34. Continued efforts are needed to bolster financial stability. Ongoing prudential reforms should continue to improve banking sector oversight and health. To safeguard market confidence and reduce contingent fiscal risk, the DGF needs to strenghten its financial and operational capacity, and the BNA should prepare for the decisive resolution or liquidation of problem banks, as necessary, while protecting only small depositors.

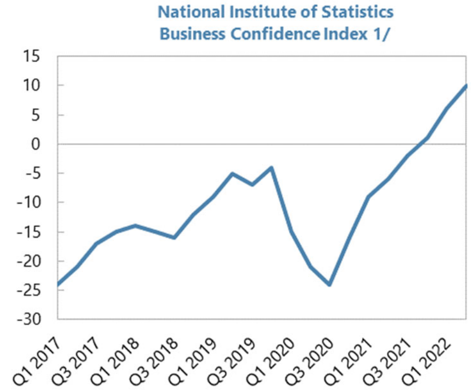
35. Maintaining focus on medium-term structural reforms is critical to maintaining growth in the context of a declining oil sector. Lessening the dependence on the oil sector is critical and should remain the authorities' medium-term focus, to reduce vulnerabilities arising from the increased volatility of this sector. Accordingly, continued efforts to strengthen governance, improve the business environment, and promote private investment are needed, guided by the authorities' diversification plans, as well as strengthened macroeconomic and financial policies under the new National Development Plan (2023–27).

Figure 1. Angola: Selected High Frequency Indicators, 2017–23

After a broad-based recovery in 2022, oil sector weakened.

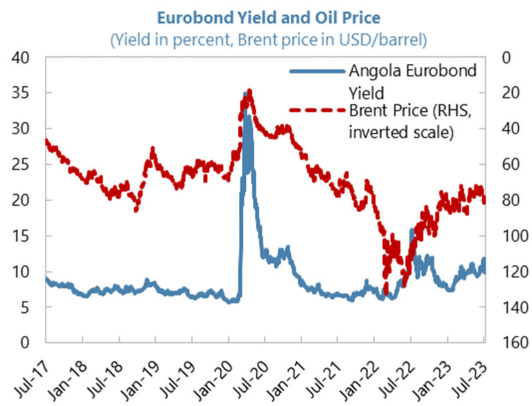


Business confidence showed recovery in 2022.

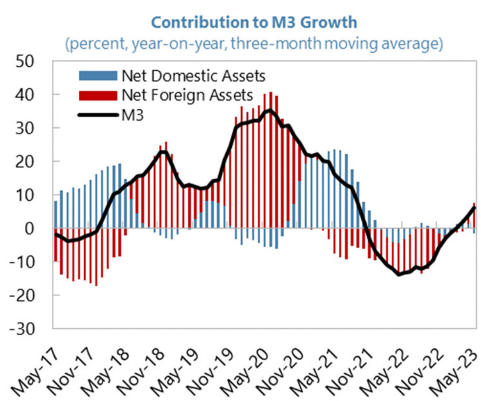


Exports weakened in late 2022, while imports recovered.

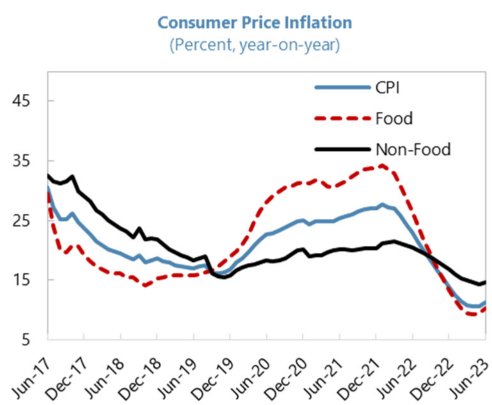
After increasing in early 2023, bond yields stabilized.



M3 growth have increased recently, given the NER increase



...adding risks to inflation.



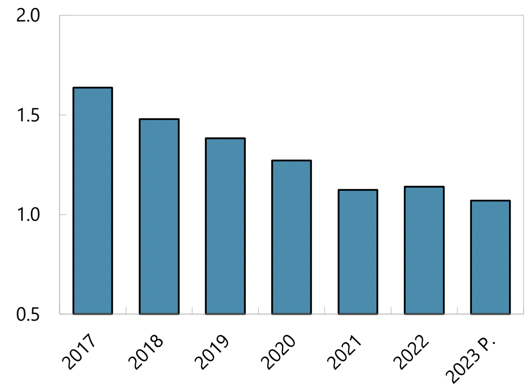
Sources: Angolan authorities; and IMF staff estimates and projections.

1/ Difference between positive and negative responses to a survey of economic conditions in percentage points

Figure 2. Angola: Fiscal Developments, 2017–23

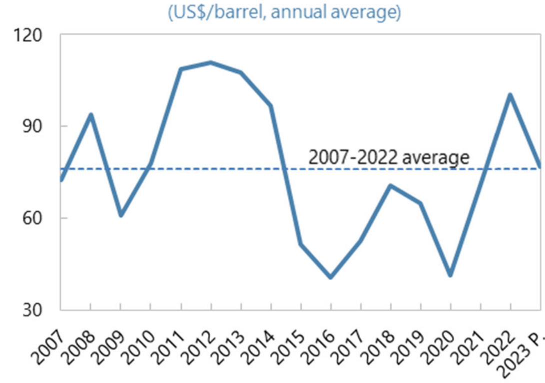
Oil production is expected to drop in 2023,

Oil Production
(Millions of barrels per day)



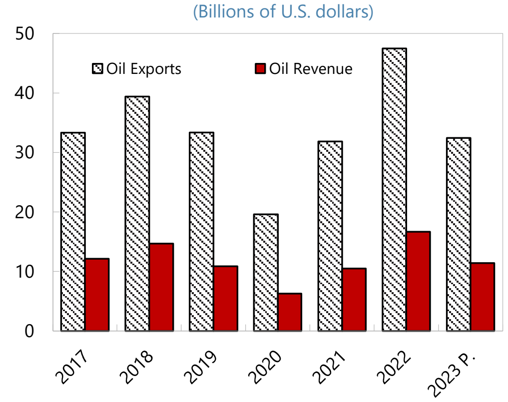
given maintenance operation and lower oil prices...

Angolan Oil Price
(US$/barrel, annual average)



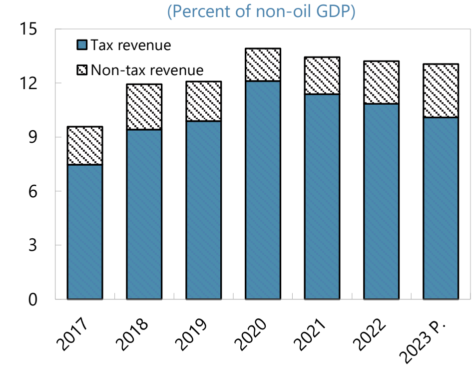
Oil exports and revenues will weaken.

Oil Exports and Revenue
(Billions of U.S. dollars)



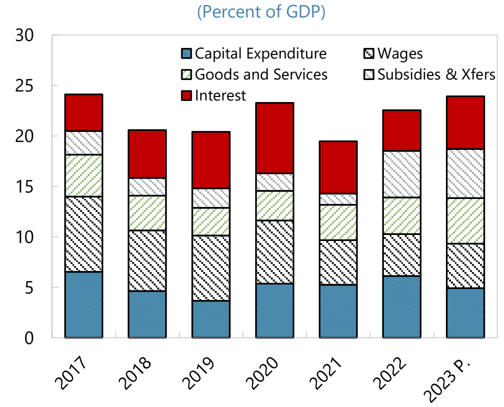
Non-oil revenues are expected to remain stable...

