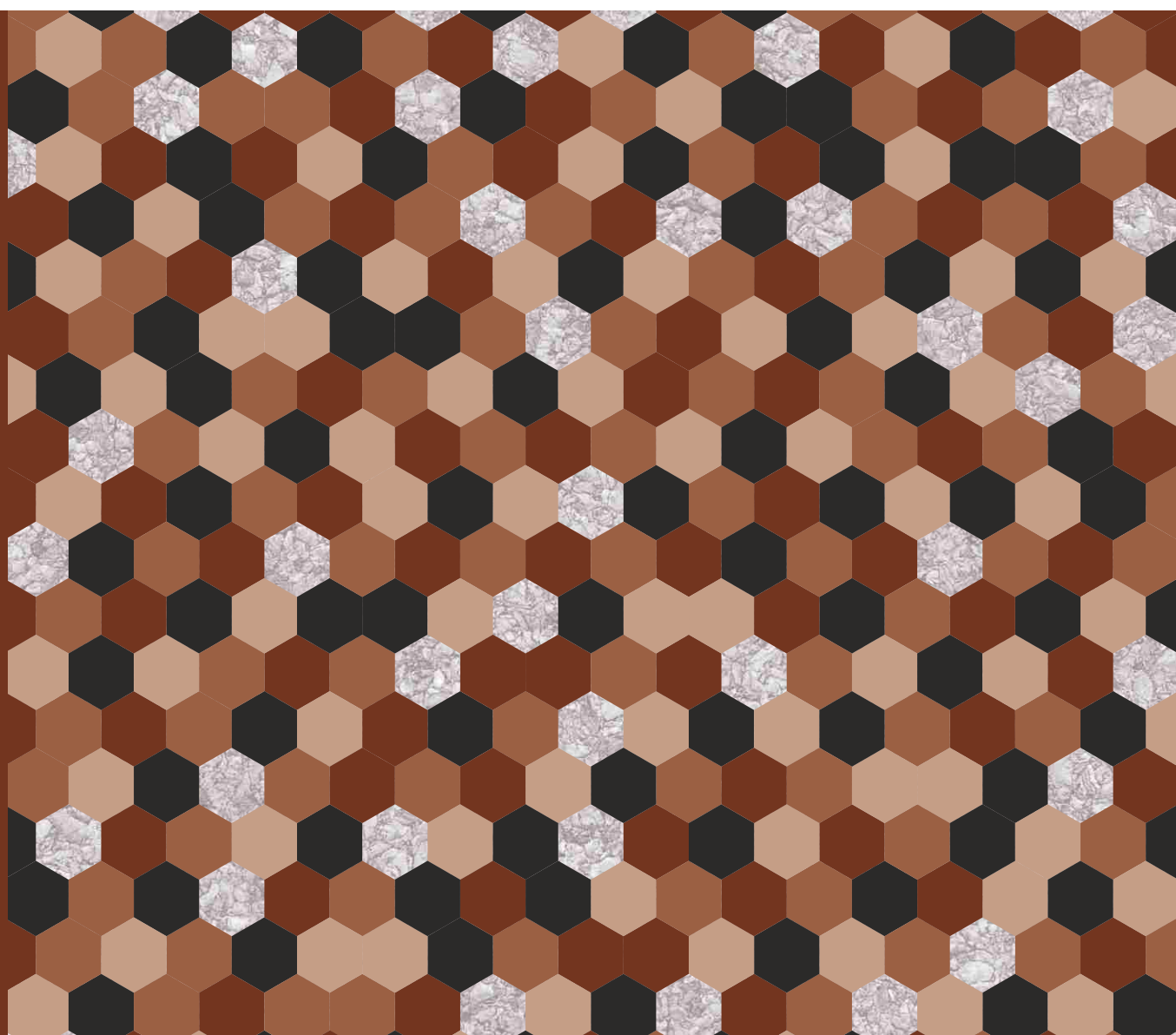


# Economic developments in Portuguese-speaking African countries and Timor-Leste



BANCO DE PORTUGAL  
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2015 | 2016





Economic  
developments  
in Portuguese-speaking  
African countries  
and Timor-Leste  
2015|2016



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# Contents

International environment | **7**

Recent developments and outlook | **9**

Economic developments in Portuguese-speaking  
African countries and Timor-Leste | **11**

1. Angola | **13**

2. Cabo Verde | **29**

3. Guinea-Bissau | **45**

4. Mozambique | **59**

5. São Tomé and Príncipe | **75**

6. Timor-Leste | **91**

Portugal's economic and financial relations  
with Portuguese-speaking African countries and Timor-Leste | **105**



## Foreword

As of 1994, Banco de Portugal has released the publication *Economic Developments in Portuguese-speaking African Countries and Timor-Leste*, in an effort to contribute to a better understanding of current economic conditions in Portuguese-speaking African countries and Timor-Leste. This publication presents key macroeconomic data for each economy and information on Portugal's economic and financial relations with these countries.

Except for the chapter 'International environment', all texts were prepared on the basis of information received up to the end of July 2016.

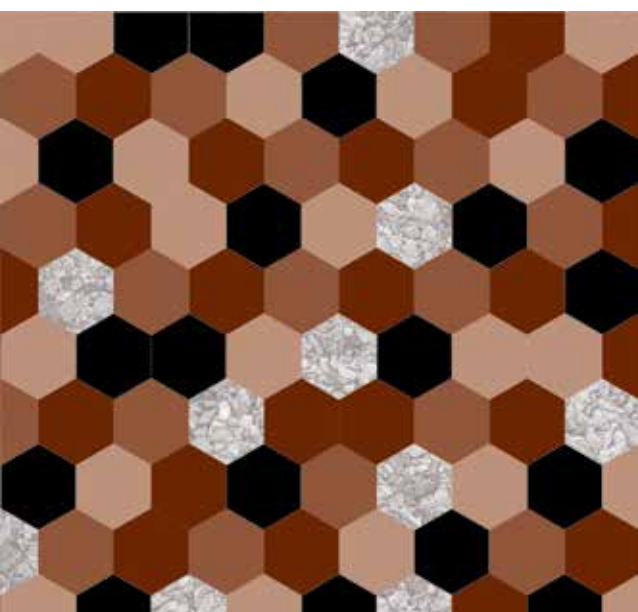
In some cases, this information corresponds to estimates or preliminary data, which may be subsequently revised.

As has been the case since its first issue, the cooperation of various entities was crucial to prepare this report. These entities include: the central banks of Angola, Cabo Verde, Mozambique, São Tomé and Príncipe and Timor-Leste and the national branch of the Central Bank of West African States in Guinea-Bissau.

September 2016







International  
environment



## Recent developments and outlook

Forecasts point to an interruption of the five consecutive years of a cooling down in the pace of economic growth in **emerging and developing economies**. However, a strong recovery in growth in the **world economy** and **advanced economies** is not expected for 2016.

The signs of a pick-up in economic activity observed in a number of regions have been accompanied by **uncertainty** surrounding important political processes, **doubts regarding the persistence** of key factors to the success of the recovery, and **structural challenges to long-term growth**.

The **uncertainty arising from the prospect of the United Kingdom** leaving the European Union – Brexit – will be long-lasting, to the extent that the process to re-establish relationships is uncertain and expected to be protracted. After the strong depreciation of the pound sterling, both markets and economic agents have shown signs of a moderate reaction to the result of the referendum.

**International prices of goods** are recovering after recording strong falls, in particular oil and coal. It is worth noting that involuntary

declines in production and particularly adverse weather phenomena may be boosting this partial recovery in a number of goods.

After considerable drops in 2015, **capital flows to emerging economies** show signs of a recovery in 2016. This shift in sentiment may reflect a recovery in the international prices of a number of goods, greater transparency on the part of Chinese authorities when communicating policy objectives and expectations that the accommodative monetary policy stance in advanced economies might be prolonged.

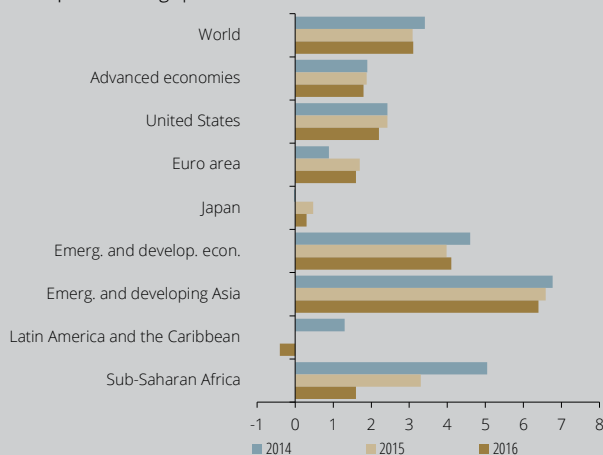
The growth outlook for advanced economies continues to face important challenges, such as the guarantee of bank asset quality, population ageing, weak productivity growth, a slowdown in the Chinese economy and low growth in international trade.

In 2016 the acceleration in emerging and developing economies is expected to be mainly driven by the regions of Commonwealth of Independent States, the Middle East, Northern Africa, Afghanistan and Pakistan.

Indicators pointing to positive developments in the Chinese and Indian economies will likely not

**Chart 1 • Real GDP**

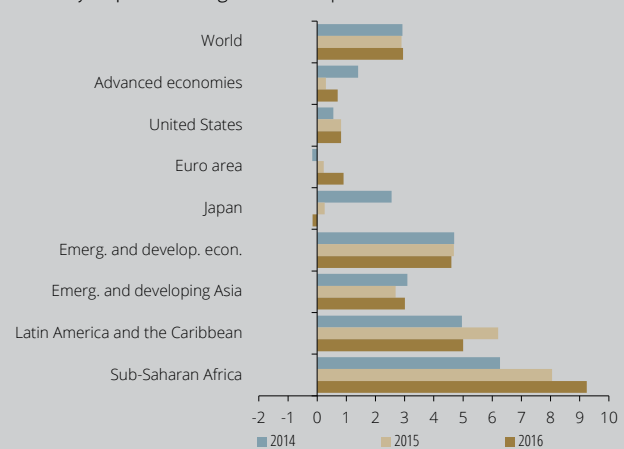
Annual percent change | Selected economies



Source:IMF, World Economic Outlook Database, July 2016.

**Chart 2 • Inflation**

Year-on-year percent changes of the CPI | Selected economies



be sufficient to avoid a slowdown in **emerging and developing Asia**. In China, the economic policy and credit growth are expected to boost economic activity and consumption and services are projected to gain prominence, thereby rebalancing the economy. In India, the recovery is expected to strengthen, partly owing to economic policy effectiveness, together with favourable external developments like the improvement in terms of trade.

**Latin America and the Caribbean** are expected to fall into recession in 2016, despite signs that the (still negative) rates of change in output in the largest economy in the region, Brazil, will resume an upward trajectory. These signs from the Brazilian economy may indicate an unwinding of the negative effects of the drop in international prices of goods, of the adjustments in administered prices and of the uncertainty surrounding recent political developments.

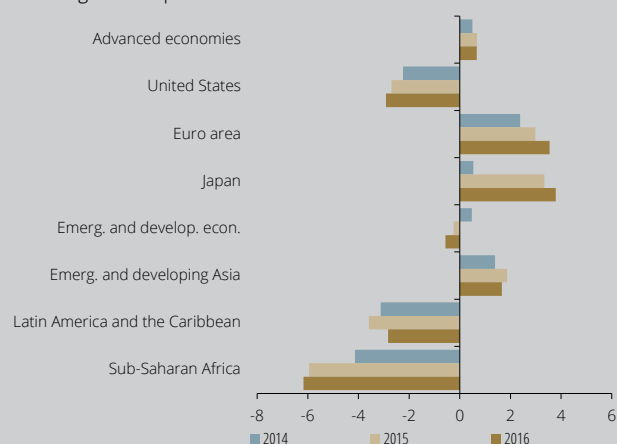
The slowing trend in **Sub-Saharan Africa** is expected to be mostly driven by a stagnation in South Africa and the start of a recession in Nigeria. In this country in particular, 2016 has been characterised by considerable losses in reserves, military conflicts and an unreliable supply of electricity.

2015 saw the end of a decade characterised by a strong pace of **convergence in the real per capita income of developing regions towards the levels of advanced economies**.

The uncertainties and doubts that characterise the current economic and political environment at international level require a decisive action on the part of economic policy authorities throughout the world in order to pave the way for a new decade of convergence. The Chinese Presidency of the G20 has begun positively by bringing together the desire to adopt common strategies such as the coordination of fiscal, structural and monetary policies towards more inclusive global growth.

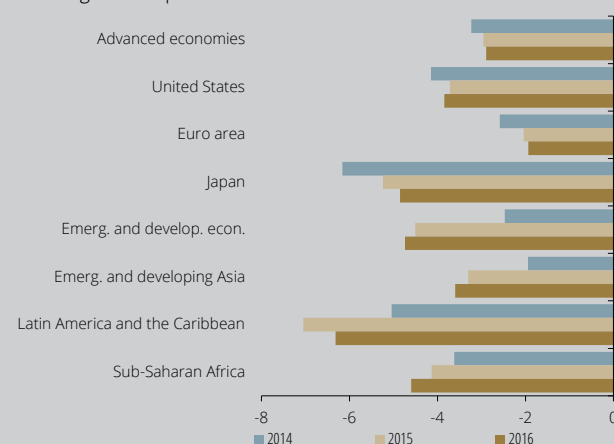
**Chart 3 • External current account**

Percentage of GDP | Selected economies



**Chart 4 • Fiscal balance**

Percentage of GDP | Selected economies



Source: IMF, World Economic Outlook Database, July 2016.



## Economic developments in Portuguese-speaking African countries and Timor-Leste

1. Angola
2. Cabo Verde
3. Guinea-Bissau
4. Mozambique
5. São Tomé and Príncipe
6. Timor-Leste



# 1. Angola

Area: 1,246,700 Km<sup>2</sup>

Capital city: Luanda

Population: 25.0 million  
(2015; source: UN)

Currency: Kwanza (AOA)

The Angolan economy continues to suffer from the effects of the oil price decline. The pace of economic expansion continued to decelerate significantly, and is expected to post the lowest growth rate of the past two decades in 2016. The economy posted twin deficits in the fiscal and external accounts for the second consecutive year, and the projection for this year indicates no change in this scenario. Inflationary pressure, largely resulting from the marked depreciation of the kwanza, returned the inflation rate to double-digits. External competitiveness gains of the past year may make a positive contribution to the economy's diversification efforts.

The economic situation in Angola continued to be **strongly conditioned by developments in international oil markets** during 2015. The fall of nearly two-thirds in Brent oil prices (the benchmark for Angolan crude oil prices) between June 2014 and December 2015 resulted in severe constraints on economic activity, given that the oil sector accounted for approximately 40 per cent of generated output (preliminary estimates point to a 24 per cent share in 2015). Despite a slight recovery in this commodity's price in the first half of 2016, to close to USD 50 per barrel, this value is still far below the three-digit prices seen in the two years before the current shock.

The negative impact of this challenging external environment was felt across all economic sectors, most notably by the non-oil sector, largely due to a foreign currency shortage. **The economy slowed down further in 2015**, growing by 3 per cent, the lowest since 2009. The persistence of the current adverse environment in the first half of 2016 led Angolan authorities to **revise their growth projections downward for this year**, from 3.3 to 1.3 per cent.

External transactions were one of the main transmission mechanisms of the oil price shock to the Angolan economy – **the oil sector is responsible for around 95 per cent of goods exports**. As such, the fall in the value of exported crude oil (-44.4 per cent from 2014) made a substantial contribution to the **deterioration in external accounts in 2015**, with the current account deficit reaching 8.5 per cent of GDP (5.6 p.p. decline from 2014). For the second consecutive year, the overall balance was negative in 2015, and was once again financed by **official foreign exchange reserves**. This ongoing pressure on the level of reserves led authorities to restrict access to foreign currency, which resulted in a considerable contraction in imports of goods and services (-30.5 per cent from 2014). **A further deterioration in external accounts is projected for 2016**, during which a current account deficit of 14.9 per cent of GDP is expected.

Another key transmission mechanism of this exogenous shock was through **public finances which, similarly to the previous year, posted a deficit balance** (-4.3 per cent of GDP). This was largely due to a fall in oil revenue (-45.6 per

cent), which amounted to around 13 per cent of GDP (compared with 30.1 per cent in 2013). This second consecutive year of twin deficits clearly illustrates the **exposure of fiscal and external accounts to oil price fluctuations**, as had been evidenced in 2009, in the wake of a similar (although shorter) shock.

**For 2016, Angolan authorities project a deterioration in the public deficit** to 6 per cent of GDP, as outlined in the revised State's General Budget. According to the information released by the Ministry of Finance, this new version of the State's General Budget includes most notably a downward revision of expected public revenue and expenditure (-26.6 and -20 per cent respectively) and of the average oil price per barrel (from USD 45 to USD 41).

**Public debt continued on an upward path**, standing, according to the latest estimates released by the International Monetary Fund, at 62.3 per cent of GDP in 2015, which amounts to an increase of 21.7 p.p. from 2014. **External debt has also shown an upward trend**, and is estimated to have increased by 6.6 percentage points in 2015, to 34.9 per cent of GDP.

The deterioration in economic conditions in Angola, together with some pessimism, continued to **put downward pressure on the kwanza in 2015**, with the currency losing approximately one-fourth of its value against the US dollar and over 14 per cent against the euro. The depreciation trend continued in early 2016, with the cumulative loss between January 2015 and May 2016 standing at 38 per cent against the US dollar and 32 per cent against the euro. As a result of these foreign exchange market developments, the Angolan economy posted **competitiveness gains with respect to its main trading partners**, as assessed by the effective exchange rate index (EERI). These competitiveness gains – which were more substantial in nominal terms (21 per cent decrease in the EERI in 2015) than in real terms (11.4 per cent decline), due to developments in the general price level in Angola – may foster exports of new products and make a positive contribution to the economy's diversification efforts.

The combination of effects resulting from the depreciation in the kwanza, the removal of



fuel subsidies and accommodative monetary conditions (broad money expanded by 11.8 per cent in 2015 and 14.4 per cent in the first five months of 2016) led to an **acceleration in the inflationary pace**, which brought back double-digit inflation. Following a long and successful disinflation process, in the course of which exchange rate stability against the US dollar was the main instrument for reining in (hyper) inflation, the inflation rate reversed this trend very markedly, ending 2015 at 14.3 per cent. **In the first half of 2016 this trend intensified**, with a year-on-year inflation rate of 31.8 per cent in June, well above the range projected for the year (between 11 and 13 per cent).

With regard to the financial system, data shows a slight **deterioration trend among the main financial stability indicators**. Non-performing loans have increased over the past few years, standing at 13.2 per cent of total loans in April 2016. The past few months have also evidenced

some deterioration in the solvency ratio of Angolan financial institutions, which has been coupled with a decline in business profitability. In 2015 and early 2016, the dollarisation of the banking system reversed the downward trend seen in recent years, which, given foreign exchange market developments, may pose risks to financial stability (loans in foreign currency accounted for 34.8 per cent of total credit granted as at April 2016).

Due to the difficult climate that the country currently faces, in April 2016 the Angolan authorities reported that they had sent a request to the IMF to initiate discussions on the implementation of an adjustment programme under the Extended Fund Facility. However, the request was suspended at the end of June, following a reappraisal by the national authorities of the outlook for oil price developments.

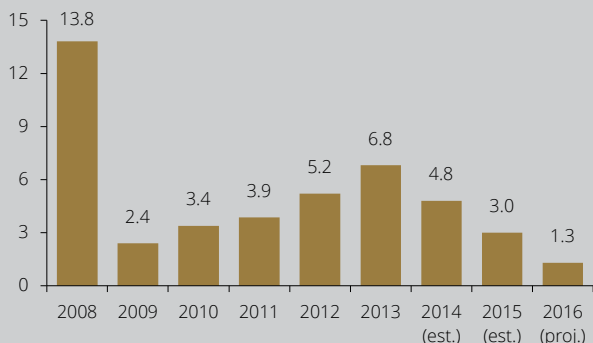
**Table 1 • Main economic indicators**

	2012	2013	2014	2015	2016
	Est.	Est.	Est.	Est.	Proj.
Real GDP (annual % change)	5.2	6.8	4.8	3.0	1.3
Inflation (year-on-year % change)	9.0	7.7	7.5	14.3	[11.0-13.0]
Broad money (annual % change)	5.7	13.2	16.2	11.8	–
Current account (% of GDP)	12.0	6.7	-2.9	-8.5	-14.9
Fiscal balance (% of GDP)	6.6	0.3	-6.6	-4.3	-5.7
External public debt (% of GDP)	19.6	22.6	28.4	34.9	–

Sources (for the subsequent charts also): Banco Nacional de Angola, Ministry of Finance of Angola, European Central Bank, International Monetary Fund and Organisation for Economic Cooperation and Development.

**Chart 5 • Real GDP**

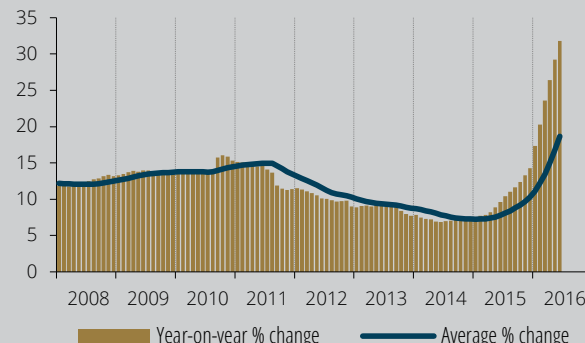
Annual % change



The economy continues to follow a downward path, in line with the fall in oil prices that started in the second half of 2014. The pace of growth in 2015 seems to have also been influenced by a slowdown in the non-oil sector.

**Chart 6 • Inflation**

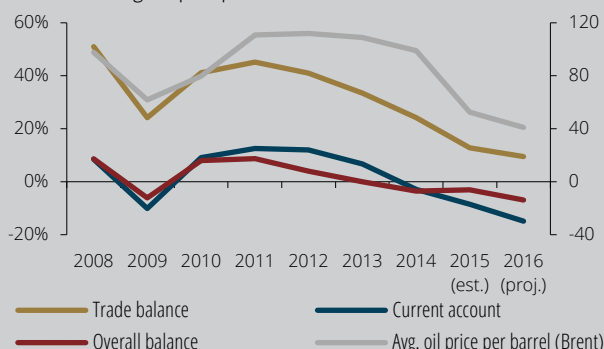
Annual % change of the CPI



The inflation rate returned to double-digit levels in July 2015, continuing on its upward path up to the end of the first half of 2016. The strong depreciation in the kwanza during this period was the main factor behind this trend.

**Chart 7 • External accounts**

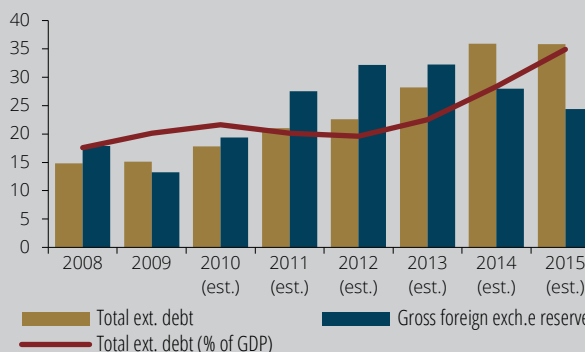
% of GDP, average oil price per barrel in USD



The dependence on oil price developments was also clearly reflected in external accounts, which deteriorated compared with 2014. This trend is projected to continue in 2016, although less markedly.

**Chart 8 • External public debt and foreign exchange reserves**

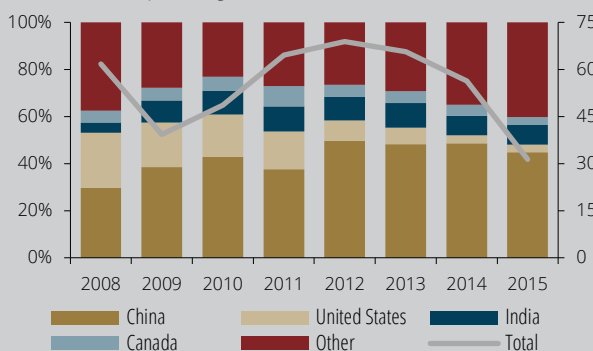
USD billions



Pressure on foreign exchange reserves remains, although authorities have allowed for a gradual depreciation of the kwanza. The share of external debt increased further, for the third consecutive year.

**Chart 9 • Crude oil exports**

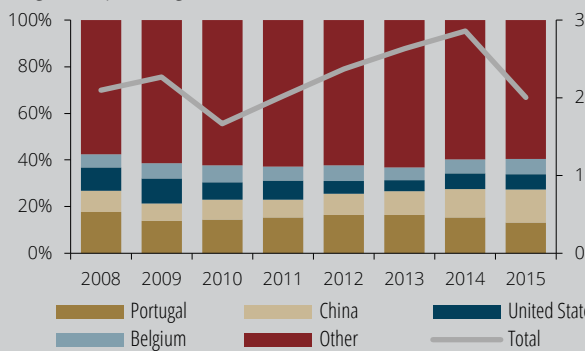
Destinations as a percentage, total in USD billions



The geographical distribution of exports has remained relatively stable. Foreign crude oil sales, which is the main source of accumulation of foreign currency, fell by 44.4 per cent from 2014, below that seen in 2009.

**Chart 10 • Goods imports**

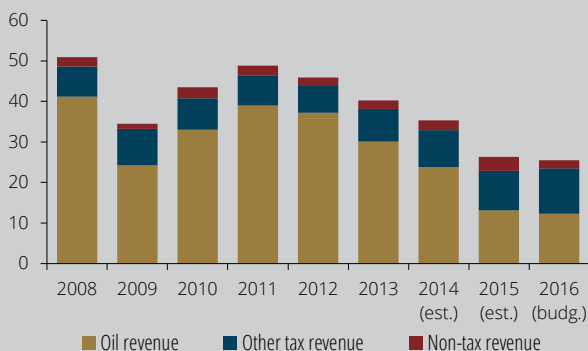
Origins as a percentage, total in USD millions



China overtook Portugal as the main supplier of goods in 2015. The increasing market share of goods from that country came at a time of intensification in bilateral relations, as notably evidenced by the launch of new credit lines.

**Chart 11 • Public revenue**

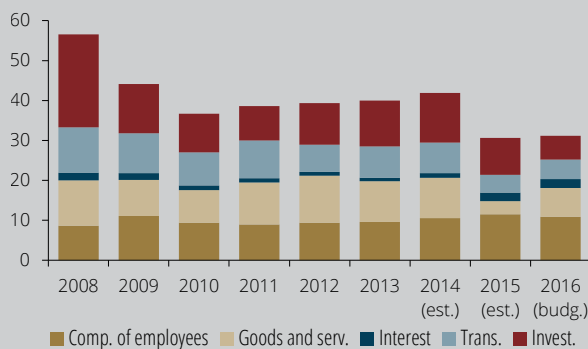
% of GDP



The substantial fall in oil revenue in 2015 (-45.6 from 2014) reduced the share of this source of income to less than half of the total, compared with over three-quarters in the years before the oil price shock.

**Chart 12 • Public expenditure**

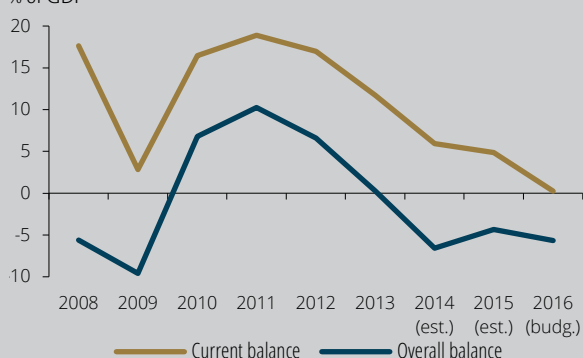
% of GDP



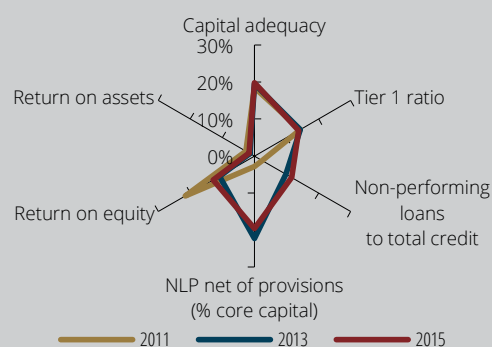
The increased fiscal strain generated by a fall in revenue forced authorities to significantly curb public spending (-27.7 per cent from 2014). Cuts in goods and services spending suffered the largest impact, falling by two-thirds from 2014.

**Chart 13 • Public accounts**

% of GDP



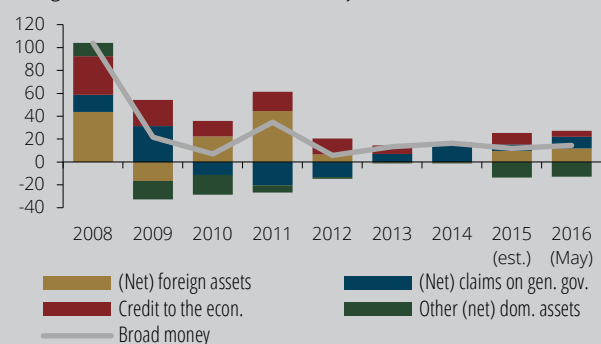
For the second consecutive year, public accounts remained in negative territory, and the same is projected for 2016. To contain the deterioration in the deficit, public investment has been affected the most, falling by almost 50 per cent between 2014 and the level projected for 2016.

**Chart 14 • Financial stability indicators**

Financial stability indicators have shown signs of deterioration over the past few months, reflecting the challenging economic and financial conditions faced by the country.

**Chart 15 • Liquidity expansion/contraction factors**

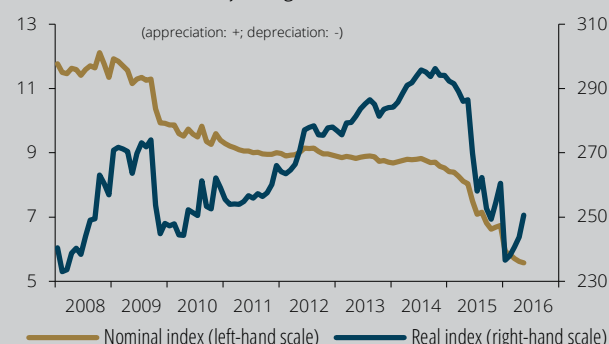
Changes in % of initial stock of broad money



The pace of expansion of broad money has been relatively constant over the past few years. In 2015 and the first five months of 2016, developments in net foreign assets and domestic credit were the main liquidity expansion factors.

**Chart 16 • Effective exchange rate**

Indexes: 100 = 2000, monthly averages



The continued depreciation in the kwanza (more than 40 per cent against the US dollar between September 2014 and May 2016), resulted in substantial competitiveness gains. However, these gains were partially limited, in real terms, by an acceleration in the country's inflationary pace.

Table 2 • Economic indicators

			2011	2012	2013	2014	2015		2016	
			Est.	Est.	Est.	Est.	Proj.	Est.	Proj.	Est.
Output and prices										
Nominal GDP	AOA billions		9,780	11,011	12,056	12,462	11,942	12,323	13,786	–
	EUR billions		74.9	89.7	94.0	95.3	–	92.4	–	–
	USD billions		104.3	115.4	124.9	126.7	106.1	102.7	81.5	–
Real GDP	Annual % change		3.9	5.2	6.8	4.8	3.5	3.0	1.3	–
Oil sector	Annual % change		-5.4	4.5	-0.9	-2.6	–	–	–	–
Other sectors	Annual % change		9.5	5.5	10.9	8.2	–	–	–	–
Inflation (CPI-Luanda)	Year-on-year % change		11.4	9.0	7.7	7.5	9.0	14.3	[11.0-13.0]	31.8 June
	Average annual % change		13.5	10.3	8.8	7.3	–	10.3	–	18.7 June
Public finances										
Total revenue	% of GDP		48.8	45.9	40.2	35.3	22.5	26.3	25.5	–
Oil revenue	% of GDP		39.0	37.3	30.1	23.8	8.7	13.1	12.3	–
Total expenditure	% of GDP		38.6	39.3	39.9	41.9	29.3	30.6	31.2	–
Current expenditure	% of GDP		29.9	28.9	28.5	29.4	24.0	21.4	25.2	–
Capital expenditure	% of GDP		8.6	10.4	11.4	12.5	5.3	9.2	5.9	–
Overall balance (commitment basis)	% of GDP		10.2	6.6	0.3	-6.6	-6.8	-4.3	-5.7	–
Overall balance (cash basis)	% of GDP		11.8	9.2	3.0	-2.4	-6.8	-4.3	-5.7	–
Money and credit										
Net foreign assets	Annual % change		71.7	8.2	-1.2	-1.1	–	15.8	–	19.0 May
Credit to the economy	Annual % change		27.4	23.9	10.5	0.7	–	17.7	–	8.4 May
Broad money (M3)	Annual % change		34.6	5.7	13.2	16.2	–	11.8	–	14.4 May
Interest rates										
Credit in national currency <sup>(a)</sup> (180 d)	Annual rate		18.1	15.3	15.1	17.4	–	15.4	–	16.0 May
Deposits in national currency (180 d)	Annual rate		6.7	4.7	3.9	4.3	–	5.2	–	5.1 May
Deposits in foreign currency (180 d)	Annual rate		2.7	2.3	2.2	2.3	–	2.5	–	2.5 May
Central bank bills (63 d)	Annual rate		7.2	4.1	4.0	–	–	–	–	–
Treasury bills (182 d)	Annual rate		4.8	3.7	3.6	7.1	–	15.0	–	17.7 May
Treasury bonds <sup>(b)</sup> (3 years)	Annual rate		7.0	7.3	7.3	7.3	–	–	–	7.3 May
Financial stability										
Capital adequacy	Percentage		18.5	18.3	19.5	19.8	–	19.8	–	18.8 April
Non-performing loans/total loans	Percentage		2.4	6.8	9.8	11.7	–	11.6	–	13.2 April
Return on equity	Percentage		21.6	12.5	10.9	4.9	–	12.9	–	8.0 April
Balance of payments										
Exports (current USD)	Annual % change		33.2	5.6	-3.2	-12.5	-51.7	-42.6	-16.5	–
Imports (current USD)	Annual % change		23.9	4.4	7.3	8.8	-20.5	-30.5	-3.6	–
Trade balance	% of GDP		45.2	41.0	33.5	24.1	3.9	12.8	9.5	–
Current account	% of GDP		12.6	12.0	6.7	-2.9	-17.6	-8.5	-14.9	–
Foreign reserves (gross)	USD billions		27.5	32.2	32.2	27.9	–	24.4	–	24.4 May
External public debt										
Total external public debt	EUR billions		15.1	17.6	21.2	27.0	–	32.3	–	–
	USD billions		21.0	22.6	28.2	35.9	38.3	35.9	–	–
	% of GDP		20.1	19.6	22.6	28.4	36.1	34.9	–	–
Exchange rates										
Bilateral rate EUR/AOA	Average rate		130.6	122.7	128.2	130.7	–	133.3	–	185.4 May
Bilateral rate USD/AOA	Average rate		93.8	95.4	96.5	98.3	–	120.0	–	165.9 May
Nominal EERI [appreciation: +] <sup>(c)</sup>	Annual % change		-4.0	-0.9	-2.4	-2.0	–	-21.0	–	-17.3 May
Real EERI [appreciation: +] <sup>(c)</sup>	Annual % change		2.7	4.5	2.2	3.5	–	-11.4	–	-3.8 May

Sources: Banco Nacional de Angola, Ministry of Finance of Angola, European Central Bank, International Monetary Fund, Organisation for Economic Co-operation and Development and Banco de Portugal calculations.

Notes: (a) Credit granted to enterprises. (b) Bonds issued in AOA but indexed to the USD/AOA exchange rate. (c) Effective exchange rate index (EERI), calculated on the basis of exchange rates applied to the currencies of the four major trading partners over the 2010/14 period.

**Table 3 • Gross domestic product**

Current prices, AOA billions

	2011	2012	2013	2014	2015		2016
				Est.	Proj.	Est.	Proj.
Agriculture	908	776	1,195	1,410	–	1,623	1,871
Fishing and related products	23	27	30	38	–	47	48
Diamonds and other	91	89	95	81	–	121	146
Oil	4,753	5,160	5,018	4,414	–	2,958	3,283
Manufacturing	598	752	884	1,012	–	1,132	1,324
Construction	769	947	1,109	1,267	–	1,499	1,673
Energy	11	14	20	25	–	29	41
Market services	1,942	2,428	2,813	3,215	–	3,755	4,147
Other	685	819	892	1,001	–	1,157	1,253
Gross domestic product (market prices)	9,780	11,011	12,056	12,462	11,942	12,323	13,786
Memo items:							
Nominal GDPmp (EUR billions)	74.9	89.7	94.0	95.3	–	92.4	–
Nominal GDPmp (USD billions)	104.3	115.4	124.9	126.7	106.1	102.7	81.5
Nominal GDPmp (AOA, annual % change)	29.0	12.6	9.5	3.4	-4.2	-1.1	11.9
Real GDP (annual % change)	3.9	5.2	6.8	4.8	3.5	3.0	1.3
Oil sector	-5.4	4.5	-0.9	-2.6	–	–	–
Other sectors	9.5	5.5	10.9	8.2	–	–	–

Sources: Banco Nacional de Angola, International Monetary Fund and Banco de Portugal calculations.