Non-Oil Revenue
(Percent of non-oil GDP)



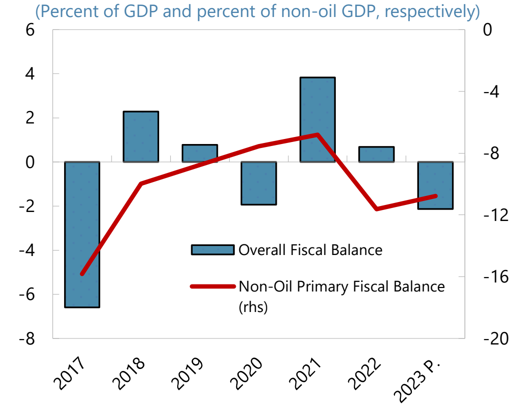
...but, with expenditure broadly stabilizing in percent of GDP.

Expenditure
(Percent of GDP)



... adjustment will be limited this year.

Overall and Non-Oil Fiscal Primary Balances
(Percent of GDP and percent of non-oil GDP, respectively)

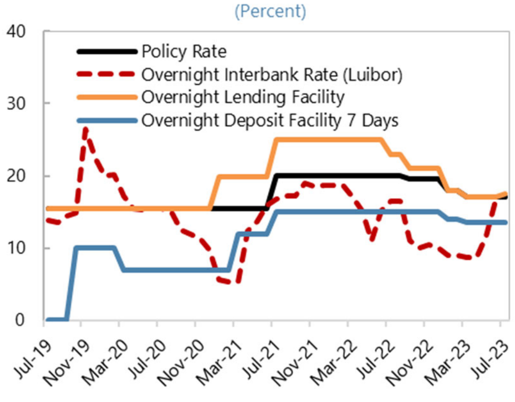


Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 3. Angola: Monetary Sector Developments, 2017–23

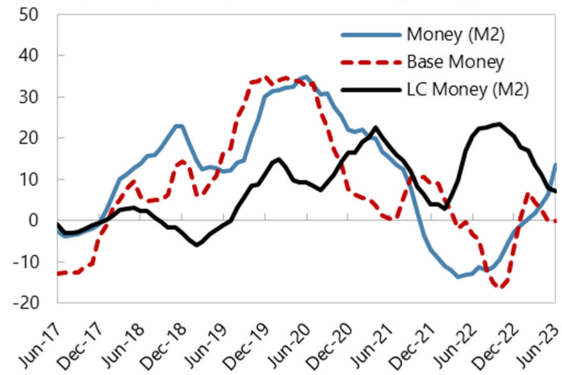
The interbank and key policy rate are aligned…

Interest Rates
(Percent)



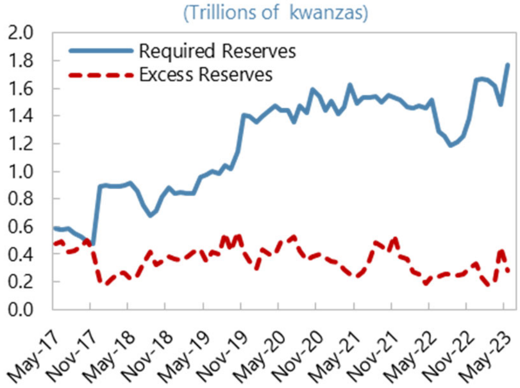
M2 growth increased, while the LC component slowed …

Money Supply
(Percent, year-on-year, 3-month moving average)



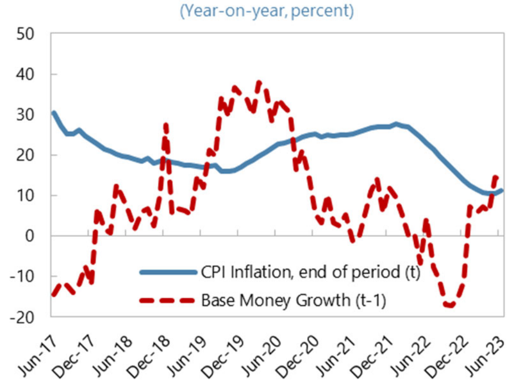
…and excess reserves fell.

Commercial Banks' Reserve Position at the BNA
(Trillions of kwanzas)



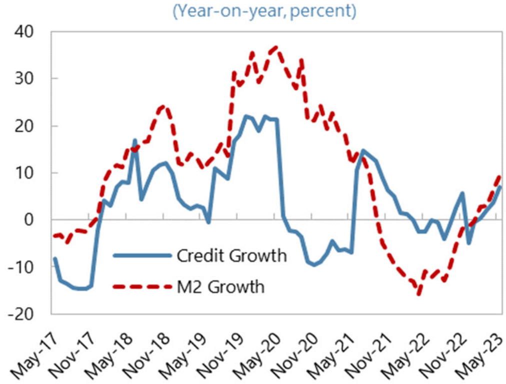
Inflation expected to increase…

Inflation and Base Money Growth
(Year-on-year, percent)



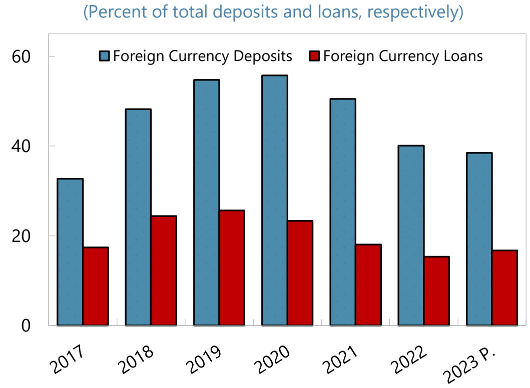
…but private credit growth remains weak…

Credit and M2 Growth
(Year-on-year, percent)



as well as dollarization

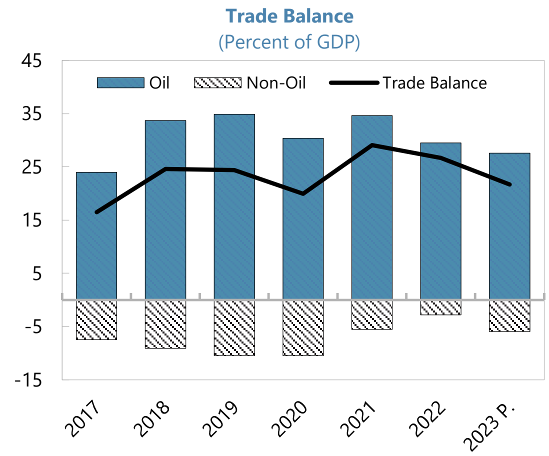
Foreign Currency Deposits and Loans
(Percent of total deposits and loans, respectively)



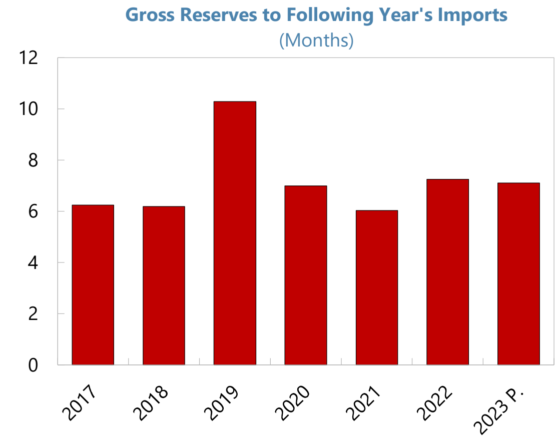
Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 4. Angola: External Sector Developments, 2017–23

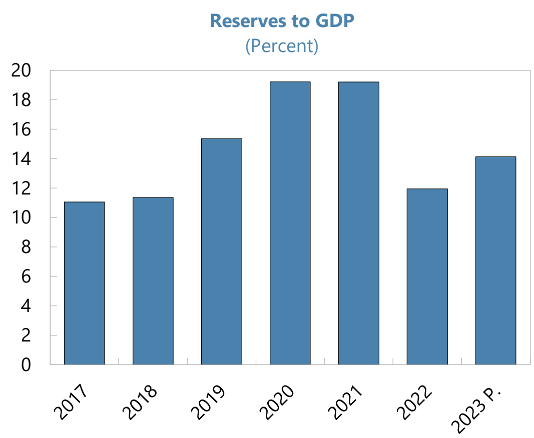
The trade balance is expected to decline in line with oil prices and production…