**Table 4 • Consumer price index**

Per cent

		Monthly change	Cumulative change	Year-on-year change	Average change
		[1]	[2]	[3]	[4]
2001	December	–	116.1	116.1	152.6
2002	December	–	105.6	105.6	109.0
2003	December	–	76.6	76.6	98.2
2004	December	–	31.0	31.0	43.5
2005	December	–	18.5	18.5	23.0
2006	December	–	12.2	12.2	13.3
2007	December	–	11.7	11.7	12.2
2008	December	–	13.2	13.2	12.5
2009	December	–	14.0	14.0	13.7
2010	December	–	15.3	15.3	14.5
2011	December	–	11.4	11.4	13.5
2012	December	–	9.0	9.0	10.3
2013	December	–	7.7	7.7	8.8
2014	December	–	7.5	7.5	7.3
2015	December	–	14.3	14.3	10.3
2014	January	0.8	0.8	7.8	8.7
	February	0.5	1.2	7.5	8.6
	March	0.5	1.8	7.3	8.4
	April	0.5	2.3	7.2	8.3
	May	0.6	2.9	6.9	8.1
	June	0.6	3.5	6.9	7.9
	July	0.6	4.1	7.0	7.7
	August	0.6	4.8	7.1	7.5
	September	0.6	5.4	7.2	7.4
	October	0.7	6.1	7.5	7.3
	November	0.5	6.7	7.5	7.3
	December	0.7	7.5	7.5	7.3
	December (proj.)	–	–	[7.0-9.0]	–
2015	January	0.7	0.7	7.4	7.2
	February	0.8	1.5	7.7	7.3
	March	0.6	2.1	7.9	7.3
	April	0.9	3.0	8.2	7.4
	May	1.2	4.2	8.9	7.6
	June	1.3	5.5	9.6	7.8
	July	1.3	7.0	10.4	8.1
	August	1.1	8.2	11.0	8.4
	September	1.2	9.5	11.7	8.8
	October	1.4	11.0	12.4	9.2
	November	1.3	12.5	13.3	9.7
	December	1.6	14.3	14.3	10.3
	December (proj.)	–	–	9.0	–
2016	January	3.4	3.4	17.3	11.1
	February	3.3	6.8	20.3	12.2
	March	3.4	10.5	23.6	13.5
	April	3.1	13.9	26.4	15.0
	May	3.5	17.9	29.2	16.8
	June	3.3	21.7	31.8	18.7
	December (proj.)	–	–	[11.0-13.0]	–

Sources: Banco Nacional de Angola, International Monetary Fund and Banco de Portugal calculations.

Notes: [1] month (n) / month (n-1); [2] month (n) / previous December; [3] month (n) / month (n) of the previous year; [4] last 12 months / previous 12 months.

**Table 5 • Balança de pagamentos**

USD millions

	2011	2012	2013	2014	2015		2016
					Proj.	Est.	Proj.
Current account	13,085	13,853	8,348	-3,722	-18,665	-8,748	-12,130
Trade balance	47,082	47,376	41,903	30,583	4,088	13,149	7,738
Exports (f.o.b.)	67,310	71,093	68,247	59,170	27,980	33,200	27,550
Oil sector	65,591	69,716	66,902	57,642	26,745	31,852	25,864
of which: Crude oil	64,539	68,871	65,611	56,364	-	31,353	-
Diamonds	1,205	1,159	1,167	1,335	-	1,147	-
Other	514	218	177	193	-	201	-
Imports (f.o.b.)	-20,228	-23,717	-26,344	-28,587	-23,892	-20,052	-19,811
Services and income	-32,635	-31,761	-31,431	-32,096	-21,359	-20,553	-18,906
Services (net)	-22,938	-21,339	-21,531	-23,246	-17,245	-15,430	-14,430
Credit	732	780	1,316	1,681	1,406	1,732	1,621
Debit	-23,670	-22,119	-22,846	-24,928	-18,651	-17,162	-16,051
of which: Transportation and travel	-3,810	-4,597	-4,926	-5,630	-4,539	-	-
Construction	-7,932	-6,230	-5,049	-6,673	-3,586	-3,547	-3,335
Technical assistance	-9,173	-8,908	-9,265	-10,050	-7,856	-7,478	-6,640
Income (net)	-9,697	-10,422	-9,900	-8,850	-4,114	-5,123	-4,476
of which: Interest on public debt	-534	-662	-1,090	-1,066	-858	-791	-988
Dividends and profits	-9,040	-9,722	-9,331	-7,850	-3,744	-4,459	-3,621
Current transfers (net)	-1,362	-1,762	-2,123	-2,209	-1,394	-1,344	-963
Capital and financial accounts	-3,979	-8,884	-8,209	-961	10,659	5,679	6,511
Capital transfers (net)	2	0	0	0	0	0	0
Foreign direct investment (net)	-5,116	-9,639	-13,164	-2,331	6,534	6,789	7,121
In the reporting country (net) <sup>(a)</sup>	-3,024	-6,222	-	-	-	-	-
Abroad (net)	-2,093	-3,417	-	-	-	-	-
Other net capital	1,135	755	4,955	1,370	4,125	-1,110	-611
Errors and omissions	-17	-326	-55	266	0	0	0
Overall balance	9,088	4,643	84	-4,417	-8,005	-3,069	-5,619
Financing	-9,088	-4,643	-84	4,417	8,005	3,069	-
Change in official reserves (increase: -)	-9,054	-4,642	-90	4,418	8,005	3,069	-
Exceptional financing <sup>(b)</sup>	-34	-1	6	-1	0	0	-
Financing gap	0	0	0	0	0	0	-
Memo items:							
Trade balance (% of GDP)	45.2	41.0	33.5	24.1	3.9	12.8	9.5
Current account (% of GDP)	12.6	12.0	6.7	-2.9	-17.6	-8.5	-14.9

Sources: Banco Nacional de Angola, Ministry of Finance of Angola, International Monetary Fund and Banco de Portugal calculations.

Notes: Notes: (a) Negative values from 2010 onwards (disinvestment in Angola) mostly reflect the higher weight of the recovery of prior investment by foreign oil companies. (b) Mainly, change in arrears and debt forgiveness or rescheduling.

**Table 6 • Goods exports**

Products, USD millions | Destinations, % of total

	2008	2009	2010	2011	2012	2013	2014 Est.	2015 Est.	2008 to 2015 Est.
Total exports	63,914	40,828	50,595	67,310	71,093	68,247	59,170	33,200	–
Crude oil	61,666	39,271	48,629	64,539	68,871	65,611	56,364	31,353	–
Refined oil products and gas	792	532	722	1,052	845	1,291	1,278	499	–
Diamonds	1,210	814	976	1,205	1,159	1,167	1,335	1,147	–
Other	247	212	267	514	218	177	193	201	–
Exports by destination <sup>(a)</sup>									
Canada	5.2	5.4	5.8	8.7	5.0	5.0	4.6	3.3	5.5
China	29.7	38.5	42.8	37.7	49.6	48.3	48.5	44.9	42.6
France	5.0	7.6	3.7	3.2	1.6	2.0	3.5	5.0	3.7
India	4.3	9.4	10.1	10.7	10.1	10.3	8.3	8.5	9.0
Portugal	0.8	0.5	1.8	2.4	2.5	4.7	3.4	3.8	2.5
South Africa	4.1	3.2	3.1	2.6	4.2	2.7	3.4	4.3	3.4
Taiwan	2.5	2.9	4.8	8.2	6.1	5.3	4.6	4.5	5.1
United States	23.3	19.0	18.1	15.9	8.7	7.0	3.5	3.1	12.5
Other	25.1	13.5	9.8	10.6	12.2	14.6	20.1	22.6	15.8

Sources: Banco Nacional de Angola, International Monetary Fund and Banco de Portugal calculations.

Note: (a) Crude oil exports only.

**Table 7 • Goods imports**

Products, USD millions | Origins, % of total

	2008	2009	2010	2011	2012	2013	2014 Est.	2015 Est.	2008 to 2015 Est.
Total imports	20,982	22,660	16,667	20,228	23,717	26,344	28,587	20,052	–
of which: SNA <sup>(a)</sup>	14,828	22,548	16,667	20,228	23,717	26,344	28,587	20,052	–
Imports by origin									
Belgium	5.7	6.4	7.3	6.0	6.7	5.5	6.0	6.6	6.2
Brazil	5.1	6.2	5.1	4.2	4.4	4.3	4.4	4.0	4.7
China	9.1	7.4	8.5	7.6	9.2	10.1	12.2	14.3	9.9
Portugal	17.7	14.0	14.5	15.4	16.4	16.4	15.3	13.1	15.3
South Africa	3.6	3.9	4.0	3.8	3.8	3.7	3.6	3.8	3.8
United Kingdom	4.1	4.4	5.1	2.9	2.4	3.4	4.0	3.2	3.6
United States	10.0	10.7	7.4	8.2	5.5	4.7	6.8	6.5	7.3
Other	44.7	46.9	48.1	52.0	51.7	51.8	47.7	48.6	49.2

Sources: Banco Nacional de Angola, International Monetary Fund and Banco de Portugal calculations.

Note: (a) Data from the National Customs Service of Angola.



**Table 8 • External public debt and foreign exchange reserves**

USD millions

	2011	2012	2013	2014	2015	
					Proj.	Est.
1. Net foreign assets	30,604	32,937	31,941	30,191	–	26,386
of which: Foreign exchange reserves (gross)	27,517	32,166	32,231	27,948	–	24,420
2. External public debt (including arrears)	20,992	22,583	28,178	35,933	38,286	35,852
Commercial	13,125	13,786	18,143	26,474	–	26,708
Banking	12,105	12,813	16,590	24,005	–	23,781
Enterprises	1,020	974	1,553	2,470	–	2,927
Official bilateral	6,221	6,978	8,433	7,788	–	7,721
Official multilateral	1,640	1,813	1,598	1,666	–	1,420
Fees	5	6	4	4	–	3
Memo items:						
Net foreign assets (% of GDP)	29.4	28.5	25.6	23.8	–	25.7
Gross foreign exchange reserves (% of GDP)	26.4	27.9	25.8	22.1	–	23.8
Total external debt (% of GDP)	20.1	19.6	22.6	28.4	36.1	34.9

Sources: Banco Nacional de Angola, International Monetary Fund and Banco de Portugal calculations.

**Table 9 • Government operations**

AOA billions

	2011	2012	2013	2014	2015		2016	
	Est.	Est.	Est.	Est.	Budg.	Est.	I.e. <sup>(a)</sup>	Budg.
1. Total revenue	4,776	5,054	4,849	4,403	2,693	3,241	120.4	3,515
Tax revenue	4,528	4,826	4,602	4,098	2,476	2,821	113.9	3,235
Oil revenue	3,817	4,103	3,630	2,970	1,039	1,616	155.5	1,690
Non-oil revenue	711	723	972	1,128	1,437	1,205	83.9	1,545
Non-tax revenue	246	226	245	303	215	418	194.2	279
Grants	2	2	2	2	2	2	100.0	0
2. Total expenditure	3,774	4,329	4,816	5,222	3,499	3,776	107.9	4,296
Current expenditure	2,928	3,184	3,437	3,667	2,862	2,640	92.2	3,480
Compensation of employees	877	1,031	1,155	1,319	1,488	1,413	95.0	1,497
Goods and services	1,031	1,297	1,228	1,248	692	411	59.4	995
Debt interest	95	105	99	150	231	261	113.0	307
Domestic <sup>(b)</sup>	56	68	59	88	138	170	123.6	152
External	38	37	40	62	94	91	97.3	155
Transfers and subsidies	926	752	955	950	451	554	122.9	680
Capital expenditure	846	1,145	1,379	1,555	637	1,137	178.5	816
3. Overall balance (commitment basis) [ 1. - 2. ]	1,002	725	32	-819	-807	-536	-	-781
4. Change in arrears (net)	150	289	324	517	0	0	-	0
Domestic <sup>(c)</sup>	150	289	324	-	0	0	-	0
External interest	0	0	0	-	0	0	-	0
5. Overall balance (cash basis) [ 3. + 4. ]	1,153	1,014	356	-302	-807	-536	-	-781
6. Financing	-1,153	-1,014	-356	302	807	536	-	781
External financing (net)	51	218	183	438	713	414	-	1,059
Disbursements	186	384	380	732	1,106	737	-	1,518
Amortisation	-135	-166	-197	-294	-393	-323	-	-459
Domestic financing (net)	-1,203	-1,231	-539	-136	94	122	-	-278
Bank financing	-826	-432	-597	-	-	-	-	-
Non-bank financing (incl. errors and omissions)	-378	-800	58	-	-	-	-	-
Memo item:								
Overall balance, commitment basis (% of GDP)	10.2	6.6	0.3	-6.6	-6.8	-4.3	-	-5.7

Sources: Banco Nacional de Angola, Ministry of Finance of Angola, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Level of budget execution (%). (b) Net of changes in arrears to suppliers (expenditure) and changes in Sonangol's arrears to the Treasury (revenue).

**Table 10 • Monetary survey**

AOA billions

	2011	2012	2013	2014	2015	2015/2014		2016	May 2016/2015	
					Est.	[1]	[2]	Jun.	[1]	[2]
Net foreign assets	2,916	3,155	3,116	3,082	3,570	15.8	9.6	4,250	19.0	11.9
USD billions	31	33	32	30	26	-12.6	–	26	-2.9	–
Banco Nacional de Angola	2,589	3,017	3,097	2,889	3,361	16.3	9.2	4,087	21.6	12.7
Net international reserves	2,508	2,954	3,041	2,788	3,284	17.8	9.7	4,033	22.8	13.1
Gross reserves	2,622	3,081	3,145	2,853	3,304	15.8	8.8	4,048	22.5	13.0
USD billions	28	32	32	28	24	-12.6	–	24	-0.1	–
Short-term liabilities	-114	-127	-103	-66	-21	-68.3	0.9	-15	-27.9	0.1
Other foreign assets (net)	81	63	56	102	78	-23.7	-0.5	54	-30.3	-0.4
Commercial banks	327	138	19	193	209	8.5	0.3	163	-22.0	-0.8
Net domestic assets	757	728	1,280	2,028	2,141	5.6	2.2	2,282	6.6	2.5
Domestic credit (net)	1,682	1,705	2,260	3,016	3,821	26.7	15.8	4,695	22.9	15.3
Claims on general government (net)	-454	-943	-666	69	352	408.6	5.5	934	165.6	10.2
Credit to the economy	2,136	2,648	2,926	2,947	3,469	17.7	10.2	3,761	8.4	5.1
Other domestic assets (net)	-925	-977	-980	-988	-1,680	70.0	-13.5	-2,413	43.7	-12.8
Total assets	3,673	3,883	4,397	5,110	5,712	11.8	–	6,532	14.4	–
Broad money (M3)	3,673	3,883	4,397	5,110	5,712	11.8	–	6,532	14.4	–
Money and quasi-money (M2)	3,521	3,749	4,395	5,103	5,704	11.8	–	6,523	14.4	–
Money	2,156	2,272	2,585	3,097	3,420	10.4	–	4,061	18.7	–
Currency in circulation	208	244	276	340	381	12.1	–	387	1.5	–
Demand deposits	1,947	2,028	2,309	2,757	3,039	10.2	–	3,674	20.9	–
in national currency	959	1,062	1,470	1,905	2,264	18.8	–	2,716	20.0	–
in foreign currency	988	966	839	852	775	-9.0	–	958	23.6	–
Quasi-money	1,365	1,477	1,810	2,007	2,284	13.8	–	2,463	7.8	–
Time deposits in national currency	602	721	902	1,167	1,258	7.9	–	1,315	4.5	–
Time deposits in foreign currency	763	756	908	840	1,026	22.1	–	1,147	11.9	–
Other financial instruments	152	134	2	7	8	22.9	–	9	8.3	–

Sources: Banco Nacional de Angola, International Monetary Fund and Banco de Portugal calculations.

Notes: [1] Percentage changes from the end of the previous year. [2] Changes in % of initial stock of broad money (liquidity expansion/contraction factors).

**Table 11 • Interest rates**

Annual rates, per cent

	2011	2012	2013	2014	2015			2016		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	May
Deposits										
(in national currency)										
Demand deposits	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time deposits										
Up to 90 days	4.3	3.1	3.3	4.0	3.3	3.3	4.5	5.0	5.1	5.3
91-180 days	6.7	4.7	3.9	4.3	4.2	3.9	4.9	5.2	5.0	5.1
181-365 days	5.6	4.9	5.1	5.6	4.5	4.4	3.9	3.9	3.8	4.0
Over 1 year	8.6	7.0	5.6	4.9	5.2	5.4	5.0	4.6	5.0	4.7
(in foreign currency)										
Demand deposits	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time deposits										
Up to 90 days	2.4	1.8	2.1	1.9	1.6	1.7	1.8	2.3	2.1	2.1
91-180 days	2.7	2.3	2.2	2.3	1.8	2.2	2.5	2.5	2.4	2.5
181-365 days	3.7	2.7	2.9	3.4	2.5	2.6	3.3	3.1	3.1	2.7
Over 1 year	3.9	3.1	5.0	4.4	2.4	2.4	4.9	4.6	4.8	5.0
Credit (to enterprises)										
(in national currency)										
Up to 180 days	18.1	15.3	15.1	17.4	19.0	18.5	15.3	15.4	15.7	16.0
181-365 days	16.0	14.4	13.9	13.9	13.7	13.4	15.2	15.2	15.2	15.3
Over 1 year	17.7	15.1	13.1	13.7	14.0	13.8	13.4	14.8	14.0	14.5
(in foreign currency)										
Up to 180 days	10.2	8.9	11.8	11.4	13.6	8.8	8.6	10.0	16.2	17.1
181-365 days	10.0	11.5	12.1	10.6	11.0	12.0	12.9	13.0	–	–
Over 1 year	10.4	11.3	9.8	10.0	8.4	8.5	9.2	9.8	8.4	8.4
BNA intervention rates										
Rediscount	20.0	20.0	10.3	9.8	9.8	10.0	12.5	12.5	15.0	16.0
Reference rate	10.5	10.3	9.3	9.0	9.3	9.8	10.5	11.0	14.0	14.0
Standing facilities										
Liquidity provision facility	12.5	11.5	10.3	9.8	9.8	10.5	12.0	13.0	16.0	16.0
Overnight deposit facility	2.0	1.5	0.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0
LUIBOR <sup>(b)</sup> overnight	6.4	6.2	4.7	6.1	6.2	11.3	11.8	11.3	11.0	13.9
Central bank bills										
14 days	–	–	–	–	–	–	–	–	–	–
28 days	–	–	–	–	–	–	–	–	–	–
63 days	7.2	4.1	4.0	–	–	–	–	–	–	–
91 days	–	–	–	–	–	–	–	–	–	–
182 days	6.8	5.1	–	–	–	–	–	–	–	–
364 days	–	–	–	–	–	–	–	–	–	–
Treasury bills										
63 days	–	–	4.0	–	–	–	7.2	–	–	–
91 days	3.9	3.4	–	6.4	5.8	–	7.9	13.9	15.0	14.9
182 days	4.8	3.7	3.6	7.1	6.7	–	9.0	15.0	17.0	17.7
364 days	5.2	5.1	4.6	7.5	8.1	–	9.3	–	–	19.0
Treasury bonds <sup>(a)</sup>										
1 year	–	–	–	–	–	–	–	–	–	–
2 years	–	7.0	7.0	7.0	7.0	7.0	7.0	–	7.0	7.0
3 years	7.0	7.3	7.3	7.3	7.3	7.3	7.3	–	7.3	7.3
4 years	7.3	7.5	7.5	7.5	7.5	7.5	–	–	7.5	7.5
5 years	7.8	7.8	7.8	7.8	7.8	7.8	–	–	7.8	7.8
6 years	8.0	–	–	–	–	–	–	–	–	–
Memo item:										
Inflation (y-o-y % change)	11.4	9.0	7.7	7.5	7.9	9.6	11.7	14.3	23.6	29.2

Source: Banco Nacional de Angola.