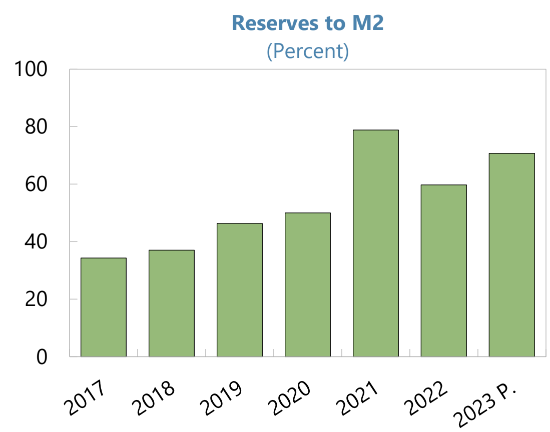
…but reserves should hold steady relative to imports…



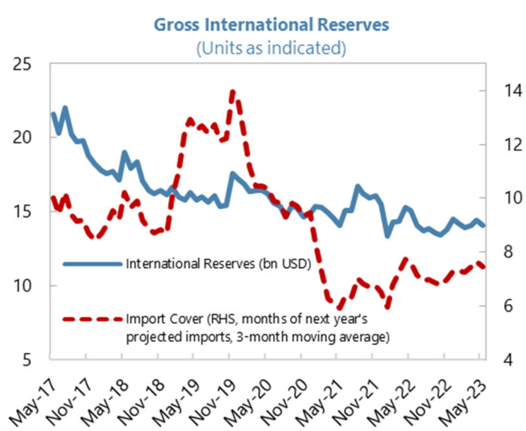
…and remain stable in percent of GDP…



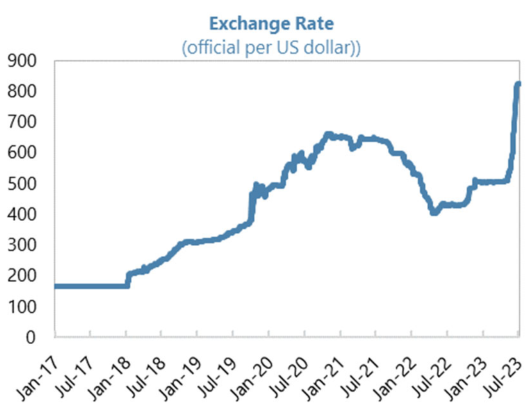
…and in percent of M2



Import coverage is expected to remain adequate.



…despite, The NER depreciating significantly in June 2023.



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

Table 1. Angola: Main Economic Indicators, 2020–27

	2020	2021	2022	2023	2024	2025	2026	2027
						Proj		
Real economy (percent change, except where otherwise indicated)								
Real gross domestic product	-5.6	1.2	3.0	0.9	3.1	3.4	3.5	3.6
Oil sector	-6.7	-11.5	0.5	-6.1	0.5	0.0	0.0	0.0
Non-oil sector	-5.2	5.5	4.2	3.4	3.8	4.5	4.5	4.5
Nominal gross domestic product (GDP)	7.2	43.1	20.1	12.5	27.0	20.9	12.4	11.6
Oil sector	-12.6	74.1	5.9	-3.9	26.8	12.8	3.0	1.7
Non-oil sector	16.0	32.6	26.4	18.5	27.0	23.3	15.0	14.0
GDP deflator	13.6	41.4	16.6	11.5	23.2	16.9	8.6	7.7
Non-oil GDP deflator	22.3	25.8	21.4	14.6	22.3	18.1	10.1	9.1
Consumer prices (annual average)	22.3	25.8	21.4	14.6	22.3	18.1	10.1	9.1
Consumer prices (end of period)	25.1	27.0	13.8	18.8	25.6	10.6	9.2	9.1
Gross domestic product (billions of kwanzas)	33,041	47,270	56,778	63,851	81,078	98,023	110,212	122,962
Oil gross domestic product (billions of kwanzas)	8,320	14,483	15,330	14,732	18,687	21,081	21,712	22,090
Non-oil gross domestic product (billions of kwanzas)	24,721	32,788	41,447	49,119	62,391	76,941	88,500	100,872
Gross domestic product (billions of U.S. dollars)	57.1	74.9	122.8	96.9	94.6	98.6	102.7	108.7
Gross domestic product per capita (U.S. dollars)	1,709	2,170	3,438	2,635	2,497	2,526	2,556	2,625
Central government (percent of GDP)								
Total revenue	21.3	23.3	23.2	21.8	21.5	20.8	20.3	19.7
Of which: Oil-related	10.9	14.0	13.6	11.8	11.3	10.5	9.8	9.0
Of which: Non-oil tax	9.1	7.9	7.9	7.8	7.8	7.9	8.1	8.3
Total expenditure	23.3	19.5	22.5	23.9	20.7	19.6	19.2	18.1
Current expenditure	17.9	14.2	16.4	19.0	16.5	15.9	15.7	14.9
Capital spending	5.4	5.2	6.1	4.9	4.2	3.7	3.4	3.3
Overall fiscal balance	-1.9	3.8	0.7	-2.1	0.8	1.2	1.1	1.6
Overall primary balance	5.0	9.0	4.7	3.1	5.6	6.2	6.1	5.8
Non-oil primary fiscal balance	-5.6	-4.7	-8.5	-8.3	-5.4	-3.9	-3.4	-2.9
Non-oil primary fiscal balance (percent of non-oil GDP)	-7.6	-6.8	-11.6	-10.8	-7.0	-5.0	-4.2	-3.5
Money and credit (end of period, percent change)								
Broad money (M2)	24.3	-9.3	-1.4	12.5	24.7	19.7	12.4	11.6
Percent of GDP	38.4	24.4	20.0	20.0	19.6	19.5	19.5	19.5
Broad money - local currency (LC M2)	20.3	1.0	18.6	15.2	27.7	22.5	15.0	14.0
Velocity (GDP/M2)	2.6	4.1	5.0	5.0	5.1	5.1	5.1	5.1
Credit to the private sector (annual percent change)	-7.7	5.6	-4.8	6.3	16.6	10.1	11.6	11.2
Balance of payments								
Trade balance (percent of GDP)	19.9	29.1	26.7	21.7	22.2	20.7	19.4	17.9
Exports of goods, f.o.b. (percent of GDP)	36.6	44.9	40.8	36.2	36.4	34.8	33.2	31.1
Of which: Oil and gas exports (percent of GDP)	34.3	42.5	38.7	33.5	33.3	31.1	28.6	26.2
Imports of goods, f.o.b. (percent of GDP)	16.7	15.8	14.1	14.5	14.2	14.1	13.9	13.2
Terms of trade (percent change)	-36.2	53.0	35.6	-27.0	-6.0	-3.9	-5.1	-3.9
Current account balance (percent of GDP)	1.5	11.2	9.6	2.3	3.2	2.1	1.4	0.9
Gross international reserves (excluding pledged repo securities)[1]								
End of period, millions of U.S. dollars	10,978	14,375	14,661	13,701	14,034	14,325	14,636	14,742
Months of next year's imports	7.0	6.0	7.2	7.1	7.0	7.0	7.1	7.1
Gross international reserves (including pledged repo securities)[1]								
End of period, millions of U.S. dollars	14,879	15,508	14,661	13,701	14,034	14,325	14,636	14,742
Exchange rate								
Official exchange rate (average, kwanzas per U.S. dollar)	578	631	462	…	…	…	…	…
Official exchange rate (end of period, kwanzas per U.S. dollar)	656	555	504	…	…	…	…	…
Public debt (percent of GDP)								
Public sector debt (gross)[2]	138.4	83.5	65.2	83.2	75.6	65.2	59.0	53.9
Of which: Central Government debt	128.3	77.5	60.8	77.1	71.7	62.5	57.1	51.9
Oil								
Oil and gas production (millions of barrels per day)	1.388	1.252	1.250	1.206	1.234	1.238	1.238	1.239
Oil and gas exports (billions of U.S. dollars)	19.6	31.8	47.5	32.5	31.5	30.6	29.4	28.5
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	76.7	72.1	69.8	67.8	66.1
Brent oil price (average, U.S. dollars per barrel)	43.3	70.8	99.0	78.4	73.6	70.9	68.9	67.2

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

1/ 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).

2/ Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

Table 2a. Angola: Statement of Central Government Operations, 2020–25

(Billions of kwanzas, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
			Prel.		Projections	
Revenue	**7,053**	**11,017**	**13,183**	**13,926**	**17,420**	**20,378**
Taxes	6,605	10,346	12,197	12,463	15,488	18,062
Oil	3,612	6,615	7,706	7,507	9,193	10,299
Non-oil	2,993	3,731	4,491	4,956	6,295	7,763
Social contributions	320	350	409	311	478	558
Grants	4	2	1	7	0	0
Other revenue	123	319	576	1,145	1,454	1,758
Expenditure	**7,691**	**9,207**	**12,800**	**15,287**	**16,784**	**19,179**
Current expenditure	**5,918**	**6,727**	**9,326**	**12,154**	**13,351**	**15,571**
Compensation of employees	2,067	2,095	2,360	2,825	3,587	4,336
Use of goods and services	965	1,646	2,054	2,885	3,613	4,318
Interest	2,300	2,444	2,277	3,335	3,889	4,927
Domestic	1,008	1,203	1,151	1,194	1,157	1,640
Foreign	1,292	1,242	1,126	2,140	2,732	3,287
Subsidies[1]	38	62	2,071	2,463	1,471	1,056
Other expense	547	480	564	646	791	933
Net investment in nonfinancial assets	**1,773**	**2,480**	**3,473**	**3,133**	**3,433**	**3,608**
Net lending (+) / Net borrowing (-)	**-638**	**1,811**	**383**	**-1,361**	**636**	**1,200**
Statistical discrepancy	690	2,772	-250	0	1	1
Net acquisition of financial assets (+: increase)	**-1,714**	**1,663**	**119**	**-1,699**	**-243**	**-107**
Domestic	-1,548	691	-621	-1,135	-72	92
Cash and deposits[2]	-1,052	549	-383	-705	24	184
Equity and investment fund shares	-496	142	-238	-429	-100	-100
Other accounts receivable	0	0	0	0	4	9
Foreign	-166	972	740	-565	-171	-199
Net incurrence of liabilities (+: increase)	**-386**	**2,624**	**-518**	**-338**	**-874**	**-1,296**
Domestic	-1,040	-247	-547	86	-706	1,160
Debt securities	-1,041	-399	369	626	-384	1,474
Disbursements	2,874	2,911	3,112	3,636	2,391	2,363
Amortizations	-3,915	-3,311	-2,743	-3,010	-2,775	-889
Loans	125	-60	120	-312	-62	-55
Other accounts payable	-123	212	-1,037	-228	-259	-259
Foreign	654	2,871	30	-424	-169	-2,456
Debt securities	195	2,364	760	-224	31	-2,256
Disbursements	1,802	4,245	2,996	3,523	3,895	3,275
Amortizations	-1,606	-1,880	-2,236	-3,747	-3,864	-5,531
Other accounts payable	458	507	-730	-200	-200	-200
Memorandum items:						
Non-oil primary fiscal balance[3]	-1,867	-2,234	-4,821	-5,296	-4,370	-3,838
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	76.7	72.1	69.8
Social expenditures[4]	1,726	2,806	3,597	4,045	5,137	6,210
Public sector debt (gross)[5]	45,721	39,459	37,024	53,137	61,329	63,887
Of which: Central Government	42,375	36,636	34,510	49,237	58,101	61,244

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, 2020–25

(Percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
			Prel.		Proj.	
Revenue	**21.3**	**23.3**	**23.2**	**21.8**	**21.5**	**20.8**
Taxes	20.0	21.9	21.5	19.5	19.1	18.4
Oil	10.9	14.0	13.6	11.8	11.3	10.5
Non-oil	9.1	7.9	7.9	7.8	7.8	7.9
Social contributions	1.0	0.7	0.7	0.5	0.6	0.6
Grants	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.4	0.7	1.0	1.8	1.8	1.8
Expenditure	**23.3**	**19.5**	**22.5**	**23.9**	**20.7**	**19.6**
Current expenditure	**17.9**	**14.2**	**16.4**	**19.0**	**16.5**	**15.9**
Compensation of employees	6.3	4.4	4.2	4.4	4.4	4.4
Use of goods and services	2.9	3.5	3.6	4.5	4.5	4.4
Interest	7.0	5.2	4.0	5.2	4.8	5.0
Domestic	3.1	2.5	2.0	1.9	1.4	1.7
Foreign	3.9	2.6	2.0	3.4	3.4	3.4
Subsidies[1]	0.1	0.1	3.6	3.9	1.8	1.1
Other expense	1.7	1.0	1.0	1.0	1.0	1.0
Net investment in nonfinancial assets	**5.4**	**5.2**	**6.1**	**4.9**	**4.2**	**3.7**
Net lending (+) / Net borrowing (-)	**-1.9**	**3.8**	**0.7**	**-2.1**	**0.8**	**1.2**
Statistical discrepancy	2.1	5.9	-0.4	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-5.2**	**3.5**	**0.2**	**-2.7**	**-0.3**	**-0.1**
Domestic	-4.7	1.5	-1.1	-1.8	-0.1	0.1
Cash and deposits[2]	-3.2	1.2	-0.7	-1.1	0.0	0.2
Equity and investment fund shares	-1.5	0.3	-0.4	-0.7	-0.1	-0.1
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.5	2.1	1.3	-0.9	-0.2	-0.2
Net incurrence of liabilities (+: increase)	**-0.4**	**6.1**	**-0.7**	**-1.0**	**-1.5**	**-1.6**
Domestic	-2.4	0.0	-0.8	-0.4	-1.3	0.9
Debt securities	-2.4	-0.3	0.9	0.5	-0.6	1.4
Disbursements	9.5	6.7	6.1	5.7	2.9	2.4
Amortizations	-11.9	-7.0	-5.3	-5.2	-3.5	-1.0
Loans	0.4	-0.1	0.2	-0.5	-0.1	-0.1
Other accounts payable	-0.4	0.4	-1.8	-0.4	-0.6	-0.5
Foreign debt securities	2.0	6.1	0.1	-0.7	-0.2	-2.5
Disbursements	5.5	9.0	5.3	5.5	4.8	3.3
Amortizations	-4.9	-4.0	-3.9	-5.9	-4.8	-5.6
Other accounts payable	1.4	1.1	-1.3	-0.3	-0.2	-0.2
Memorandum items:						
Non-oil primary fiscal balance[3]	-5.6	-4.7	-8.5	-8.3	-5.4	-3.9
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	76.7	72.1	69.8
Social expenditures[4]	5.2	5.9	6.3	6.3	6.3	6.3
Public sector debt (gross)[5]	138.4	83.5	65.2	83.2	75.6	65.2
Of which: Central Government	128.3	77.5	60.8	77.1	71.7	62.5

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] 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 2c. Angola: Statement of Central Government Operations, 2020–25