Notes: (a) Luanda Interbank Offered Rate (weighted average rate of liquidity-providing operations without collateral, applied by banks in the interbank money market). (b) Treasury bonds issued in AOA but indexed to the USD/AOA exchange rate.

**Table 12 • Financial stability indicators**

Per cent

	2011	2012	2013	2014	2015	2016
	Dec.	Dec.	Dec.	Dec.	Dec.	Apr.
Solvency						
Capital adequacy	18.5	18.3	19.5	19.8	19.8	18.8
Tier 1 capital to risk weighted assets	14.3	13.6	14.3	13.9	13.8	13.4
Credit risk						
Non-performing loans to total loans	2.4	6.8	9.8	11.7	11.6	13.2
Non-performing loans net of provisions (% of core capital)	2.8	11.6	22.3	32.8	19.6	21.4
Credit in foreign currency (% of total credit)	50.9	42.7	37.8	27.4	30.8	34.8
Profitability						
Return on equity	21.6	12.5	10.9	4.9	12.9	8.0
Return on assets	2.6	1.6	1.4	0.6	1.7	1.1
Liquidity risk						
Loan-to-deposit ratio	59.5	65.5	63.3	59.9	59.0	57.4
Liquid assets/total assets	28.1	26.3	30.1	33.9	39.7	40.1
Foreign currency-denominated liabilities/total liabilities	53.6	50.7	43.0	33.1	33.5	35.7

Sources: Banco Nacional de Angola and International Monetary Fund.

**Table 13 • Exchange rates**

Average rates

		EERI <sup>(a)</sup> Index: 100 = 2000			
		EUR/AOA	USD/AOA	Nominal	Real
2001		20.2	21.8	46.4	115.1
2002		42.9	43.3	23.2	119.2
2003		86.1	74.3	13.3	133.7
2004		104.3	83.4	11.9	165.4
2005		108.4	87.2	11.3	189.3
2006		101.2	80.4	12.1	222.7
2007		105.4	76.7	12.0	238.7
2008		110.8	75.0	11.6	245.3
2009		111.2	79.6	11.1	264.6
2010		121.3	92.0	9.6	252.2
2011		130.6	93.8	9.1	256.8
2012		122.7	95.4	9.0	272.4
2013		128.2	96.5	8.8	281.7
2014		130.7	98.3	8.7	292.0
2015		133.3	120.0	7.4	269.6
2014	January	133.0	97.6	8.7	284.2
	February	133.2	97.6	8.7	285.7
	March	135.0	97.6	8.8	288.4
	April	134.9	97.6	8.8	290.9
	May	134.2	97.6	8.8	291.8
	June	132.7	97.7	8.8	293.9
	July	131.6	97.2	8.8	295.8
	August	130.3	97.8	8.8	295.1
	September	127.6	97.9	8.7	293.7
	October	125.1	98.8	8.7	296.2
	November	125.3	100.5	8.6	294.1
	December	125.8	102.1	8.5	294.1
2015	January	121.4	103.6	8.4	292.3
	February	119.4	105.2	8.4	291.5
	March	116.2	107.1	8.3	289.0
	April	117.6	109.0	8.1	285.9
	May	122.5	109.7	8.0	286.5
	June	132.2	117.5	7.5	269.8
	July	137.3	124.7	7.1	258.1
	August	139.8	125.8	7.1	262.3
	September	148.5	131.8	6.8	252.7
	October	152.1	135.3	6.6	249.3
	November	145.6	135.3	6.7	254.6
	December	147.2	135.3	6.7	260.5
2016	January	169.2	155.6	5.9	236.6
	February	175.3	157.6	5.8	237.9
	March	178.1	159.4	5.7	240.7
	April	183.3	164.2	5.6	243.8
	May	185.4	165.9	5.6	250.5

Sources: Banco Nacional de Angola, European Central Bank, Organisation for Economic Co-operation and Development and Banco de Portugal calculations.

Note: (a) Effective exchange rate index, calculated on the basis of official exchange rates applied to the currencies of the four main trading partners over the 2010/14 period. An increase/decrease in the EERI (nominal or real) corresponds to an appreciation/depreciation of the kwanza.

## 2. Cabo Verde

Área: 4,033 Km<sup>2</sup>

Capital city: Praia

Population: 0.5 million  
(2015; source: UN)

Currency: CV Escudo (CVE)

Economic activity slowed down in Cabo Verde in 2015, owing to weak investment dynamics, despite positive contributions from the external environment. A decline in imports, benefiting from a drop in oil prices, together with external support following the volcanic eruption, helped to improve the external accounts. Although on a downward path, FDI and disbursements of foreign public loans covered the external deficit and helped to strengthen foreign exchange reserves.

With inflation under control, the central bank maintained an accommodative monetary stance, aimed at boosting credit to the economy. Continued containment of the public investment programme and a good performance of revenue led to a decline in the State's financing needs, but not without further increasing public debt.

Slower investment dynamics affected economic growth in Cabo Verde in 2015, despite a favourable external environment. Current estimates point to a **slowdown in economic activity**, which grew by 1.5 per cent, compared with 1.9 per cent in 2014.

The recovery in tourism demand, a drop in oil prices and the external support to Chã das Caldeiras, following the volcanic eruption at the end of 2014, were key to improving the external accounts in 2015. **The current account deficit decreased markedly**, declining to 4.3 per cent of GDP (9 per cent in 2014), partly as a result of a drop in foreign investment income (compared with an exceptional amount in 2014) and limited domestic demand for goods from abroad, specifically capital goods. It is also worth mentioning that goods exports declined considerably, owing both to a drop in fish exports and re-exports, particularly fuel.

The current account deficit was once again funded by inflows from foreign direct investment and external public debt, although to a lesser extent, owing to delays in the implementation of private and public investments. Currency inflows also **strengthened the country's foreign exchange reserves**, by EUR 32 million, covering 6.4 months of imports of goods and services (considerably above the 5.1 months initially projected), thereby supporting the exchange rate peg with the euro in place since 1998.

The increase in the central bank's foreign exchange reserves was accompanied by an increase in investment abroad by commercial banks, as a response to excess liquidity in the banking system and the absence of attractive alternatives in Cabo Verde. In the last months of 2015, there were several signs of **persistent excess liquidity**, with banks' excess reserves growing, demand for central bank securities increasing and persistently high volumes of investment in the deposit facility of Banco de Cabo Verde (BCV).

Limited investment alternatives, with low rates of return (except for Treasury Bonds), have kept the banking system's profitability at low levels, despite a slight increase in 2015. In addition,

non-performing loans accounted for 16.5 per cent of total loans (but declined from 18.4 per cent in 2014), and the cost of funding was high, with emigrants' deposit rates ranging from 2.1 to 4.7 per cent, depending on the maturity. The solvency of the banking system continues to follow an upward path, with the capital adequacy ratio reaching 16.8 per cent at the end of 2015 (clearly above the 10 per cent minimum set by the regulator).

The improvement in the net external position of the banking system as a whole is one of the main factors contributing to broad money growth in 2015, together with credit to the economy, which increased slightly, in particular loans to non-financial state-owned enterprises. As credit to the private sector increased very slightly, BCV maintained **an accommodative monetary stance**, reducing its reference rates and the reserve requirement coefficient, taking advantage of positive developments in foreign exchange reserves and inflation.

The drop recorded in oil prices was key to maintaining **inflation at very low levels**, ending the year at 0.1 per cent on average and -0.5 per cent year-on-year, despite the countervailing effect of the VAT increase (0.5 p.p.), which was only applicable in 2015, in support of the displaced of Fogo island.

The improvement in the collection of VAT and income tax (as a result of the entry into force of new codes and the repayment of arrears) and in grants (with the support to Chã das Caldeiras) **considerably reduced the budget deficit**, to 3.8 per cent of GDP (7.5 per cent in 2014), together with a continued decrease in the public investment programme. The State's financing needs, including those resulting from financial asset operations, specifically onlending, were mainly covered by external sources.

**Public debt therefore remained on an upward trend**, reaching 124.3 per cent of GDP (excluding contingent liabilities and Consolidated Financial Mobilisation Securities, covered by the resources of the Cabo Verde Trust Fund, established in 1998), with the external and domestic components reaching 95.3 and 29.0 per cent of GDP respectively.



**Economic activity is projected to recover in 2016**, mainly driven by investment, with the recovery from delays in 2015 and the launch of a number of private projects in the tourism sector. This buoyancy will result in a deterioration of the current account deficit (with subsequent growth in imports), which will also be affected by the fading out of the effect resulting from the aid to Chã das Caldeiras. In turn, the recovery from delays in the public investment programme and continued growth in current expenditure are expected to increase the budget deficit in 2016 and maintain the public debt on an upward path. Despite the rise in oil prices, inflation is projected to remain contained. The monetary policy stance is expected to stay unchanged, as there is margin for a reduction of foreign exchange reserves without compromising the exchange rate regime.

However, the first months of 2016 indicate a scenario somewhat different from projected, partly owing to constraints arising from the electoral process and the subsequent change of government in mid-April. Data for the first quarter

point to the trend observed in 2015 extending into the new year, with investment remaining weak, expenditure on the public investment programme decreasing further, imports declining and private transfers increasing, including remittances, accompanied by a slight reduction in credit to the private sector.

**The most significant risks to Cabo Verde's economy** relate to possible developments in external demand being below expectations, particularly from EU countries. At domestic level, the impact of three electoral processes in the same year has led to some uncertainty, in particular regarding the expectations of private economic agents about their consumption and investment decisions. Developments in public finances and general government debt should be closely monitored, as well as the financial situation of banks, particularly their credit quality, as the first months of 2016 have shown a reversal of the decline in non-performing loans, compared to the previous year.

**Table 14 • Main economic indicators**

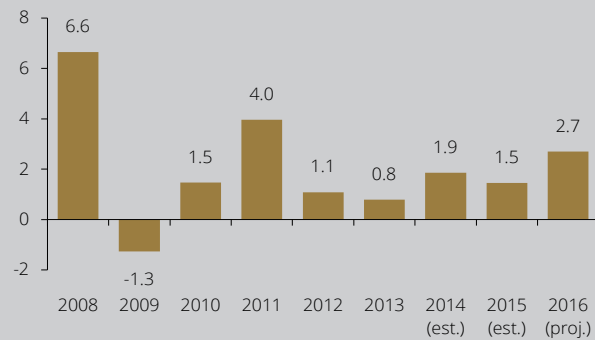
	2013	2014	2015 Est.	2016 Prog.
Real GDP (annual % change)	0.8	1.9	1.5	2.7
Inflation (year-on-year % change)	0.1	-0.5	-0.5	1.0
Broad money (annual % change)	11.0	7.3	5.9	3.7
Current account (% of GDP)	-5.8	-9.0	-4.3	-6.9
Official reserves (months of imports)	4.8	5.4	6.4	6.0
Fiscal balance (% of GDP)	-9.3	-7.5	-3.8	-5.4
Public debt, excluding TCMF <sup>(a)</sup> (% of GDP)	79.0	87.9	95.0	–

Sources: (for the subsequent charts also): International Monetary Fund, Banco de Cabo Verde, Ministry of Finance (Cabo Verde) and Cabo Verde National Institute of Statistics.

Note: (a) TCMF – Títulos Consolidados de Mobilização Financeira (consolidated financial mobilisation securities), covered by the resources of an offshore Trust Fund.

**Chart 17 • Real GDP**

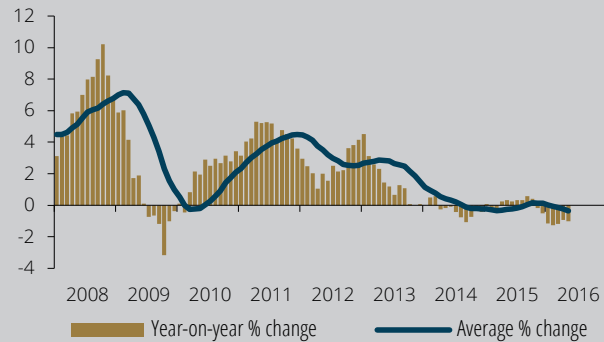
Annual % change



The period of weak economic growth that began in 2012 extended into 2015. The weak investment dynamics, both domestic and foreign, is expected to have led to a slowdown in economic activity.

**Chart 18 • Inflation**

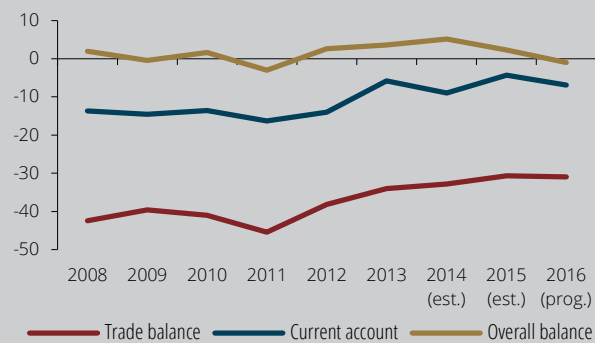
Annual % change of the CPI



The falling international prices of oil and food products were reflected internally with the inflation rate reaching negative values during 2014 (both on average and year-on-year).

**Chart 19 • External accounts**

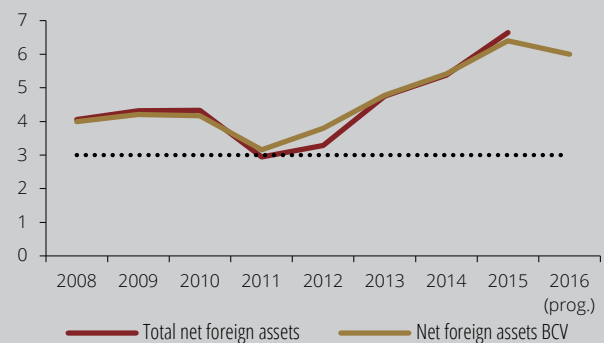
% of GDP



The current account improved considerably in 2015, with a decline in imports (both in terms of volume and price), an increase in transfers (both official and private) and a decrease in distributed income from foreign investments.

**Chart 20 • Foreign exchange reserves**

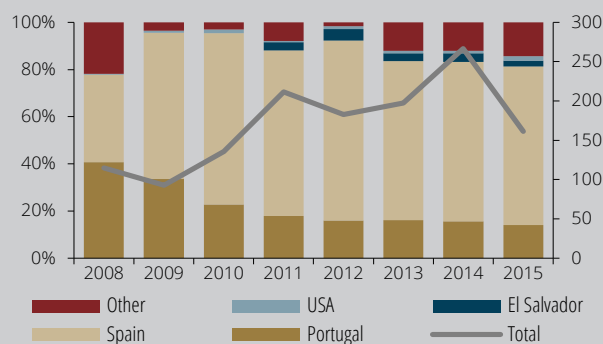
Months of goods and services imp.



In 2015, foreign exchange reserves maintained the upward trend that began in 2012, as a result of currency inflows from external public debt and foreign direct investment. A new historical high was reached (above 6 months of imports).

**Chart 21 • Goods exports**

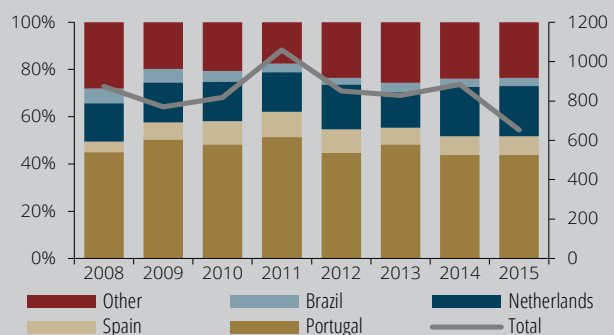
Destinations as a %, total in USD millions



In 2015 Cabo Verde's exports continued to follow their recent trend in terms of destination. Since 2009, Spain is the main market for Cabo Verde's exports (mostly sea products), while Portugal remains the second destination, although its share in the total is steadily declining.

**Chart 22 • Goods imports**

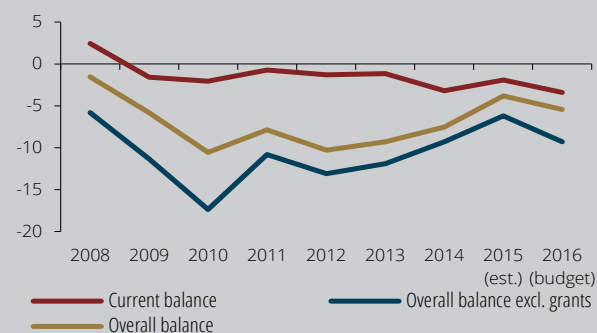
Origins as a %, total in USD millions



Portuguese products dominate Cabo Verde's imports as a whole, accounting for close to half of total imports. Over this decade, the geographical structure of imports has remained stable, with Portugal followed by the Netherlands and Spain.

**Chart 23 • Public accounts**

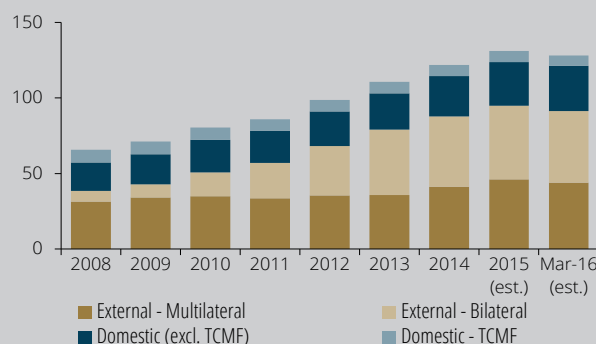
% of GDP



In 2015 the budget deficit continued to follow the downward trend that began in 2013, after the expansionary period of budgetary policy which followed the international crisis. The current deficit has been increasing since 2011, a trend which was only interrupted in 2015.

**Chart 24 • Public debt**

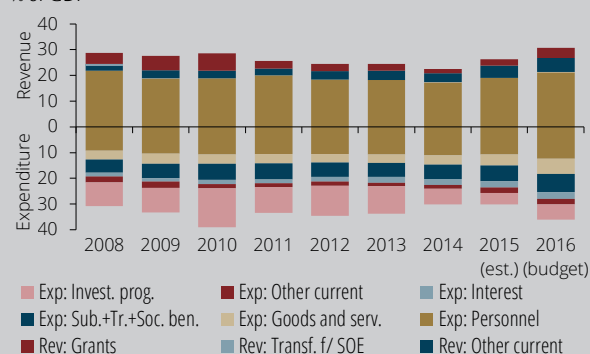
% of GDP



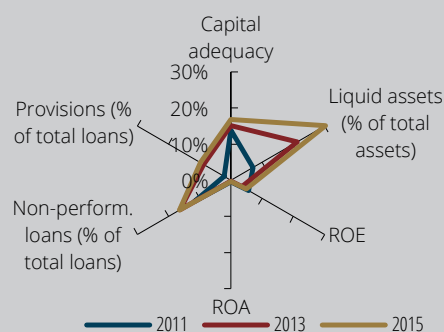
The need to fund high budget deficits and financial asset operations (specifically onlending) has resulted in an ongoing increase in public debt, both external and domestic.