(Percent of non-oil GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
			Prel.		Proj.	
Revenue	**28.5**	**31.8**	**31.8**	**28.4**	**27.9**	**26.5**
Taxes	26.7	30.3	29.4	25.4	24.8	23.5
Oil	14.6	18.5	18.6	15.3	14.7	13.4
Non-oil	12.1	11.8	10.8	10.1	10.1	10.1
Social contributions	1.3	1.0	1.0	0.6	0.8	0.7
Grants	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.5	0.5	1.4	2.3	2.3	2.3
Expenditure	**31.1**	**27.8**	**30.9**	**31.1**	**26.9**	**24.9**
Current expenditure	**23.9**	**22.4**	**22.5**	**24.7**	**18.8**	**20.2**
Compensation of employees	8.4	7.6	5.7	5.8	5.7	5.6
Use of goods and services	3.9	4.6	5.0	5.9	5.8	5.6
Interest	9.3	7.5	5.5	6.8	6.2	6.4
Domestic	4.1	3.7	2.8	2.4	1.9	2.1
Foreign	5.2	3.7	2.7	4.4	4.4	4.3
Subsidies[1]	0.2	0.6	5.0	5.0	2.4	1.4
Other expense	2.2	2.1	1.4	1.3	1.3	1.2
Net acquisition of nonfinancial assets	**7.2**	**5.3**	**8.4**	**6.4**	**5.5**	**4.7**
Net lending (+) / Net borrowing (-)	**-2.6**	**4.1**	**0.9**	**-2.8**	**1.0**	**1.6**
Statistical discrepancy	2.8	0.0	-0.6	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-6.9**	**8.1**	**0.3**	**-3.5**	**-0.4**	**-0.1**
Domestic	-6.3	7.0	-1.5	-2.3	-0.1	0.1
Cash and deposits[2]	-4.3	7.3	-0.9	-1.4	0.0	0.2
Equity and investment fund shares	-2.0	-0.3	-0.6	-0.9	-0.2	-0.1
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.7	1.1	1.8	-1.1	-0.3	-0.3
Net incurrence of liabilities (+: increase)	**-0.5**	**4.1**	**-1.2**	**-0.7**	**-1.8**	**-2.0**
Domestic	-3.2	-1.5	-1.3	0.2	-1.5	1.2
Debt securities	-3.2	0.1	1.2	0.6	-0.7	1.8
Disbursements	12.7	10.4	8.4	7.4	3.8	3.1
Amortizations	-15.8	-10.3	-7.2	-6.8	-4.5	-1.2
Loans	0.5	-1.0	0.3	-0.6	-0.1	-0.1
Other accounts payable	-0.5	-1.6	-2.5	-0.5	-0.8	-0.7
Foreign	2.6	5.6	0.1	-0.9	-0.3	-3.2
Disbursements	7.3	10.0	7.2	7.2	6.2	4.3
Amortizations	-6.5	-5.1	-5.4	-7.6	-6.2	-7.2
Memorandum items:						
Non-oil primary fiscal balance[3]	-7.6	-6.3	-11.6	-10.8	-7.0	-5.0
Angola oil price (average, U.S. dollars per barrel)	41.3	68.5	100.3	76.7	72.1	69.8
Social expenditures[4]	7.0	8.6	8.7	8.2	8.2	8.1
Public sector debt (gross)[5]	184.9	125.2	89.3	108.2	98.3	83.0
Of which: Central Government	171.4	112.4	83.3	100.2	93.1	79.6

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 2d. Angola: Statement of Central Government Operations, 2020–25

Debt reprofiling recorded as exceptional financing

(Billions of kwanzas, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
			Prel.		Proj.	
Revenue	**7,053**	**11,017**	**13,183**	**13,926**	**17,420**	**20,378**
Taxes	6,605	10,346	12,197	12,463	15,488	18,062
Oil	3,612	6,615	7,706	7,507	9,193	10,299
Non-oil	2,993	3,731	4,491	4,956	6,295	7,763
Social contributions	320	350	409	311	478	558
Grants	4	2	1	7	0	0
Other revenue	123	319	576	1,145	1,454	1,758
Expenditure	**7,644**	**9,241**	**12,818**	**15,502**	**16,967**	**19,310**
Current expenditure	**5,871**	**6,761**	**9,345**	**12,370**	**13,534**	**15,702**
Compensation of employees	2,067	2,095	2,360	2,825	3,587	4,336
Use of goods and services	965	1,646	2,054	2,885	3,613	4,318
Interest	2,253	2,479	2,295	3,550	4,072	5,058
Domestic	1,008	1,203	1,151	1,194	1,157	1,640
Foreign	1,245	1,276	1,144	2,356	2,916	3,419
Subsidies[1]	38	62	2,071	2,463	1,471	1,056
Other expense	547	480	564	646	791	933
Net investment in nonfinancial assets	**1,773**	**2,480**	**3,473**	**3,133**	**3,433**	**3,608**
Net lending (+) / Net borrowing (-)	**-591**	**1,776**	**365**	**-1,577**	**452**	**1,068**
Statistical discrepancy	690	2,772	-250	0	1	1
Net acquisition of financial assets (+: increase)	**-1,714**	**1,663**	**119**	**-1,699**	**-243**	**-107**
Domestic	-1,548	691	-621	-1,135	-72	92
Cash and deposits[2]	-1,052	549	-383	-705	24	184
Equity and investment fund shares	-496	142	-238	-429	-100	-100
Other accounts receivable	0	0	0	0	4	9
Foreign	-166	972	740	-565	-171	-199
Net incurrence of liabilities (+: increase)	**-1,037**	**1,251**	**-1,511**	**-1,342**	**-2,045**	**-2,212**
Domestic	-1,040	-247	-547	86	-965	901
Debt securities	-1,041	-399	369	626	-384	1,474
Disbursements	2,874	2,911	3,112	3,636	2,391	2,363
Amortizations	-3,915	-3,311	-2,743	-3,010	-2,775	-889
Loans	125	-60	120	-312	-62	-55
Other accounts payable	-123	212	-1,037	-228	-518	-518
Foreign	3	1,498	-964	-1,428	-1,081	-3,112
Disbursements	1,802	4,245	2,996	3,523	3,895	3,275
Amortizations	-2,258	-3,254	-3,230	-4,751	-4,776	-6,188
Exceptional financing (+: increase)						
Debt reprofiling	604	1,408	1,012	1,219	1,095	788
Foreign interest	-47	35	18	216	183	132
Foreign amortization	651	1,373	994	1,004	912	657
Memorandum items:						
Non-oil primary fiscal balance[3]	-1,867	-2,234	-4,821	-5,296	-4,370	-3,838
Angola oil price (average, U.S. dollars per barrel)	41.3	70.7	100.3	76.7	72.1	69.8
Social expenditures[4]	1,726	2,806	3,597	4,045	5,137	6,210
Public sector debt (gross)[5]	45,721	39,459	37,024	53,137	61,329	63,887