**Chart 25 • Public revenue and expenditure**

% of GDP



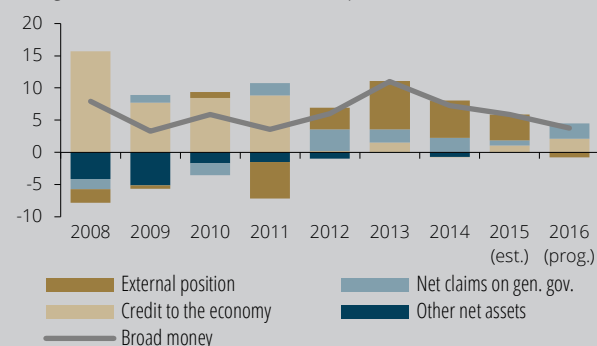
In 2015 the reduction of the public investment programme was accompanied by an increase in current expenditure, with total expenditure remaining close to 30 per cent of GDP. A stronger tax collection and inflows of grants helped to reduce the budget deficit.

**Chart 26 • Financial stability indicators**

The assets and solvency of the banking sector in Cabo Verde continued to grow in 2015, accompanied by a small decrease in non-performing loans and a slight recovery in the sector's profitability (associated with an increase in the net interest margin).

**Chart 27 • Liquidity expansion/contraction factors**

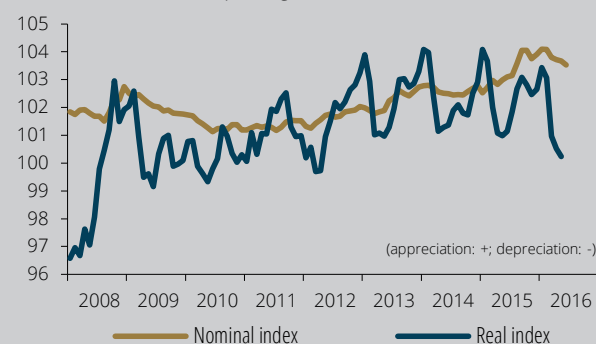
Changes in % of initial stock of broad money



As in the previous two years, broad money growth in 2015 was mainly the result of an improvement in the system's net external position. In addition, credit to the economy recovered, in particular loans to non-financial state-owned enterprises.

**Chart 28 • Effective exchange rate**

Indexes 100 = 2000, monthly averages



In 2015, the devaluation of the Brazilian real versus the euro continued to be reflected in the nominal appreciation of Cabo Verde's escudo. Its other main partners – Portugal, Spain and the Netherlands – belong to the euro area, with which Cabo Verde's escudo maintains a currency peg.

Table 15 • Economic indicators

		2011	2012	2013	2014	2015		2016	
					Est.	Prog.	Est.	Prog.	Est.
<b>Output and prices</b>									
GDP m.p.	EUR millions	1,342	1,364	1,394	1,418	1,470	1,446	1,490	–
	Real % change	4.0	1.1	0.8	1.9	3.0	1.5	2.7	–
Inflation (CPI)	Y-o-y % change	3.6	4.1	0.1	-0.5	2.0	-0.5	1.0	-1.0 May
	Avg % change	4.5	2.5	1.5	0.1	1.5	0.1	0.8	-0.4 May
<b>Public finances</b>									
Total revenue	% of GDP	25.6	24.4	24.5	22.6	27.4	26.2	30.7	–
Grants	% of GDP	2.9	2.8	2.6	1.8	2.9	2.4	3.9	–
Total expenditure	% of GDP	33.5	34.7	33.8	30.2	35.9	30.1	36.0	–
Overall balance (commitment basis)	% of GDP	-7.9	-10.3	-9.3	-7.5	-8.6	-3.8	-5.4	–
Excluding grants	% of GDP	-10.8	-13.1	-11.9	-9.3	-11.5	-6.2	-9.3	–
Domestic debt	% of GDP	29.1	30.6	31.6	33.9	–	36.0	–	36.8 Mar.
of which: TCMF <sup>(a)</sup>	% of GDP	7.7	7.6	7.4	7.3	–	7.1	–	6.9 Mar.
<b>Money and credit</b>									
Claims on general government (net)	Annual % change	12.7	20.3	10.7	12.1	13.5	4.0	12.4	-1.8 May <sup>(f)</sup>
Credit to the economy	Annual % change	11.8	0.3	2.0	-0.1	2.8	1.6	3.4	-0.6 May <sup>(f)</sup>
Broad money (M3)	Annual % change	3.6	6.0	11.0	7.3	3.8	5.9	3.7	4.1 May <sup>(f)</sup>
<b>Interest rates<sup>(b)</sup></b>									
One-year deposits (average of the OMLs)	Annual rate	4.2	3.8	4.3	4.4	–	4.1	–	3.9 May
Rediscount	Annual rate	7.5	9.8	9.8	7.8	–	7.5	–	7.5 May
Liquidity provision	Annual rate	7.3	8.8	8.8	6.8	–	6.5	–	6.5 May
Treasury bills (91 days)	Annual rate	4.1	4.2	2.7	1.5	–	1.3	–	0.7 April
<b>Financial stability</b>									
Capital adequacy <sup>(c)</sup>	Percentage	13.9	13.8	15.1	15.6	–	16.8	–	16.2 Mar.
Non-performing loans/total loans	Percentage	11.8	14.1	16.4	18.7	–	16.5	–	17.4 Mar.
Return on equity (ROE)	Percentage	5.6	2.7	3.5	3.1	–	4.8	–	–
<b>Balance of payments</b>									
Exports (current USD)	Annual % change	56.0	-13.5	7.9	35.0	-5.5	-39.5	4.3	–
Imports (current USD)	Annual % change	29.5	-19.6	-2.8	6.8	12.3	-26.1	4.2	–
Current account	% of GDP	-16.3	-14.0	-5.8	-9.0	-9.3	-4.3	-6.9	–
Excluding official transfers	% of GDP	-20.0	-17.4	-9.0	-12.0	-9.3	-8.0	-6.9	–
Current and capital account	% of GDP	-15.6	-13.3	-5.4	-8.5	-8.9	-3.1	-5.1	–
Official reserves	Months of imports <sup>(e)</sup>	3.2	3.8	4.8	5.4	5.1	6.4	6.0	6.3 May
<b>External debt</b>									
Total	EUR millions	762.7	928.8	1,101.0	1,246.6	–	1,372.8	–	1,362.2 Mar.
	% of GDP	56.9	68.1	79.0	87.9	–	95.0	–	91.4 Mar.
	% of exports <sup>(e)</sup>	134.5	153.9	173.8	185.0	–	226.1	–	218.7 Mar.
Debt service	% of exports <sup>(e)</sup>	4.1	4.3	4.7	4.8	–	6.3	–	6.8 Mar.
<b>Exchange rates (averages)</b>									
EUR/CVE (official market)	Average rate	110.3	110.3	110.3	110.3	110.3	110.3	110.3	110.3 Jun.
USD/CVE (official market)	Average rate	79.3	85.8	83.1	83.1	90.0	99.4	99.2	98.2 Jun.
Nominal EERI (Index: 100 = 2000) <sup>(d)</sup>	Annual % change	0.3	0.5	0.7	0.0	–	1.1	–	-0.4 Jun <sup>(f)</sup>
Real EERI (Index: 100 = 2000) <sup>(d)</sup>	Annual % change	0.7	2.2	0.1	-0.4	–	-0.3	–	-2.4 May <sup>(f)</sup>

Sources: Banco de Cabo Verde, Ministry of Finance (Cabo Verde), IMF and Banco de Portugal calculations.

Notes: (a) Títulos Consolidados de Mobilização Financeira (consolidated financial mobilisation securities); (b) Monthly averages (corresponding to December for annual figures); (c) Regulatory capital / risk-weighted assets; (d) Effective exchange rate index (EERI), calculated on the basis of official exchange rates applied to the currencies of Cabo Verde's four main trading partners over the period 2010/14 (appreciation: +; depreciation: -); (e) Imports and exports of goods and services; (f) Change from the previous December.

**Table 16 • Gross domestic product**

Current prices, CVE millions

	2009	2010	2011	2012	2013	2014 Est.	2015 Est.	2016 Proj.
Primary sector	12,077	11,780	12,215	13,249	13,322	12,438	13,253	–
Agriculture, livestock and forestry	10,043	9,705	10,598	11,659	11,393	10,137	10,760	–
Fishing and aquaculture	1,260	1,367	1,005	1,040	1,334	1,646	1,832	–
Mining and quarrying	774	708	612	550	595	655	660	–
Secondary sector	25,400	24,440	25,668	25,018	26,330	27,130	25,881	–
Manufactured products	6,689	7,528	8,054	8,547	8,916	8,269	8,225	–
Electricity, gas, water	2,126	1,939	2,158	3,268	3,999	4,082	4,194	–
Construction	16,585	14,973	15,456	13,203	13,415	14,779	13,461	–
Tertiary sector	81,783	84,749	89,645	93,463	95,045	98,240	100,395	–
Whole. & retail trade; repair of motor vehicles	16,834	17,609	19,002	18,785	17,278	18,020	17,387	–
Accommodation and food service activities	13,883	14,781	14,038	13,300	14,664	15,018	15,844	–
Transportation and storage	4,653	4,792	5,896	8,651	9,065	8,861	9,896	–
Telecommunications and mail	7,035	6,254	6,246	6,330	6,130	6,281	5,866	–
Financial services	5,316	5,120	5,077	5,238	5,377	5,522	5,747	–
Real estate and other services	13,517	14,604	14,696	15,885	15,897	16,340	16,585	–
Corporate services	2,598	2,570	3,176	3,392	3,489	3,992	4,322	–
Public administration	17,947	19,019	21,514	21,882	23,144	24,207	24,747	–
Gross value added	119,260	120,969	127,528	131,730	134,697	137,808	139,528	–
Taxes and subsidies on products	16,621	17,598	20,400	18,622	19,026	18,571	19,875	–
Gross domestic product (m.p.)	135,881	138,567	147,928	150,352	153,723	156,378	159,404	164,263
Consumption	111,548	112,863	120,269	123,620	127,167	133,087	134,576	–
Public	24,708	25,536	27,401	25,963	26,837	27,858	27,966	–
Private	86,840	87,327	92,868	97,657	100,330	105,229	106,610	–
Investment	59,501	66,024	70,277	55,920	48,622	49,546	46,531	–
Gross fixed capital formation	52,337	62,625	69,128	52,844	46,337	48,177	46,620	–
Public	14,403	23,935	19,236	22,320	23,778	15,348	13,700	–
Private	37,934	38,690	49,892	30,524	22,559	32,828	32,921	–
Changes in inventories	7,164	3,399	1,149	3,076	2,285	1,370	-90	–
Domestic demand	171,049	178,887	190,546	179,540	175,789	182,633	181,106	–
Exports of goods and services	42,228	45,271	52,541	60,790	62,246	62,283	58,793	–
Overall demand	213,277	224,158	243,087	240,330	238,035	244,916	239,899	–
Imports of goods and services	77,396	85,591	95,159	89,978	84,312	88,537	80,495	–
Memo items:								
Gross domestic savings	24,333	25,704	27,659	26,732	26,556	23,292	24,828	–
Nominal GDPmp (EUR millions)	1,232	1,257	1,342	1,364	1,394	1,418	1,446	1,490
Nominal GDPmp (USD millions)	1,712	1,664	1,866	1,752	1,850	1,882	1,604	1,655
GDP deflator (annual % change)	2.2	0.5	2.7	0.6	1.4	-0.1	0.5	0.3
Nominal GDP (annual % change)	0.9	2.0	6.8	1.6	2.2	1.7	1.9	3.0
Real GDP (annual % change)	-1.3	1.5	4.0	1.1	0.8	1.9	1.5	2.7

Sources: Cabo Verde National Institute of Statistics, Banco de Cabo Verde, IMF and Banco de Portugal calculations.

Table 17 • Consumer price index

Per cent

		Monthly change	Year-on-year change	Average change
		[1]	[2]	[3]
2002	December	–	3.0	1.9
2003	December	–	-2.3	1.2
2004	December	–	0.6	-1.9
2005	December	–	1.8	0.4
2006	December	–	5.8	4.8
2007	December	–	4.0	4.4
2008	December	–	6.7	6.8
2009	December	–	-0.4	1.0
2010	December	–	3.4	2.1
2011	December	–	3.6	4.5
2012	December	–	4.1	2.5
2013	December	–	0.1	1.5
2014	December	–	-0.4	-0.2
2015	December	–	-0.5	0.1
2014	January	-0.3	0.0	1.1
	February	-0.2	0.5	0.9
	March	-0.4	0.6	0.8
	April	-0.7	-0.3	0.6
	May	0.1	-0.2	0.4
	June	0.1	-0.1	0.3
	July	0.2	-0.4	0.2
	August	0.1	-0.7	0.1
	September	0.1	-1.1	-0.1
	October	0.1	-0.7	-0.2
	November	0.4	-0.1	-0.2
	December	0.2	-0.4	-0.2
	December (proj.)	–	2.5	2.0
2015	January	0.2	0.1	-0.2
	February	-0.4	-0.2	-0.3
	March	-0.4	-0.2	-0.4
	April	-0.3	0.3	-0.3
	May	0.2	0.3	-0.3
	June	0.0	0.3	-0.2
	July	0.3	0.3	-0.2
	August	0.1	0.3	-0.1
	September	0.3	0.6	0.0
	October	-0.1	0.4	0.1
	November	-0.2	-0.2	0.1
	December	-0.2	-0.5	0.1
	December (proj.)	–	2.0	1.5
2016	January	-0.5	-1.2	0.0
	February	-0.5	-1.3	-0.1
	March	-0.3	-1.2	-0.1
	April	0.0	-0.9	-0.2
	May	0.1	-1.0	-0.4
	December (proj.)	–	1.0	0.8

Sources: Banco de Cabo Verde and Banco de Portugal calculations.

Notes: [1] month (n)/month (n-1); [2] month (n)/month (n) of the previous year; [3] last 12 months/previous 12 months.

**Table 18 • Balance of payments**

CVE millions

	2012	2013	2014	2015		2016		
			Est.	Proj.	Q I	Est.	Proj.	Q I
1. Current account	-21,053	-8,898	-14,026	-15,024	-1,439	-6,857	-11,339	912
Trade balance	-57,394	-52,364	-51,284	-61,525	-14,712	-48,877	-50,914	-11,259
Exports (f.o.b.) <sup>(a)</sup>	15,698	16,398	22,144	20,936	3,941	16,024	16,713	4,565
Imports (f.o.b.)	-73,092	-68,762	-73,429	-82,461	-18,653	-64,900	-67,626	-15,824
Services	20,471	26,038	22,911	28,162	8,031	22,086	22,623	7,128
Exports	50,850	53,436	52,142	57,259	16,069	50,940	51,968	14,787
of which: Transport	10,957	11,235	9,526	–	3,011	9,478	–	2,699
Tourism	32,251	33,325	32,121	36,414	11,181	33,182	34,410	9,745
Imports	-30,379	-27,397	-29,230	-29,097	-8,038	-28,855	-29,345	-7,659
of which: Transport	-8,589	-7,020	-7,842	–	-3,211	-7,602	–	-1,935
Tourism	-4,343	-3,728	-2,692	–	-500	-2,325	–	-969
Income	-6,438	-5,367	-7,692	-7,079	-1,681	-5,732	-5,805	-2,370
Exports	1,091	1,151	1,165	–	133	1,235	–	422
of which: Income f/ the TF <sup>(b)</sup> (prev. year)	373	373	373	–	0	414	267	0
Imports	-7,528	-6,518	-8,857	–	-1,815	-6,966	–	-2,792
of which: Interest on sched. public debt	-1,142	-1,438	-1,518	-1,500	-466	-1,734	-1,890	-458
Current transfers	22,308	22,795	22,039	25,418	6,923	25,665	22,757	7,414
Official transfers	5,116	4,948	4,664	–	1,878	5,823	–	1,154
Private transfers	17,192	17,847	17,375	–	5,045	19,842	–	6,260
of which: Emigrant remittances	15,076	14,441	16,158	–	4,264	19,679	–	4,902
2. Capital and financial account	27,394	14,619	19,351	16,150	2,219	11,069	9,777	-535
Capital account	1,122	533	659	628	649	1,884	2,936	133
Capital transfers	1,122	533	659	628	649	1,884	2,936	133
Financial account	26,271	14,085	18,693	15,522	1,570	9,185	6,841	-669
Direct investment	10,120	4,627	10,519	6,667	2,199	9,114	10,824	2,125
Portfolio investment	-1,694	-2,281	-2,001	–	-396	-2,089	–	-521
Other transactions	17,845	11,739	10,175	–	-234	2,161	–	-2,273
of which: Disburs. of loans to gen. gov.	19,474	19,391	18,911	–	2,373	11,057	–	519
Scheduled amortisation	-1,723	-1,823	-2,036	–	-882	-2,484	–	-811
3. Errors and omissions	2,314	-219	2,765	0	191	-585	0	-920
4. Overall balance: (1)+(2)+(3)	4,026	5,502	8,091	1,127	971	3,627	-1,562	-543
5. Financing	-4,026	-5,502	-8,091	-1,127	-971	-3,627	1,562	543
Change in official reserves (increase: -)	-4,026	-5,502	-8,091	-1,127	-971	-3,627	1,562	543
Exceptional financing	0	0	0	0	0	0	0	0
of which: Drawings from ACC Facility <sup>(c)</sup>	0	0	0	0	0	0	0	0
Reimb. of ACC Facility <sup>(c)</sup>	0	0	0	0	0	0	0	0
Change in arrears (increase: +)	0	0	0	0	0	0	0	0
6. Financing GAP <sup>(d)</sup> : (4)+(5)	0	0	0	0	0	0	0	0
Memo items:								
Current account (% of GDP)	-14.0	-5.8	-9.0	-9.4	–	-4.3	-6.9	–
Current and capital account (% of GDP)	-13.3	-5.4	-8.5	-9.0	–	-3.1	-5.1	–
Official reserves (in months of imports) <sup>(e)</sup>	3.8	4.8	5.4	5.1	5.1	6.4	6.0	6.1

Sources: Banco de Cabo Verde, IMF and Banco de Portugal calculations.

Notes: (a) Includes sales of fuel to ships and re-exports; (b) Offshore fund (Trust Fund) to support the conversion of domestic debt; (c) Exchange Rate Cooperation Agreement (*Acordo de Cooperação Cambial*) between Portugal and Cabo Verde; (d) Net lending (+)/net borrowing (-); (e) Net foreign assets of Banco de Cabo Verde and imports of goods and services in the year.

**Table 19 • Goods exports**

Destinations as a percentage of total exports

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2007 to 2015
El Salvador	3.9	0.0	0.0	0.0	3.5	4.9	3.4	3.8	2.5	2.8
France	0.0	0.0	2.9	0.6	6.2	0.1	3.4	2.8	0.0	2.1
Netherlands	0.2	0.5	0.5	0.3	0.2	0.2	0.2	0.2	0.3	0.3
Portugal	58.3	40.6	33.6	22.7	18.0	16.0	16.2	15.6	14.1	22.1
Spain	20.9	37.2	61.9	72.6	70.1	76.3	67.4	67.6	67.2	64.0
USA	1.4	0.4	0.9	1.6	0.5	1.3	1.1	0.9	1.8	1.1
Other	15.3	21.3	0.1	2.2	1.5	1.4	8.4	9.2	14.0	7.6

Sources: Banco de Cabo Verde, IMF and Banco de Portugal calculations.

**Table 20 • Goods imports**

Origins as a percentage of total exports

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2007 to 2015
Brazil	6.4	6.2	5.7	4.5	3.7	2.7	4.0	3.6	3.4	4.4
Germany	1.1	1.4	1.6	2.3	0.4	0.5	1.0	1.4	0.8	1.2
Netherlands	15.3	16.3	17.0	16.7	16.8	19.2	15.0	20.9	21.2	17.5
Portugal	50.2	45.0	50.3	48.3	51.4	44.7	48.2	43.8	43.7	47.4
Spain	5.6	4.4	7.3	9.8	10.6	9.9	7.2	7.9	8.0	8.0
USA	1.4	1.2	0.9	1.0	1.6	0.9	5.3	1.2	1.2	1.6
Other	20.0	25.5	17.3	17.3	15.4	22.0	19.3	21.2	21.6	19.9

Sources: Banco de Cabo Verde, IMF and Banco de Portugal calculations.

**Table 21 • Public debt**

CVE millions

	2009	2010	2011	2012	2013	2014 Est.	2015 Est.	Mar. 16 Est.
Total external debt	58,210	70,433	84,101	102,412	121,401	137,453	151,374	150,208
Multilateral creditors	46,185	48,274	49,777	53,261	54,887	64,327	73,274	72,160
Bilateral creditors	12,026	22,159	34,323	49,151	66,514	73,127	78,100	78,047
Government	9,846	13,369	18,157	21,808	24,555	25,143	27,278	27,176
Other	2,179	8,790	16,166	27,343	41,959	47,983	50,823	50,872
Total domestic debt	38,519	40,907	43,106	45,934	48,556	52,977	57,387	60,396
of which: Treasury bills	1,730	600	1,550	680	682	193	0	1,789
Treasury bonds	23,870	27,369	28,609	32,254	34,870	39,619	44,197	45,390
Banking system	14,379	15,162	17,236	17,429	20,939	25,961	27,067	28,513
Non-banking system	12,752	14,356	14,482	17,117	16,228	15,628	18,931	20,494
TCMF <sup>(a)</sup>	11,389	11,389	11,389	11,389	11,389	11,389	11,389	11,389
(% of GDP)								
Total external debt	42.8	50.8	56.9	68.1	79.0	87.9	95.0	91.4
Total domestic debt (excluding TCMF)	20.0	21.3	21.4	23.0	24.2	26.6	28.9	29.8
TCMF	8.4	8.2	7.7	7.6	7.4	7.3	7.1	6.9
Total domestic debt (including TCMF)	28.3	29.5	29.1	30.6	31.6	33.9	36.0	36.8
(% of exports of goods and services)								
Total external debt	128.4	133.1	134.5	153.9	173.8	185.0	226.1	218.7
Medium and long-term debt service	5.5	4.7	4.1	4.3	4.7	4.8	6.3	6.8

Sources: Banco de Cabo Verde, Ministry of Finance (Cabo Verde), IMF and Banco de Portugal calculations.

Notes: (a) *Títulos Consolidados de Mobilização Financeira* (consolidated financial mobilisation securities).



Table 22 • Government operations

CVE millions

	2011	2012	2014	2015				2016		
				Budg.	Q 1	Est.	I.e. <sup>(a)</sup>	Budg.	Q 1	I.e. <sup>(a)</sup>
1. Total revenue	36,688	37,716	35,327	44,448	9,427	41,826	94.1	50,355	9,929	19.7
1.1. Current revenue	32,486	33,692	32,540	39,694	8,790	38,009	95.8	44,023	9,497	21.6
Taxes	27,573	28,099	27,060	32,666	7,531	30,252	92.6	34,938	8,025	23.0
Income taxes	8,616	8,596	7,747	9,284	2,657	9,561	103.0	10,504	2,584	24.6
Taxes on goods and services	12,512	13,136	12,870	15,838	3,398	14,038	88.6	16,456	3,764	22.9
of which: VAT	10,405	10,522	10,170	12,370	2,762	11,283	91.2	13,015	3,024	23.2
Taxes on international trans.	5,778	5,700	5,754	6,669	1,303	6,082	91.2	7,154	1,562	21.8
Other taxes	668	668	688	876	174	572	65.3	824	115	13.9
Social contributions	41	43	56	218	12	46	21	208	13	6.4
Transfers (Public Administration)	0	0	0	0	0	24	–	0	4	–
Other revenue	4,872	5,550	5,424	6,811	1,247	7,687	112.9	8,877	1,454	16.4
1.2. Grants	4,203	4,024	2,787	4,753	637	3,817	80.3	6,332	432	6.8
1.3. Transf. f/ state owned entrep. <sup>(b)</sup>	0	0	0	0	0	0	–	0	0	–
2. Total expenditure <sup>(c)</sup>	52,108	51,982	47,240	58,234	10,126	48,033	82.5	59,137	10,602	17.9
2.1. Current expenditure <sup>(d)</sup>	34,445	35,436	37,549	45,050	9,085	41,062	91.1	49,613	9,946	20.0
of which: From invest. projects	4,668	4,471	5,498	8,689	942	6,572	75.6	9,789	1,287	13.2
Compensation of employees	15,886	16,601	17,175	18,855	4,198	17,068	90.5	20,379	4,597	22.6
Goods and services	4,995	5,064	5,747	9,228	998	6,810	73.8	9,811	1,234	12.6
Interest	2,858	3,383	3,444	4,185	1,009	4,134	98.8	4,261	980	23.0
of which: Domestic debt	1,715	1,878	1,910	2,269	536	2,374	104.6	2,415	522	21.6
External debt	1,142	1,438	1,518	1,820	466	1,724	94.7	1,750	458	26.1
Subsidies	274	101	107	103	21	161	156.1	246	38	15.5
Transfers	4,057	4,075	4,389	5,481	1,031	4,753	86.7	6,266	1,242	19.8
Social benefits	3,918	4,150	4,348	4,170	1,128	4,729	113.4	5,102	1,233	24.2
Other expenditure	2,457	2,062	2,339	3,027	410	2,328	76.9	3,549	392	11.0
of which: Scholarships	565	568	598	584	101	579	99.2	617	126	20.4
2.2. Investment programme	17,663	16,546	9,691	13,184	1,042	6,971	52.9	9,524	656	6.9
3. Non-financial assets: (3.1-3.2)	79	55	-150	104	27	-127	-121.9	149	0	0.3
3.1. Purchase of non-financial assets	81	68	160	232	29	157	67.6	285	13	4.6
3.2. Sale of non-financial assets	2	14	310	128	2	284	221.2	135	13	9.3
4. Current balance: (1.1-2.1)	-1,960	-1,744	-5,009	-5,356	-295	-3,053	–	-5,590	-449	–
5. Overall balance excl. grants: (1-2-3-1.2)	-19,702	-18,345	-14,550	-18,644	-1,364	-9,897	–	-15,264	-1,106	–
6. Overall balance (commitment basis): (1-2-3)	-15,499	-14,321	-11,763	-13,891	-727	-6,080	–	-8,932	-674	–
7. Financing	15,499	14,321	11,763	13,891	808	6,080	–	8,932	-1,499	–
7.1. Financial assets	-3,509	-6,311	-5,036	-6,756	-1,561	-5,402	–	-7,184	-417	–
Loan repay. to state ow. enterp.	0	128	129	352	11	273	–	267	135	–
Loans to state owned enterprises	-2,465	-5,629	-5,037	-7,032	-1,544	-4,254	–	-7,859	-178	–
Shares and other equity	-1,044	-810	-101	-408	-47	-1,443	–	0	-390	–
Other financial assets	0	0	-28	332	19	21	–	408	16	–
7.2. Financial liabilities	19,008	20,632	16,799	20,646	2,369	11,482	–	16,116	-1,082	–
External (net)	17,751	19,692	15,605	14,647	1,643	9,932	–	11,273	-291	–
Disbursements	19,474	21,515	17,641	17,046	2,525	12,364	–	14,190	519	–
Amortisation	-1,723	-1,823	-2,036	-2,399	-882	-2,432	–	-2,918	-811	–
Domestic (net)	1,257	940	1,194	5,999	726	1,550	–	4,843	-791	–
Banking system	3,859	2,350	4,062	3,833	23	147	–	3,648	-2,354	–
Other	-2,602	-1,409	-2,868	2,166	703	1,403	–	1,194	1,564	–
8. Financing gap/discrepancy <sup>(e)</sup> : (6+7)	0	0	0	0	81	0	–	0	-2,173	–

Sources: Banco de Cabo Verde, Ministry of Finance (Cabo Verde), IMF and Banco de Portugal calculations.

Notes: (a) Level of budget execution (%); (b) Share of capital expenditure of state-owned enterprises (usually to finance infrastructures related to the activities of these enterprises); (c) Includes values to settle in 2015; (d) Net borrowing (+)/net lending (-).

Table 23 • Monetary survey

CVE millions

	2011	2012	2013	2014		2015		2015 / 2014		2016		2016p / 2015		2016	
				Est.	[1]	[2]	Prog.	Est.	[1]	[2]	Prog.	[1]	[2]	March	May
External position	23,060	26,958	36,168	44,061	21.8	5.8	44,182	49,950	13.4	4.0	48,801	-2.3	-0.7	51,010	53,008
Foreign assets (net)	26,810	28,312	38,101	46,038	20.8	5.8	-	51,915	12.8	4.0	-	-	-	52,945	54,933
Banco de Cabo Verde	28,837	32,861	38,360	46,461	21.1	6.0	-	50,079	7.8	2.5	-	-	-	49,536	50,604
Net foreign assets	28,752	32,778	38,280	46,371	21.1	5.9	47,497	49,998	7.8	2.5	48,436	-3.1	-1.0	49,455	50,522
Other assets (net)	86	83	80	91	13.3	0.0	-	81	-10.5	-0.0	-	-	-	81	81
Commercial banks	-2,028	-4,550	-259	-423	63.6	-0.1	-	1,836	-533.8	1.5	-	-	-	3,408	4,330
Medium and long-term liabilities	-3,750	-1,354	-1,933	-1,977	2.3	-0.0	-	-1,966	-0.6	0.0	-	-	-	-1,935	-1,925
Domestic assets (net)	92,589	95,633	99,912	101,944	2.0	1.5	107,326	104,637	2.6	1.8	111,580	6.6	4.5	106,543	107,898
Total domestic credit	112,326	116,452	120,795	123,782	2.5	2.2	130,247	126,413	2.1	1.8	133,372	5.5	4.5	123,745	125,269
Net claims on general government	18,992	22,851	25,285	28,357	12.1	2.3	32,190	29,494	4.0	0.8	33,142	12.4	2.4	27,140	28,959
of which: on Central gov. invest. in TCMF <sup>(a)</sup>	8,362	12,186	14,362	17,436	21.4	2.3	-	17,387	-0.3	-0.0	-	-	-	15,618	-
Credit to the economy	10,802	11,192	11,192	11,192	0.0	0.0	-	11,192	0.0	0.0	-	-	-	11,192	11,192
State-owned enterprises	93,334	93,601	95,510	95,425	-0.1	-0.1	98,057	96,919	1.6	1.0	100,229	3.4	2.1	96,605	96,310
Private sector	863	824	865	840	-2.9	-0.0	-	3,153	275.4	1.6	-	-	-	3,076	3,079
Credit to NMFI	92,471	92,777	94,645	94,585	-0.1	-0.0	-	93,766	-0.9	-0.6	-	-	-	93,529	93,231
Other items (net)	0	0	0	0	-	-	0	0	-	-	0	-	-	0	0
Total assets	-19,737	-20,820	-20,883	-21,838	-4.6	-0.7	-22,921	-21,776	0.3	0.0	-21,791	0.2	-0.0	-17,202	-17,371
Broad money	115,649	122,590	136,080	146,005	7.3	-	151,507	154,586	5.9	-	160,382	3.7	-	157,553	160,906
Base money	115,649	122,590	136,080	146,005	7.3	7.3	151,507	154,586	5.9	5.9	160,382	3.7	3.7	157,553	160,906
Currency in circulation	24,439	32,574	38,427	45,778	19.1	5.4	-	46,749	2.1	0.7	-	-	-	47,225	49,150
Demand deposits in national currency	8,376	7,886	8,216	8,707	6.0	0.4	-	8,967	3.0	0.2	-	-	-	8,468	8,206
Quasi-money	31,113	33,187	39,566	45,467	14.9	4.3	-	47,503	4.5	1.4	-	-	-	49,125	51,222
Total liabilities	76,159	81,517	88,298	91,831	4.0	2.6	-	98,116	6.8	4.3	-	-	-	99,960	101,478
	115,649	122,590	136,080	146,005	7.3	-	151,507	154,586	5.9	-	160,382	3.7	-	157,553	160,906

Sources: Banco de Cabo Verde, IMF and Banco de Portugal calculations.

Notes: (a) Offshore fund (Trust Fund) to support the conversion of domestic debt by issuing *Títulos Consolidados de Mobilização Financeira* (consolidated financial mobilisation securities). [1] Change from the end of the previous year. [2] Changes in percentage of the initial stock of broad money (liquidity expansion/contraction factors).

**Table 24 • Interest rates**

Annual rates, per cent

	2009	2010	2011	2012	2013	2014	2015				2016	
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	May
<b>Lending rates</b>												
7-30 days	13.0	13.9	9.3	11.5	12.5	11.9	11.7	12.6	12.3	10.2	10.0	10.5
31-90 days	12.1	11.6	9.4	11.7	11.3	10.5	12.1	11.0	12.0	11.0	7.3	9.2
91-180 days	11.3	11.8	9.0	10.1	11.2	11.3	10.0	10.3	10.6	10.7	9.5	9.5
181 days-1 year	9.3	9.0	9.5	9.3	9.0	8.5	8.8	8.8	8.6	9.5	9.6	9.1
1-2 years	10.7	10.1	10.1	10.0	10.4	11.5	11.4	10.4	9.7	9.6	9.5	9.6
2-5 years	10.8	10.0	10.1	10.2	10.5	10.9	10.7	10.8	10.6	10.5	10.6	10.7
5-10 years	10.2	10.2	9.6	9.5	9.5	9.9	9.9	10.0	10.1	9.6	9.7	9.4
Over 10 years	10.1	9.8	9.2	8.8	8.9	8.8	8.8	8.8	8.7	8.5	8.6	8.6
Overdraft	15.0	15.7	16.3	16.3	17.9	16.2	16.8	16.8	16.8	15.2	16.0	16.7
<b>Deposit rates</b>												
<b>Residents</b>												
7-30 days	3.0	2.9	2.9	3.3	4.4	2.6	2.5	2.1	2.2	2.1	2.1	2.1
31-90 days	3.4	3.4	3.4	4.1	4.3	2.9	2.9	2.8	2.7	2.8	2.7	2.5
91-180 days	4.3	4.1	4.0	4.1	4.2	3.5	3.4	3.6	3.5	3.5	3.3	3.4
181 days-1 year	4.1	4.5	4.2	3.8	4.3	4.4	4.4	4.3	4.2	4.1	4.0	3.9
1-2 years	4.5	4.1	4.7	4.9	4.9	4.7	4.7	4.6	4.6	4.6	4.2	4.2
<b>Non-residents</b>												
7-30 days	1.6	3.0	3.0	2.1	4.0	2.6	2.4	2.3	2.2	2.2	1.8	1.3
31-90 days	1.8	2.9	3.1	4.1	3.7	2.2	2.0	2.0	2.1	1.9	1.8	1.7
91-180 days	3.5	3.9	3.8	3.8	3.8	2.7	2.7	2.7	2.6	3.1	2.8	2.1
181 days-1 year	4.0	3.9	4.0	3.4	4.1	3.9	4.0	3.9	3.7	3.7	3.8	3.7
1-2 years	4.6	4.7	4.7	5.1	4.8	4.7	4.8	4.8	4.7	4.6	4.5	4.4
<b>Emigrants</b>												
7-30 days	3.5	3.5	3.5	1.8	4.3	2.6	2.5	2.4	2.1	2.1	2.0	2.0
31-90 days	3.5	3.5	3.5	5.6	4.5	3.1	3.0	3.1	3.0	3.0	2.9	3.0
91-180 days	4.1	4.1	4.2	4.0	4.3	4.0	3.8	3.8	3.8	3.7	3.5	3.5
181 days-1 year	3.7	4.1	4.2	3.7	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.0
1-2 years	4.4	4.9	5.0	5.5	5.4	5.0	4.4	4.9	4.7	4.7	4.5	4.5
<b>Reference rates</b>												
<b>BCV instruments</b>												
Rediscount	7.5	7.5	7.5	9.8	9.8	7.8	7.5	7.5	7.5	7.5	7.5	7.5
Liquidity provision	8.3	7.3	7.3	8.8	8.8	6.8	6.5	6.5	6.5	6.5	6.5	6.5
Liquidity absorption	2.8	1.8	1.8	3.3	1.0	0.5	0.3	0.3	0.3	0.3	0.3	0.3
TRM (14 days)	5.3	4.3	4.3	5.8	–	0.6	0.4	0.3	0.3	0.3	0.3	0.3
<b>Treasury bills</b>												
91 days	3.6	4.0	4.1	–	–	–	–	0.8	–	–	–	–
182 days	–	–	4.2	–	–	–	–	–	–	–	0.6	–
364 days	–	–	–	4.5	–	–	–	–	–	–	–	–
<b>Memo item:</b>												
Inflation (y-o-y % change)	-0.4	3.4	3.6	4.1	0.1	-0.4	-0.2	0.3	0.6	-0.5	-1.2	-1.0

Sources: Banco de Cabo Verde and Banco de Portugal calculations.

Notes: Lending and deposit rates shown refer to effective interest rates by calculating average rates weighted by the amounts of credit/investments regarding lending/deposit operations applied to residents, non-residents and emigrants.

**Table 25 • Financial stability indicators**

Percentage

	2011	2012	2013	2014	2015	2016 Mar.
<b>Solvency</b>						
Capital adequacy <sup>(a)</sup>	13.9	13.8	15.1	15.6	16.8	16.2
Tier1/risk-weighted assets	13.3	13.5	13.7	14.4	15.6	15.4
<b>Asset quality<sup>(b)</sup></b>						
Non-performing loans/total loans	11.8	14.1	16.4	18.7	16.5	17.4
Impairment/non-performing loans	57.0	53.7	51.6	48.8	54.4	52.2
Provisions/non-performing loans	19.0	53.5	53.9	52.4	59.5	58.1
<b>Return</b>						
Return on equity (ROE)	5.6	2.7	3.5	3.1	4.8	–
Return on assets (ROA)	0.4	0.2	0.3	0.2	0.4	–
Interest margin/gross income	76.2	75.5	75.3	71.8	73.1	74.8
Non-interest expenses/gross income	61.3	68.3	68.4	72.5	66.9	70.4
<b>Liquidity<sup>(c)</sup></b>						
Liquid assets/total assets	7.1	15.0	21.2	19.9	30.3	30.9
Liquid assets/short-term liabilities	9.7	21.1	27.9	24.4	37.0	37.7
<b>Other indicators</b>						
General government deposits/total deposits	7.6	9.7	11.4	13.5	12.6	12.8
Emigrant deposits/total deposits	37.1	37.1	33.4	32.9	33.3	33.4
Private sector credit/total deposits	86.0	79.1	67.5	61.5	59.5	58.0
Personnel costs/operating costs	55.8	56.1	55.3	54.8	56.6	59.9
Interest spread, 1 to 2 years (asset – liability)	5.5	5.2	5.5	6.8	5.0	5.3
Interest spread, 1 to 2 years (emigrant deposits – euro area deposits)	1.8	2.9	3.8	4.2	4.1	4.0

Sources: Banco de Cabo Verde and Banco de Portugal calculations

Notes: (a) Regulatory capital/risk-weighted assets; (b) In accordance with IFRS/IAS definitions; (c) Liquid assets include cash-in-vault and marketable securities and short-term liabilities include demand deposits.