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, 2020–25

(End of period, billions of currency, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
					Proj.	
			Monetary Survey			
Net foreign assets	**7,311**	**5,913**	**6,105**	**8,850**	**11,380**	**13,150**
Net domestic assets	**5,392**	**5,606**	**5,251**	**3,920**	**4,549**	**5,920**
Claims on central government (net)	6,143	4,679	4,707	5,669	4,666	5,670
Claims on other financial corporations	211	262	285	338	429	530
Claims on other public sector	132	120	91	108	137	169
Claims on private sector	4,036	4,260	4,056	4,312	5,028	5,535
Other items (net)[1]	-5,129	-3,715	-3,889	-6,507	-5,712	-5,984
Broad money (M3)	**12,702**	**11,518**	**11,356**	**12,770**	**15,929**	**19,071**
Money and quasi-money (M2)	12,698	11,513	11,356	12,770	15,929	19,071
Money	3,674	3,632	4,009	4,610	5,888	7,221
Currency outside banks	405	402	495	552	706	883
Demand deposits, local currency	3,270	3,230	3,515	4,059	5,182	6,338
Quasi-money	2,166	2,270	2,991	3,454	4,409	5,393
Time and savings deposits, local currency	2,166	2,270	2,991	3,454	4,409	5,393
Foreign currency deposits	6,857	5,612	4,356	4,707	5,632	6,457
Money management instruments and other liabilities	5	5	0	0	0	0
			Monetary Authorities			
Net foreign assets	**5,783**	**4,869**	**4,930**	**7,055**	**9,182**	**10,769**
Net international reserves	5,499	5,399	5,289	7,477	9,699	11,329
Net incurrence of liabilities	284	-530	-359	-422	-517	-560
Net domestic assets	**-3,422**	**-2,283**	**-2,156**	**-4,052**	**-5,556**	**-6,590**
Claims on other depository corporations	121	42	79	94	118	130
Claims on central government (net)	267	575	1,236	672	-284	-979
Claims on private sector	97	127	123	146	186	229
Other items (net)[1]	-3,906	-3,027	-3,594	-4,965	-5,576	-5,970
Reserve money	**2,361**	**2,586**	**2,774**	**3,003**	**3,626**	**4,179**
Currency outside banks	549	569	658	734	939	1,174
Commercial bank deposits	1,812	2,018	2,116	2,269	2,687	3,005
***Memorandum items*:**						
Nominal gross domestic product (percent change)	7.2	43.1	20.1	12.5	27.0	20.9
Reserve money (percent change)	3.3	9.5	7.3	8.2	20.8	15.3
Money and quasi-money (M2) (percent change)	24.3	-9.3	-1.4	12.5	24.7	19.7
Claims on private sector (percent change)	-7.7	5.6	-4.8	6.3	16.6	10.1
Claims on central government (percent change; net)	130.2	-23.8	0.6	20.4	-17.7	21.5
Money multiplier (M2/reserve money)	5.4	4.5	4.1	4.3	4.4	4.6
Velocity (GDP/M2)	2.6	4.1	5.0	5.0	5.1	5.1
Velocity (non-oil GDP/M2)	1.9	2.8	3.6	3.8	3.9	4.0
Credit to the private sector (percent of non-oil GDP)	16.3	13.0	9.8	8.8	8.1	7.2
Foreign currency deposits (share of total deposits)	55.8	50.5	40.1	38.5	37.0	35.5
Credit to the private sector in foreign currency (share of total credit)	23.3	18.0	15.1	21.8	22.8	22.5

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

[1] Including exchange rate valuation.

Table 4a. Angola: Balance of Payments, 2020–25

Debt of Reprofiling Recorded as Exceptional Financing

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

	2020	2021	2022	2023	2024	2025
					Proj.	
Current account	**429**	**8,431**	**12,153**	**2,811**	**3,709**	**2,642**
Trade balance	11,394	21,787	32,771	21,023	21,020	20,384
Exports, f.o.b.	20,937	33,581	50,038	35,097	34,435	34,256
Crude oil	18,297	27,860	40,273	29,979	28,294	27,389
Gas and oil derivatives	1,288	3,567	5,271	2,480	3,235	3,228
Diamonds	1,070	1,550	1,946	2,015	2,096	2,181
Other	283	605	2,548	623	810	1,458
Imports, f.o.b	9,543	11,795	17,267	14,073	13,415	13,872
Services (net)	-5,536	-6,957	-11,214	-10,097	-9,629	-9,957
Credit	67	94	82	111	101	104
Debit	5,603	7,050	11,297	10,207	9,730	10,061
Primary income (net)	-5,367	-5,752	-8,307	-7,253	-6,841	-6,911
Credit	536	355	177	186	192	200
Debit	5,903	6,107	8,484	7,438	7,034	7,111
Secondary income (net)	-63	-646	-1,097	-864	-840	-874
General Government	4	-11	-31	-14	-12	-10
Others	-71	-629	-1,059	-849	-829	-864
Of which: Personal transfers	-71	-23	-112	-88	-86	-90
Capital account	**1**	**2**	**-2**	**1**	**1**	**1**
Financial account (+ = outflows)	**6,194**	**9,896**	**9,700**	**3,515**	**2,610**	**1,426**
Direct investment	1,957	3,298	6,183	2,372	2,026	1,464
Net acquisition of financial assets	91	-1,057	41	28	27	26
Net incurrence of liabilities	-1,866	-4,355	-6,142	-2,344	-1,999	-1,437
Portfolio investment	-1,640	35	-923	151	148	154
Net acquisition of financial assets	-1,640	35	192	151	148	154
Net incurrence of liabilities	0	0	1,114	0	0	0
Financial derivatives (net)	-20	19	4	0	0	0
Other investment	5,878	6,564	4,440	991	436	-191
Trade credits and advances	1,027	2,948	2,259	219	-58	-728
Currency and deposits	519	537	399	-589	-2,470	-3,786
Loans	4,350	4,436	1,720	545	1,483	2,729
Of which: Central Government (net)	3,121	2,128	1,866	867	113	2,419
Others 1/	-18	-1,358	62	816	1,481	1,594
Errors and omissions	**-955**	**-3,007**	**-3,046**	**0**	**0**	**0**
Overall balance	**-6,719**	**-4,470**	**-595**	**-703**	**1,100**	**1,217**
Financing	**6,719**	**4,470**	**595**	**703**	**-1,100**	**-1,217**
Change in gross reserves (- = increase)	2,819	-852	-770	960	-333	-291
Repurchases/repayments to the Fund (- = increase)	…	…	…	-180	-240	-504
Exceptional financing	3,881	5,340	1,370	-77	-527	-422
IMF	1,020	2,007	…	…	…	…
Other IFIs	164	700	…	…	…	…
Debt reprofiling	2,697	2,633	1,370	-77	-527	-422
Foreign interest	443	-32	-389	-603	-677	-573
Foreign amortization	2,254	2,665	1,759	526	150	150
***Memorandum items*:**						
Current account (percent of GDP)	0.8	11.3	9.9	2.9	3.9	2.7
Goods and services balance (percent of GDP)	10.3	19.8	17.6	11.3	11.8	10.8
Trade balance (percent of GDP)	19.9	29.1	26.7	21.7	22.2	20.7
Capital and financial account (percent of GDP)	5.9	14.4	8.5	2.8	3.4	2.3
Overall balance (percent of GDP)	-11.8	-6.0	-0.5	-0.7	1.2	1.2
Exports of goods, f.o.b. (share of GDP)	36.6	44.9	40.8	36.2	36.4	34.8
Imports of goods, f.o.b. (share of GDP)	16.7	15.8	14.1	14.5	14.2	14.1
Gross international reserves (excluding pledged repo securities) 2/						
Millions of U.S. dollars	10,978	14,375	14,661	13,701	14,034	14,325
Months of next year's imports	7.0	6.0	7.2	7.1	7.0	7.0
Percent of ARA metric	97.0	116.1	109.9	112.7	115.6	120.6
Gross international reserves (including pledged repo securities) 2/						
Millions of U.S. dollars	14,879	15,508	14,661	13,701	14,034	14,325