**Table 26 • Exchange rates**

Average rates

		EERI <sup>(a)</sup> Index: 100 = 2000	
		Nominal	Real
	USD/CVE		
2002	117.3	101.9	99.2
2003	97.8	103.1	98.1
2004	88.7	103.3	94.1
2005	88.6	102.4	91.4
2006	87.9	102.0	93.7
2007	80.6	101.9	95.6
2008	75.3	101.9	99.2
2009	79.4	102.1	100.5
2010	83.3	101.4	100.3
2011	79.3	101.4	101.3
2012	85.8	101.7	101.5
2013	83.1	102.2	102.3
2014	83.1	102.6	102.3
2015	99.4	103.3	102.3
<hr/>			
2014	January	80.9	102.8
	February	80.8	102.8
	March	79.8	102.7
	April	79.8	102.6
	May	80.2	102.5
	June	81.1	102.5
	July	81.4	102.5
	August	82.8	102.5
	September	85.3	102.5
	October	87.0	102.6
	November	88.4	102.7
	December	89.3	102.8
2015	January	94.6	102.5
	February	97.1	102.7
	March	101.6	103.0
	April	102.5	102.8
	May	98.8	103.0
	June	98.4	103.1
	July	100.2	103.2
	August	99.1	103.6
	September	98.3	104.1
	October	98.1	104.1
	November	102.5	103.7
	December	101.5	103.9
2016	January	101.6	104.1
	February	99.5	104.1
	March	99.5	103.8
	April	97.3	103.7
	May	97.4	103.7
	June	98.2	103.5

Sources: Banco de Cabo Verde and Banco de Portugal calculations.

Notes: (a) Effective exchange rate index (EERI), calculated on the basis of official exchange rates applied to the currencies of Cabo Verde's four main trading partners over the period 2010-2014 (appreciation: +; depreciation: -).



### 3. Guinea-Bissau

Area: 36,125 Km<sup>2</sup>

Capital: Bissau

Population: 1.8 million  
(2015; source: UN)

Currency: CFA franc (XOF)

Guinea-Bissau's economy continued on the recovery path that started in 2014, benefiting from favourable conditions in the production of cashew nuts, the country's main export and a key factor to positive developments in external transactions. Inflation, which is on an upward path, returned to positive territory, but remained at relatively low levels. The difficulties faced by the financial system led to the intervention of national authorities, which resulted in a substantial increase in public deficit. Political uncertainty, prevailing since the summer of 2015, and difficulties in complying with the limits set in the IMF adjustment programme pose the main risks to the economy.

**Improved economic conditions** in Guinea-Bissau, as seen since 2014, continued in 2015, although **major risks** persisted. Such risks largely result from the **political uncertainty** climate prevailing since the summer of 2015, with the country going through four different governments over the past 12 months. The lack of political understanding rendered it impossible to approve the State Budget for 2016 and the current governmental programme. Against this background, a number of Guinea-Bissau's development partners – including the World Bank, the African Development Bank and the European Union – announced that they would **withdraw their financial assistance**, similarly to what had happened prior to the parliamentary and presidential elections in the first half of 2014.

**Another risk factor** stems from the divergence with the International Monetary Fund over the **State intervention in two private banks** in difficulty, which resulted in **non-compliance with limits established in the adjustment programme** signed with the institution in July 2015. In the scope of this programme under the aegis of the Extended Credit Facility – which superseded a programme under the Rapid Credit Facility, agreed in November 2014 – a maximum limit on the amount of credit to the government was set, only to be exceeded at the end of 2015 in the wake of the intervention in the financial system.

Consequently, the IMF suspended further disbursements until corrective action is taken regarding these bailouts as well as the financing gap that resulted from the reduction in financial assistance by traditional donors. The impact of this decision may have other consequences beside the suspension of the IMF's financial assistance, **given that a good implementation of the programme is key as catalyst for support provided by development partners.**

Despite this challenging environment, **Guinea-Bissau's economic performance in 2015 was very positive**, giving continuity to the recovery that started in the previous year. The **good cashew nut harvest** – accounting for 80 to 90 per cent of goods exports – and **favourable**

**terms of trade developments** were decisive for the 4.8 per cent increase in output in 2015. Furthermore, improvements in the supply of electricity and water in 2015 also made a positive contribution to the acceleration in economic activity, particularly in the secondary and tertiary sectors. **For 2016, the economy is expected to continue to follow a growth trend**, with a further 4.8 per cent real change in gross domestic product.

**Inflation, which returned to positive territory in 2015, remained at relatively low levels.** The recovery in economic activity and the unwinding of the effect of the oil price fall (more marked during the summer of 2014) led to an increase in the general price level, particularly in the second half of the year. The year-on-year inflation rate stood at 2.4 per cent in December 2015, compared with -0.1 per cent in the same period of 2014 (the average inflation rate posted similar developments, increasing by 2.5 percentage points in 2015, to 1.5 per cent). **For 2016, prices are expected to continue to follow a slightly upward path**, and a year-on-year inflation rate of 2.5 per cent is projected, in line with prospects of continued economic recovery.

**The external transactions balance was very positive in 2015**, particularly as regards commercial transactions. The (goods) trade balance posted an uncommon surplus (2.9 per cent of GDP), possibly due to **one of the best performances of goods exports in the past few years** (86.6 per cent hike from 2014), which more than offset the increase of approximately 28 per cent in imports. Developments in other current account components (services, income and current transfers) were less positive, although the external current account balance reached 3.9 per cent of GDP (3.3 percentage point improvement from 2014). Turning to the capital and financial accounts, special mention should be made to **IMF funding** and the maintenance of the trend **recovery in foreign direct investment** since the marked fall in 2012. **For 2016, the current account balance is projected to decline** (standing at -1.7 per cent of GDP), chiefly due to a slight contraction in goods exports.



The suspension of disbursements under the IMF adjustment programme (6.1 billions of CFA francs in 2016) and the reduction in financial assistance granted by a number of development partners (around 2.1 per cent of GDP) may yet deteriorate the outlook for capital and financial accounts.

**Public accounts deteriorated substantially in 2015 (deficit of -7.7 per cent of GDP)**, in the wake of a **reduction in grants** (-31.6 per cent from 2014) and a **significant increase in expenditure** (28.7 per cent from 2014), which exceeded the budget by 30 per cent. This rise in expenditure was largely due to the aforementioned financial system intervention, which led to an increase in the share of public expenditure to 27.5 per cent of GDP (3.3 percentage points above that seen in the previous year). **Developments on the revenue side were positive** (3.5 per cent increase from 2014), chiefly as a result of higher tax revenue (40.1 per cent from 2014), which offset a fall in grants. Similarly to projections for external accounts, the **public deficit of 1.4 per cent of GDP forecast for 2016** should be interpreted with caution, given the dwindling support by a number of development partners.

#### **Financial system stability remains a major challenge for Guinea-Bissau's authorities.**

The deterioration in economic conditions, in the wake of political disruptions in April 2012, also impacted on non-performing loans, which increased from 6.4 per cent in 2012 to 25.7 per cent in 2014. Faced with such difficulties, authorities decided to initiate a State intervention in two private banks in 2015.

**Broad money expanded further in 2015** (26.8 per cent from 2014), boosted by the accumulation of foreign exchange reserves and a marked increase in credit to the public sector (143 per cent from 2014), which resulted in the failure to comply with the end-year limit established in the IMF adjustment programme.

The currency peg between the CFA franc and the euro results in exchange rate stability between Guinea-Bissau and its main trading partners, except for India. Therefore, the CFA franc's 6.5 per cent depreciation against the Indian rupee in 2015 was the main factor behind the **competitiveness gains** observed (measured by the effective exchange rate index).

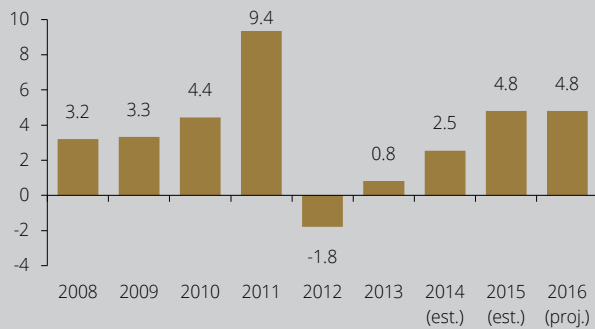
**Table 27 • Main economic indicators**

	2012	2013	2014	2015	2016
		Est.	Est.	Est.	Proj.
Real GDP (annual % change)	-1.8	0.8	2.5	4.8	4.8
Inflation (year-on-year % change)	1.7	-0.1	-0.1	2.4	2.5
Broad money (annual % change)	-6.0	14.8	30.7	26.8	–
Current account (% of GDP)	-8.4	-5.0	0.6	3.9	-1.7
Fiscal balance (% of GDP)	-1.8	-1.8	-2.5	-7.7	-1.4
External public debt (% of GDP)	30.6	31.2	33.3	31.4	–

Sources (for the subsequent tables also): BCEAO National Directorate for Guinea-Bissau, Ministry of Economy and Finance of Guinea-Bissau, National Statistics Institute of Guinea-Bissau, European Central Bank and International Monetary Fund.

**Chart 29 • Real GDP**

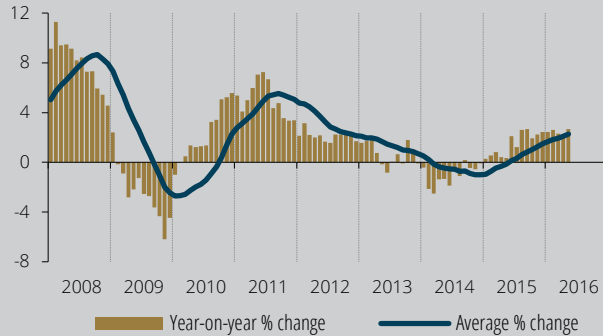
Annual % change



Economic recovery continued in 2015, sustained by a good cashew nut harvest and favourable terms of trade developments. The improved supply of electricity and water contributed to a strong performance of the secondary and tertiary sectors.

**Chart 30 • Inflation**

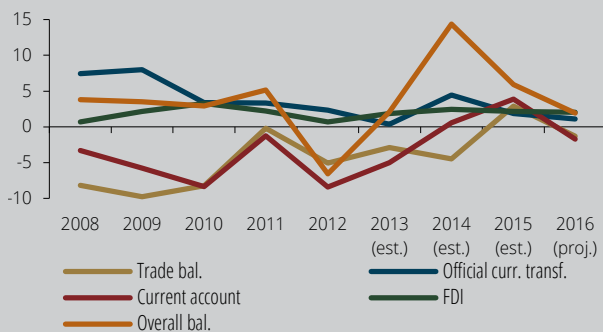
Annual % change of the CPI



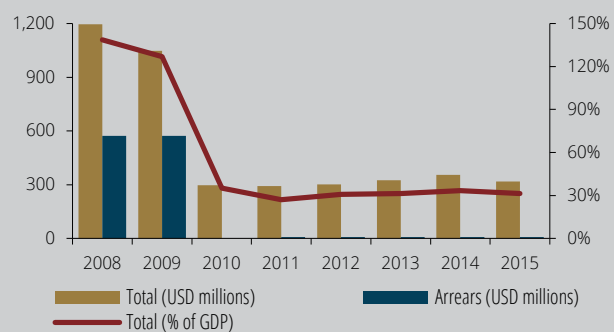
Following a period of deflation that extended into 2014, the inflation rate returned to positive territory in 2015. The acceleration in economic activity has been the main driver of these price developments.

**Chart 31 • External accounts**

% of GDP



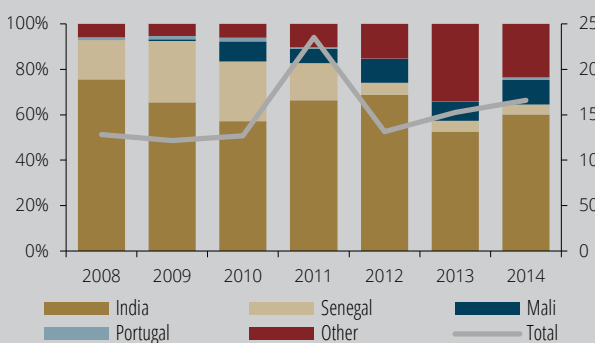
The marked increase in exports in 2015 (63.1 per cent) led to an improvement in the trade and current account balance. In the wake of recent political developments, assistance provided by development partners has been suspended.

**Chart 32 • External public debt**

External debt has remained stable, at around 30 per cent of GDP, following the debt relief initiatives (HIPC and MDRI).

**Chart 33 • Goods exports**

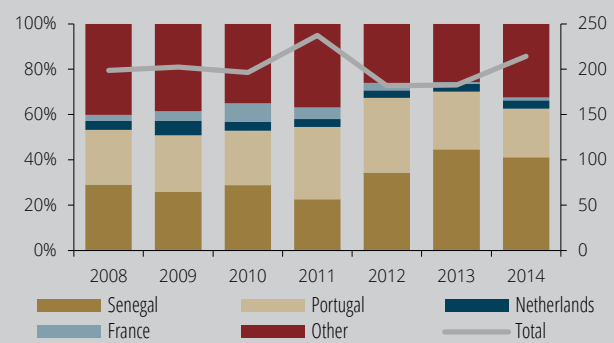
Destinations as a %, total in USD millions



The export sector lacks diversity, with sales of cashew nuts accounting for 80 to 90 per cent of products sold abroad (particularly to India). Over the past few years, good harvests and price developments in cashew nuts have contributed to an increase in total exports.

**Chart 34 • Goods imports**

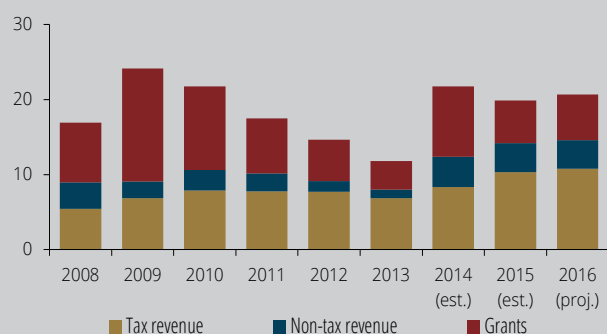
Origins as a %, total in USD millions



The geographical distribution of imports is relatively unchanged, with Portugal remaining Guinea-Bissau's second largest supplier.

**Chart 35 • Government revenue**

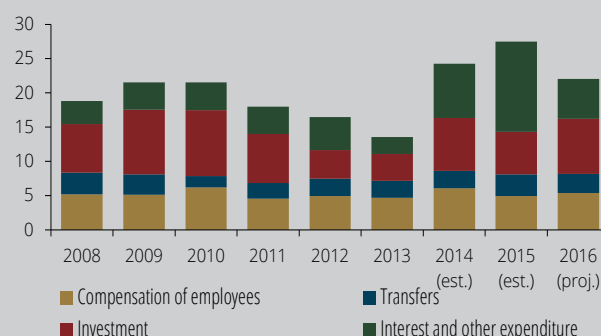
% of GDP



The expansion in economic activity resulted in an increase in tax revenue. Grants from development partners, which had recovered in the wake of elections conducted in 2014, have declined again due to the current political uncertainty.

**Chart 36 • Government expenditure**

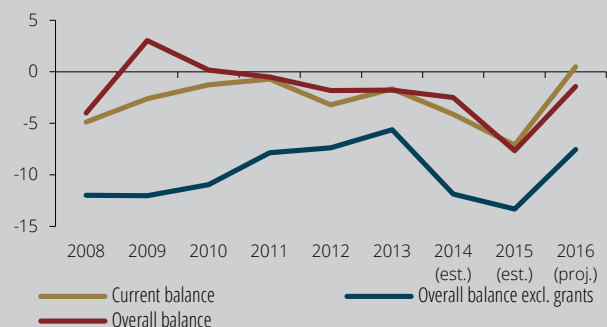
% of GDP



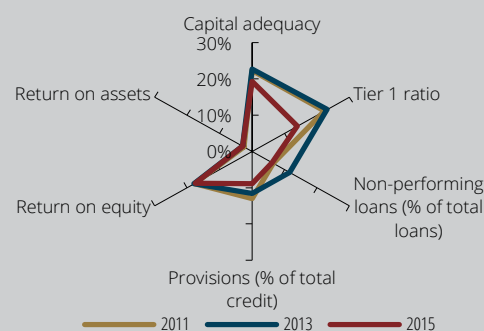
Intervention in two stressed financial institutions in 2015 resulted in a very substantial increase in government expenditure. Public investment, funded to a large extent through grants, remains at levels close to those seen prior to the 2012/13 political crisis.

**Chart 37 • Public accounts**

% of GDP



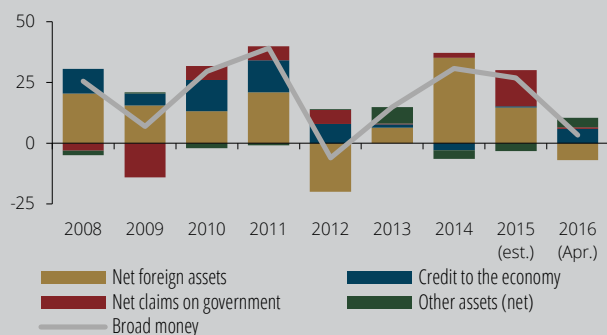
Public accounts deteriorated significantly in 2015, chiefly reflecting a fall in grants and unexpected spending.

**Chart 38 • Financial stability indicators**

Guinea-Bissau's authorities intervened in two financial institutions in 2015, in response to the difficulties stemming from the very marked increase in non-performing loans in the banking sector.

**Chart 39 • Liquidity expansion/contraction factors**

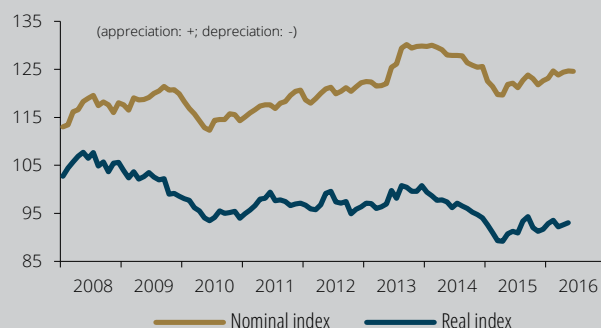
Changes in % of initial stock of broad money



Broad money grew by 26.8 per cent in 2015, as a result of an accumulation of foreign exchange reserves and the marked increase in credit to the public sector, the latter having resulted from an intervention in the financial system.