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, 2020–25
(Millions of U.S. dollars, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
					Proj.	
Current account	**872**	**8,399**	**11,763**	**2,208**	**3,032**	**2,069**
Trade balance	11,394	21,787	32,771	21,023	21,020	20,384
Exports, f.o.b.	20,937	33,581	50,038	35,097	34,435	34,256
Crude oil	18,297	27,860	40,273	29,979	28,294	27,389
Gas and oil derivatives	1,288	3,567	5,271	2,480	3,235	3,228
Diamonds	1,070	1,550	1,946	2,015	2,096	2,181
Other	283	605	2,548	623	810	1,458
Imports, f.o.b	9,543	11,795	17,267	14,073	13,415	13,872
Services (net)	-5,536	-6,957	-11,214	-10,097	-9,629	-9,957
Credit	67	94	82	111	101	104
Debit	5,603	7,050	11,297	10,207	9,730	10,061
Primary income (net)	-4,924	-5,784	-8,696	-7,856	-7,519	-7,483
Credit	536	355	177	186	192	200
Debit	5,460	6,139	8,873	8,041	7,711	7,683
Secondary income (net)	-63	-646	-1,097	-864	-840	-874
General Government	4	-11	-31	-14	-12	-10
Others	-71	-629	-1,059	-849	-829	-864
Of which: Personal transfers	-71	-23	-112	-88	-86	-90
Capital account	**1**	**2**	**-2**	**1**	**1**	**1**
Financial account (+ = outflows)	**3,941**	**7,232**	**7,941**	**2,989**	**2,460**	**1,276**
Direct investment	1,957	3,298	6,183	2,372	2,026	1,464
Net acquisition of financial assets	91	-1,057	41	28	27	26
Net incurrence of liabilities	-1,866	-4,355	-6,142	-2,344	-1,999	-1,437
Portfolio investment	-1,640	35	-923	151	148	154
Net acquisition of financial assets	-1,640	35	192	151	148	154
Net incurrence of liabilities	0	0	1,114	0	0	0
Financial derivatives (net)	-20	19	4	0	0	0
Other investment	3,624	3,899	2,680	465	286	-342
Trade credits and advances	1,027	2,948	2,259	219	-58	-728
Currency and deposits	519	537	399	-589	-2,470	-3,786
Loans	2,096	1,772	-39	19	1,332	2,578
Of which: Central Government (net)	867	-537	107	341	-37	2,268
Others 1/	-18	-1,358	62	816	1,481	1,594
Errors and omissions	**-955**	**-3,007**	**-3,046**	**0**	**0**	**0**
Overall balance	**-4,023**	**-1,837**	**774**	**-780**	**573**	**795**
Financing	**4,023**	**1,837**	**-774**	**780**	**-573**	**-795**
Change in gross reserves (- = increase)	2,819	-852	-770	960	-333	-291
Repurchases/repayments to the Fund (- = increase)	…	…	…	-180	-240	-504
Exceptional financing	1,184	2,708	…	…	…	…
IMF	1,020	2,007	…	…	…	…
Other IFIs	164	700	…	…	…	…
***Memorandum items*:**						
Current account (percent of GDP)	1.5	11.2	9.6	2.3	3.2	2.1
Goods and services balance (percent of GDP)	10.3	19.8	17.6	11.3	12.0	10.6
Trade balance (percent of GDP)	19.9	29.1	26.7	21.7	22.2	20.7
Capital and financial account (percent of GDP)	-3.0	11.9	7.7	1.5	3.8	2.9
Overall balance (percent of GDP)	-7.0	-2.5	0.6	-0.8	0.6	0.8
Exports of goods, f.o.b. (percent change)	-39.7	60.4	49.0	-29.9	-1.9	-0.5
Of which: Oil and gas exports (percent change)	-41.3	62.6	49.2	-31.7	-2.9	-2.9
Imports of goods, f.o.b. (percent change)	-32.4	23.6	46.4	-18.5	-4.7	3.4
Terms of trade (percent change)	-36.2	53.0	35.6	-27.0	-6.0	-3.9
Exports of goods, f.o.b. (share of GDP)	36.6	44.9	40.8	36.2	36.4	34.8
Imports of goods, f.o.b. (share of GDP)	16.7	15.8	14.1	14.5	14.2	14.1
Gross international reserves (excluding pledged repo securities) 2/						
Millions of U.S. dollars	10,978	14,375	14,661	13,701	14,034	14,325
Months of next year's imports	7.0	6.0	7.2	7.1	7.0	7.0
Percent of ARA metric	97.0	116.1	109.9	112.7	115.6	120.6
Gross international reserves (including pledged repo securities) 2/						
Millions of U.S. dollars	14,879	15,508	14,661	13,701	14,034	14,325

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, 2020–25
(Percent of GDP)

	2020	2021	2022	2023	2024	2025
			Prel.		Proj	
Total public debt[1]	**138.4**	**83.5**	**65.2**	**83.2**	**75.6**	**65.2**
Short-term	4.9	2.1	1.1	1.3	0.7	0.8
Medium and long-term	133.5	81.3	64.1	81.9	74.9	64.3
Domestic	35.3	22.9	17.8	19.0	15.5	14.5
Short-term	4.6	2.0	1.0	1.2	0.6	0.7
Medium and long-term	30.6	20.9	16.8	17.8	15.0	13.8
External	103.1	60.5	47.5	64.2	60.1	50.7
Owed to: Commercial banks	67.3	39.8	31.1	42.2	39.9	34.7
Owed to: Official creditors	22.6	16.1	12.4	17.7	16.8	13.7
Owed to: Other private sector	13.2	4.6	4.0	4.4	3.3	2.3
Short-term	0.2	0.1	0.1	0.1	0.1	0.1
Medium and long-term	102.9	60.4	47.4	64.1	60.0	50.5
Of which: Sonangol	8.5	4.8	3.6	5.2	3.2	2.1
Of which: TAAG	0.3	0.3	0.1	0.2	0.2	0.1

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.

Table 6. Angola: Financial Stability Indicators, 2015–22

(Percent)

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Capital adequacy											
Regulatory capital to risk-weighted assets	19.8	19.2	18.9	24.2	23.2	20.3	23.8	22.9	20.5	18.8	28.4
Capital (net worth) to risk-weighted assets	13.8	14.3	17.6	21.7	19.1	17.7	20.6	21.7	17.8	16.9	21.3
Asset quality											
Foreign exchange loans to total loans	30.8	29.5	25.1	28.1	31.6	30.3	21.7	16.8	15.7	15.8	20.0
Nonperforming loans to gross loans	11.6	13.1	28.8	28.3	32.4	18.4	20.3	21.2	22.0	21.1	14.4
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	8.3	7.7	8.1
Credit to private sector to total credit	42.1	91.3	89.1	88.5	90.3	89.8	90.9	91.9	91.7	92.3	91.9
Earnings and profitability											
Return on assets (ROA)	1.7	2.2	2.1	4.4	-1.3	-2.9	2.2	1.5	2.5	2.3	2.7
Return on equity (ROE)	12.9	15.6	14.5	26.6	-10.0	-29.8	26.7	14.2	24.2	19.9	22.1
Expense/income	99.8	99.7	99.8	99.6	109.8	121.5	81.3	85.3	77.5	79.7	76.3
Lending rate minus demand deposit rates	9.9	19.3	23.8	27.3	20.4	14.5	10.2	7.7	12.4	9.0	8.2
Saving deposit rates	3.5	4.8	9.7	4.5	8.3	11.4	10.8	10.3	10.0	10.0	10.0
Interest margin to gross income	53.01	63.1	72.3	43.2	44.9	168.3	91.0	95.0	80.5	81.5	73.2
Liquidity											
Liquid assets/total assets	39.7	46.3	33.8	22.2	26.6	30.1	35.8	36.9	33.2	32.2	30.9
Liquid assets/short term liabilities	50.6	59.2	43.2	28.6	32.6	35.8	43.6	44.1	40.3	40.0	38.9
Loan/deposits	59	51.6	49.3	44.2	42.0	32.7	35.9	36.5	36.9	38.3	34.4
Foreign exchange liabilities/total liabilities	0.0	34.4	33.5	46.1	53.0	54.2	45.5	37.9	35.9	33.6	36.3
Sensitivity to market risk											
Net open position in foreign exchange to capital [3]	34.37	42.9	46.1	36.5	2.1	32.6	39.6	19.7	14.4	25.6	17.2
NUMBER OF REPORTING BANKS [4]	**28**	**27**	**29**	**27**	**26**	**26**	**25**	**25**	**25**	**25**	**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] Two banks, which are currently undergoing restructuring, report 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 five years (by reducing the value of “other assets”).

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

[4] 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 7. Angola: Fiscal Financing Needs and Sources, 2023–25

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

	2023	2024	2025
		Proj.	
Financing Needs[1] (A)	**13.6**	**7.6**	**5.8**
Primary deficit	-3.0	-5.3	-6.2
Debt service	15.8	12.4	11.5
External debt service	8.9	7.7	8.9
Principal	5.7	4.5	5.6
Interest	3.2	3.2	3.3
Domestic debt service	6.9	4.7	2.6
Principal	5.0	3.3	1.0
Interest	1.8	1.3	1.6
Recapitalizations	0.2	0.0	0.0
Net clearance of domestic arrears / accounts payable	0.3	0.3	0.3
Net clearance of external arrears / accounts payable	0.3	0.2	0.2
Financing Sources (B)	**13.6**	**7.6**	**5.8**
External debt disbursements	5.3	4.5	3.3
Domestic debt disbursements	5.5	2.8	2.4
Privatization	0.3	0.1	0.1
Deposits withdrawals (+)[2]	1.1	0.0	-0.2
Escrow account withdrawals (+)	0.9	0.2	0.2
FSDEA asset sales	0.5	0.0	0.0
Financing Gap (A-B)	**0.0**	**0.0**	**0.0**
***Memorandum Items*:**			
Total usable cash balances[3]	1.0	1.7	2.2
Total usable cash balances (in months of expenditure)[4]	1.6	2.7	3.1
External debt rollover rate (in percent)[5]	60	59	37
Domestic debt rollover rate (in percent)[6]	86	61	93

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] Excludes FSDEA and cash transactions related to privatization receipts and arrears clearance starting 2020.

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

[4] Government deposits at the BNA, in months of wage and interest expenditure, including valuation changes.

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

[6] 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 8. Angola: Indicators of IMF Credit, 2021–30

(Units as indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual		Projections							
Existing and prospective Fund arrangements				**(Millions of SDRs)**						
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	325.2	376.8	567.4	697.8	655.5	615.7	454.8	390.2
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	191.1	198.0	193.8	162.2	120.0	80.2	53.3	33.5
				(Millions of USD)						
Stock of existing and prospective Fund credit	4,578.3	4,297.7	4,132.4	3,892.7	3,408.7	2,701.2	1,985.1	1,261.4	714.8	224.4
Obligations	70.2	122.9	436.4	505.7	765.5	946.5	893.9	844.1	626.8	540.6
Principal (repayment/repurchase)	0.0	0.0	179.9	240.0	504.0	726.5	730.3	734.2	553.3	494.2
Charges and interest	70.2	122.9	256.5	265.7	261.5	220.0	163.6	109.9	73.5	46.3
Obligations, relative to key variables				**(Percent)**						
Quota	6.7	12.4	43.9	50.9	76.7	94.3	88.6	83.2	61.5	52.7
Gross domestic product	0.1	0.1	0.5	0.5	0.8	0.9	0.8	0.7	0.5	0.4
Gross international reserves	0.5	0.8	3.2	3.6	5.3	6.5	6.1	5.7	4.2	3.5
Export of goods and services	0.2	0.2	1.2	1.5	2.2	2.8	2.6	2.5	1.8	1.5
Unencumbered exports of goods and services[1]	0.2	0.3	1.3	1.6	2.4	3.0	2.8	2.6	1.9	1.6
Central Government revenues	0.4	0.4	2.1	2.5	3.7	4.5	4.2	3.8	2.8	2.3
Unencumbered Central Government revenues[1]	0.4	0.4	2.4	2.9	4.3	5.1	4.7	4.2	3.0	2.5
External debt service	1.4	1.7	4.9	6.6	8.6	11.1	10.3	8.2	5.9	6.4
Non-collateralized external debt service[1]	1.8	2.0	7.2	10.2	12.1	15.4	13.9	10.2	7.1	7.9
Fund Credit Outstanding, relative to key variables				**(Percent)**						
Quota	434.2	434.2	416.1	391.9	341.4	269.1	196.7	124.3	70.1	21.9
Gross domestic product	6.0	3.5	4.3	4.1	3.5	2.6	1.8	1.1	0.6	0.2
Gross international reserves	31.3	29.1	30.2	27.8	23.9	18.5	13.5	8.5	4.8	1.4
External debt	8.7	8.1	7.8	7.6	7.1	5.8	4.5	3.0	1.8	0.6
Non-collateralized external debt[2]	12.7	11.1	10.2	9.5	8.5	6.7	4.9	3.1	1.8	0.6
Memorandum items:				**(Millions of U.S. dollars, unless otherwise indicated)**						
Quota (millions of SDRs)	740	740	740	740	740	740	740	740	740	740
Gross domestic product	74,861	122,781	96,925	94,602	98,567	102,744	108,653	114,058	119,818	125,957
Gross international reserves	14,375	14,661	13,701	14,034	14,325	14,636	14,742	14,878	14,997	15,666
Exports of goods and services	33,675	50,120	35,207	34,536	34,360	34,257	33,926	34,252	34,703	35,118
Central Government revenues	17,448	28,508	21,139	20,326	20,491	20,810	21,371	22,037	22,753	23,527
External debt service	4,944	7,270	8,937	7,697	8,867	8,553	8,678	10,300	10,648	8,427
Total external debt[3]	51,555	52,898	52,684	51,124	48,090	46,317	44,554	42,949	40,096	37,450

Sources: Angolan authorities; and IMF staff projections.

[1] Subtracting collateralized external debt service.

[2] Subtracting collateralized external debt.

[3] Including Sonangol, TAAG, and public guarantees.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Potential Impact	Policy Response
Stronger-than-expected decline in oil prices and/or crude oil production, which would reduce growth, oil tax revenues, and availability of foreign exchange and weaken the currency, threatening debt ratios, prices, and bank health and, potentially, Angola's capacity to repay the Fund.	Medium	High	Mobilize additional non-oil fiscal revenues; compress expenditure if necessary while preserving social spending on the most vulnerable; continue active debt management operations to smooth medium-term external debt service; accumulate reserves where feasible to boost external buffers and allow the exchange rate to act as a shock absorber where necessary to preserve external buffers; accelerate reforms to diversify the economy.
Possibility that reform fatigue could arise, including the possibility of policy reversals and further fiscal slippage, given pervasive hardships.	Medium	Medium	Scale up the cash transfer program, with the help of the World Bank, to protect the most vulnerable from the side effects of reforms; continue well-focused technical assistance by the Fund and other development partners to mitigate implementation risks and mitigate side effects of reforms.
A return of adverse weather conditions that negatively impacts the agriculture sector, leading to slower non-oil sector growth and stymieing diversification efforts.	Medium	Medium	Press forward with diversification efforts and structural reforms to spur investment in the agriculture sector and boost its resilience, including in the areas of infrastructure, business environment, and human capital. Scale up the cash transfer program to cushion the most vulnerable from shocks.
Intensification of regional conflicts. Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	High	Low	Press forward with diversification efforts and structural reforms to spur investment in the agriculture sector, which is sensitive to fertilizer supply shocks, and boost its resilience, including in the areas of infrastructure, business environment, and human capital.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and markets fragmentation.	Medium	High	Mobilize additional non-oil revenues and compress expenditure as necessary, preserving social spending on the most vulnerable. Continue active debt management operations to smooth external debt service and accumulate reserves where feasible to boost external buffers and reduce reliance on external financing. Likewise, continue to build up the domestic debt market.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view ofIMF staff). 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. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively. **February 2023 edition of the RAM.**