**Chart 40 • Effective exchange rate**

Indexes: 100 = 2000, monthly averages



The 6.5 per cent depreciation in the CFA franc against the Indian rupee in 2015 contributed to competitiveness gains (measured by the effective exchange rate index) against the country's main trading partners – India, Senegal, Portugal and Mali.

Table 28 • Economic indicators

		2011	2012	2013	2014	2015		2016	
				Est.	Est.	Proj.	Est.	Proj.	Est.
Output and prices									
Nominal GDP	XOF billions	518.3	505.1	516.7	529.7	636.3	600.9	639.9	–
	EUR millions	790.1	770.0	787.6	807.5	970.0	916.0	975.5	–
Real GDP	Annual % change	9.4	-1.8	0.8	2.5	4.7	4.8	4.8	–
Inflation (Consumer Price Index)	Year-on-year % change	3.4	1.7	-0.1	-0.1	2.0	2.4	2.5	2.7 May
	Average % change	5.0	2.1	0.7	-1.0	1.3	1.5	2.6	2.3 May
Public finances									
Total revenue	% of GDP	17.5	14.6	11.8	21.8	17.8	19.9	20.7	–
Total expenditure	% of GDP	18.0	16.5	13.6	24.2	20.0	27.5	22.1	–
Overall balance	% of GDP	-0.5	-1.8	-1.8	-2.5	-2.2	-7.7	-1.4	–
Overall balance excl. grants	% of GDP	-7.9	-7.4	-5.6	-11.9	-8.0	-13.3	-7.5	–
Money and credit									
Net claims on government	Annual % change	183.3	88.6	2.6	17.1	5.9	143.3	–	3.0 Apr. <sup>(c)</sup>
Credit to the economy	Annual % change	48.3	27.2	3.6	-8.2	10.8	2.4	–	29.5 Apr. <sup>(c)</sup>
Broad money (M2)	Annual % change	39.1	-6.0	14.8	30.7	11.1	26.8	–	3.4 Apr. <sup>(c)</sup>
Interest rates									
Deposit, 6 months to 1 year	Annual rate	4.9	4.3	4.5	3.7	–	3.3	–	–
Lending, 6 months to 1 year	Annual rate	9.7	9.8	9.4	9.1	–	8.5	–	–
Financial stability									
Capital adequacy	Percentage	22.3	23.7	22.7	20.1	–	19.3	–	19.0 Mar.
Non-performing loans	Percentage	6.5	6.4	11.6	25.7	–	6.2	–	5.6 Mar.
Return on equity	Percentage	17.7	18.0	17.9	17.5	–	17.5	–	16.5 Mar.
Balance of payments									
Exports f.o.b.	Annual % change	57.9	-41.4	20.8	11.4	26.1	63.1	-14.4	–
Imports f.o.b.	Annual % change	8.3	-19.1	2.8	22.6	7.0	19.2	1.2	–
Current account	% of GDP	-1.3	-8.4	-5.0	0.6	-1.6	3.9	-1.7	–
Current account excl. official transfers	% of GDP	-4.6	-10.8	-5.4	-3.9	-4.2	2.0	-2.9	–
External debt									
Total stock	USD millions	293.1	302.7	326.0	356.7	–	318.6	–	–
	% of GDP	27.0	30.6	31.2	33.3	–	31.4	–	–
	% of exports <sup>(a)</sup>	104.9	197.7	170.6	167.7	–	109.8	–	–
Debt service	% of exports <sup>(a)</sup>	0.3	0.5	0.9	1.5	–	2.2	–	–
Exchange rates									
Bilateral rate EUR/XOF (official market)	Average rate	656.0	656.0	656.0	656.0	–	656.0	–	656.0 Jun.
Bilateral rate USD/XOF (official market)	Average rate	477.5	510.5	494.1	494.4	–	591.4	–	588.1 Jun.
Nominal EERI (Index: 100 = 2000) <sup>(b)</sup>	Annual % change	5.6	1.3	6.3	-3.3	–	-2.4	–	1.6 Jun. <sup>(c)</sup>
Real EERI (Index: 100 = 2000) <sup>(b)</sup>	Annual % change	3.3	-0.8	4.6	-6.7	–	-2.5	–	1.5 May <sup>(c)</sup>

Sources: BCEAO National Directorate for Guinea-Bissau, Ministry of Economy and Finance of Guinea-Bissau, National Statistics Institute of Guinea-Bissau, European Central Bank, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Exports of goods and services; (b) Effective Exchange Rate Index (EERI) calculated on the basis of official exchange rates applied to the currencies of Guinea-Bissau's four main trading partners in the 2010/14 period; (c) Changes from the previous December.

**Table 29 • Gross domestic product**

Current prices, billions of CFA francs

	2011	2012	2013	2014	2015		2016
				Est.	Proj.	Est.	Proj.
Primary sector	233.3	236.8	228.0	217.9	290.1	233.8	242.1
Agriculture, forestry and fishing	233.3	236.8	228.0	217.9	290.1	233.8	242.1
Secondary sector	64.3	68.4	74.5	80.1	94.8	88.1	102.5
Agri-food	51.7	55.6	59.9	62.9	–	69.2	79.6
Industry <sup>(a)</sup>	9.5	8.9	8.1	9.4	–	10.8	13.7
Construction	3.1	3.8	6.5	7.8	–	8.0	9.2
Tertiary sector	200.5	181.4	197.0	211.0	223.6	255.9	271.1
Trade, restaurants and hotels	105.6	95.0	111.3	115.2	111.3	155.5	163.3
Transportation and communication	26.0	26.1	26.3	26.3	30.7	27.5	30.3
Public administration	51.3	42.6	43.4	53.1	49.7	55.7	59.6
Other services	27.3	28.5	26.2	25.8	31.9	26.9	27.8
FISIM (financial intermed. servs. indirectly measured)	-9.8	-10.9	-10.2	-9.3	–	-9.8	-9.8
Gross Domestic Product (at factor cost)	498.1	486.6	499.6	509.0	608.5	577.7	615.8
Indirect taxes and subsidies	20.2	18.5	17.1	20.7	27.8	23.2	24.1
Gross Domestic Product (at market prices)	518.3	505.1	516.7	529.7	636.3	600.9	639.9
Consumption	517.4	519.4	520.8	548.1	623.9	584.3	642.2
Public	69.8	65.8	65.5	91.9	63.7	88.6	94.7
Private	447.5	453.6	455.4	456.2	560.2	495.7	547.6
Investment	27.9	37.3	34.8	39.9	54.6	39.9	47.9
Gross fixed capital formation	27.4	33.1	29.4	34.5	54.5	34.5	42.6
Public	13.3	10.5	15.8	20.5	38.0	18.7	25.7
Private	14.1	22.6	13.7	14.0	16.5	15.9	16.9
Changes in inventories	0.6	4.1	5.3	5.3	0.1	5.3	5.3
Domestic demand	545.3	556.7	555.6	588.0	678.4	624.2	690.1
Exports of goods and services	133.4	78.2	94.4	105.2	132.7	171.6	146.9
Overall demand	678.7	634.8	650.1	693.2	811.1	795.8	837.1
Imports of goods and services	160.4	129.8	133.4	163.5	174.9	194.9	197.2
Memo items:							
Gross domestic savings	0.9	-14.3	-4.2	-18.4	12.4	16.6	-2.4
Nominal GDPmp (USD millions)	1,085.5	989.3	1,045.7	1,071.4	1,080.4	1,016.0	1,136.0
GDPmp deflator (annual % change)	12.9	-0.8	1.5	-0.0	14.7	-9.9	1.6
Nominal GDPmp (annual % change)	23.5	-2.5	2.3	2.5	20.1	-5.6	6.5
Real GDPmp (annual % change)	9.4	-1.8	0.8	2.5	4.7	4.8	4.8

Sources: BCEAO National Directorate for Guinea-Bissau, International Monetary Fund and Banco de Portugal calculations.

Note: (a) Includes electricity and water.

Table 30 • Consumer price index

Per cent

		Monthly change	Cumulative change	Year-on-year change	Average change
		[1]	[2]	[3]	[4]
2001	December	–	-1.8	-1.8	3.3
2002	December	–	2.5	2.5	1.8
2003	December	–	0.7	0.7	-5.0
2004	December	–	2.9	2.9	0.9
2005	December	–	0.3	0.3	3.4
2006	December	–	3.2	3.2	2.0
2007	December	–	9.3	9.3	4.6
2008	December	–	6.6	6.6	7.9
2009	December	–	-4.5	-4.5	-2.4
2010	December	–	5.6	5.6	2.3
2011	December	–	3.4	3.4	5.0
2012	December	–	1.7	1.7	2.1
2013	December	–	-0.1	-0.1	0.7
2014	December	–	-0.1	-0.1	-1.0
2015	December	–	2.4	2.4	1.5
2014	January	-0.3	-0.3	-0.4	0.5
	February	-1.4	-1.7	-2.2	0.2
	March	-0.4	-2.1	-2.5	-0.2
	April	0.8	-1.3	-1.4	-0.3
	May	0.5	-0.8	-1.3	-0.4
	June	-0.8	-1.6	-1.9	-0.5
	July	2.0	0.4	-0.5	-0.6
	August	0.2	0.6	-1.1	-0.7
	September	0.9	1.5	0.2	-0.7
	October	-0.1	1.4	-0.5	-0.9
	November	-0.6	0.8	-0.6	-1.0
	December	-0.9	-0.1	-0.1	-1.0
2015	January	0.1	0.1	0.3	-1.0
	February	-1.2	-1.1	0.5	-0.7
	March	-0.1	-1.2	0.8	-0.5
	April	0.4	-0.8	0.4	-0.3
	May	0.4	-0.4	0.4	-0.2
	June	1.0	0.6	2.1	0.2
	July	1.1	1.7	1.2	0.3
	August	1.6	3.3	2.6	0.6
	September	1.0	4.3	2.7	0.8
	October	-0.8	3.5	1.9	1.0
	November	-0.3	3.2	2.2	1.3
	December	-0.7	2.4	2.4	1.5
2016	January	0.1	0.1	2.4	1.7
	February	-1.0	-0.9	2.6	1.8
	March	-0.4	-1.3	2.3	1.9
	April	0.2	-1.1	2.1	2.1
	May	0.9	-0.2	2.7	2.3

Sources: BCEAO National Directorate for Guinea-Bissau, National Statistics Institute of Guinea-Bissau and Banco de Portugal calculations.

Notes: [1] month (n) / month (n-1); [2] month (n) / previous December; [3] month (n) / month (n) of the previous year; [4] last 12 months / previous 12 months.

**Table 31 • Balance of payments**

Billions of CFA francs

	2011	2012	2013	2014	2015		2016
			Est.	Est.	Proj.	Est.	Proj.
Current account	-6.6	-42.5	-25.8	3.1	-10.4	23.3	-11.2
Excluding official transfers	-23.9	-54.4	-27.7	-20.5	-26.7	12.0	-18.3
Trade balance	-1.0	-25.7	-14.8	-23.9	-13.1	17.4	-8.3
Exports (f.o.b.)	112.3	67.1	75.5	82.0	111.3	153.0	127.8
of which: Cashew nuts	103.1	60.0	60.9	69.1	–	131.4	115.2
Imports (f.o.b.)	-113.3	-92.8	-90.3	-105.9	-124.4	-135.6	-136.1
Services	-26.0	-25.9	-24.2	-34.4	-26.9	-40.7	-42.0
Income	-8.7	-16.9	-4.0	18.5	-4.3	12.0	8.6
of which: Scheduled interest	-0.7	-0.3	-0.1	–	-1.1	–	–
Current transfers	29.1	26.0	17.1	42.9	33.9	34.6	30.5
Public	17.3	11.9	1.9	23.6	16.3	11.3	7.1
of which: Balance of payments support grants	12.4	11.9	1.9	–	10.6	–	–
Private	11.8	14.1	15.3	19.3	17.6	23.3	23.4
of which: Emigrants remittances	10.5	12.4	14.8	–	15.8	–	–
Capital and financial account	35.7	14.1	31.7	66.9	41.9	17.6	23.4
Capital account	27.0	15.9	15.8	27.4	26.3	27.0	28.1
Capital transfers	27.0	15.9	15.8	27.4	26.3	27.0	28.1
Financial account	8.7	-1.8	15.9	39.5	15.6	-9.4	-4.7
General government – Medium / long-term loans	9.8	7.6	12.4	13.3	12.3	6.5	11.9
of which: Disbursements	10.2	7.6	12.5	13.4	37.3	8.0	13.3
of which: Amortisation	-0.4	-0.0	-0.1	-0.1	-25.0	-1.5	-1.4
Other assets (net)	-1.1	-9.3	3.5	26.2	3.3	-15.9	-16.6
of which: Foreign direct investment	11.4	3.5	9.7	12.9	10.6	13.1	13.2
of which: Portfolio investment	0.0	0.0	0.0	9.5	0.2	5.0	0.2
of which: Other investment – Other sectors	-12.5	-12.8	-6.2	3.8	-7.5	-34.0	-30.0
Errors and omissions	-2.3	-4.8	5.0	6.1	0.0	-5.2	0.0
Overall balance	26.8	-33.2	10.9	76.1	31.5	35.7	12.2
Financing	-26.8	33.2	-10.9	-76.1	-31.5	-35.7	-12.2
Change in official reserves (increase: - ) <sup>(a)</sup>	-26.8	33.2	-10.9	-76.1	-31.5	-35.7	-12.2

Sources: BCEAO National Directorate for Guinea-Bissau, International Monetary Fund and Banco de Portugal calculations.

Note: (a) Includes the effects of exchange rate fluctuations.

**Table 32 • Goods exports**

By country of destination, as a percentage of total

	2008	2009	2010	2011	2012	2013	2014	2008 to 2014
China	0.2	0.2	0.9	0.7	0.8	1.7	2.7	1.1
Côte d'Ivoire	0.0	0.3	0.0	0.5	0.4	2.8	0.0	0.6
India	75.5	65.5	57.2	66.4	68.7	52.5	60.0	63.4
Mali	0.0	0.8	8.9	6.3	10.5	8.3	10.8	6.9
Portugal	1.3	1.5	1.7	0.7	0.1	0.1	1.0	0.9
Senegal	17.4	26.9	26.2	16.3	5.4	4.8	4.6	13.8
Singapore	2.1	0.0	0.8	6.7	5.5	9.5	8.5	5.3
Togo	0.0	0.0	0.0	0.0	5.4	8.4	0.0	1.9
Vietnam	0.0	0.0	0.0	0.3	0.0	7.3	3.6	1.7
Other	3.5	4.8	4.2	2.1	3.2	4.6	8.7	4.4

Sources: BCEAO National Directorate for Guinea-Bissau and Banco de Portugal calculations.

**Table 33 • Goods imports**

By country of origin, as a percentage of total

	2008	2009	2010	2011	2012	2013	2014	2008 to 2014
Brasil	2.7	3.7	3.4	2.5	1.3	1.0	0.8	2.2
Côte d'Ivoire	6.3	3.0	1.3	0.4	0.4	0.2	0.3	1.6
France	2.6	4.2	8.2	5.0	3.3	0.7	1.3	3.6
Netherlands	4.1	6.5	4.0	3.5	3.3	3.5	3.6	4.1
Pakistan	0.2	0.7	2.0	1.4	5.4	4.9	5.0	2.8
Portugal	24.2	24.9	24.0	32.0	33.0	25.5	21.5	26.5
Senegal	29.0	25.9	28.8	22.6	34.4	44.6	41.2	32.2
Spain	1.9	4.1	1.3	2.8	1.8	1.9	3.9	2.6
Thailand	6.9	2.7	0.8	1.0	0.1	0.1	0.5	1.6
Other	22.1	24.4	26.2	28.8	17.0	17.6	22.0	22.8

Sources: BCEAO National Directorate for Guinea-Bissau and Banco de Portugal calculations.

**Table 34 • External public debt**

USD millions

	2011	2012	2013	2014	2015
Medium and long-term debt	292.0	301.7	325.0	355.7	317.7
Multilateral creditors	113.7	135.0	152.7	183.6	173.8
Bilateral creditors	178.2	166.7	172.2	172.1	143.9
Short-term debt	1.1	1.1	1.0	1.0	0.8
Total external debt	293.1	302.7	326.0	356.7	318.6
of which: Arrears	8.1	7.6	7.9	7.9	8.3
Scheduled medium and long-term debt service	0.9	0.8	1.6	3.2	6.4
Principal	0.6	0.6	0.6	0.6	2.9
Interest	0.3	0.2	1.1	2.6	3.6
(% of exports of goods and services)					
Total external debt	104.9	197.7	170.6	167.7	109.8
Scheduled medium and long-term debt service	0.3	0.5	0.9	1.5	2.2
Principal	0.2	0.4	0.3	0.3	1.0
Interest	0.1	0.1	0.6	1.2	1.2
(% of GDP)					
Total external debt	27.0	30.6	31.2	33.3	31.4

Sources: BCEAO National Directorate for Guinea-Bissau, International Monetary Fund and Banco de Portugal calculations.



**Table 35 • Government operations**

Billions of CFA francs

	2011	2012	2013	2014	2015		2016	
				Est.	Budg.	Est.	I.e. <sup>(a)</sup>	Proj.
1. Total revenue	90.7	74.0	60.9	115.2	113.5	119.3	105.1	132.3
1.1. Current revenue	52.6	46.0	41.1	65.5	76.8	85.3	111.1	93.1
Non-tax revenue	12.3	7.1	5.7	21.4	20.6	23.4	113.6	24.3
of which: Fishing licences	7.1	0.2	1.2	2.2	–	1.2	–	–
Tax revenue	40.3	38.9	35.4	44.2	56.2	61.9	110.1	68.8
1.2. Grants	38.1	28.0	19.8	49.7	36.8	34.0	92.4	39.2
of which: Projects	25.7	15.9	15.8	26.1	26.1	25.7	98.5	27.9
of which: Budget support	12.4	12.1	4.0	23.6	10.7	8.3	77.6	11.3
2. Total expenditure	93.3	83.2	70.1	128.4	127.3	165.3	129.9	141.3
2.1. Current expenditure	56.3	62.2	49.7	87.4	84.1	128.0	152.2	90.0
Compensation of employees	23.6	25.1	24.3	32.3	32.5	29.8	91.8	34.6
Transfers	11.8	12.8	12.6	13.3	20.2	18.8	92.9	17.8
Scheduled debt interest	0.4	0.1	0.4	2.7	5.5	4.1	74.5	3.2
Other expenditure	20.5	24.2	12.4	39.1	25.9	75.3	290.8	34.4
2.2. Capital expenditure	37.0	21.0	20.4	41.0	43.2	37.3	86.3	51.3
3. Current balance: (1.1.) - (2.1.)	-3.7	-16.2	-8.6	-21.9	-7.3	-42.7	–	3.1
4. Overall balance excl. grants: (1.) - (2.) - (1.2.)	-40.7	-37.2	-29.0	-62.9	-50.6	-80.0	–	-48.2
5. Overall balance: (1.) - (2.) (commitment basis)	-2.6	-9.2	-9.2	-13.2	-13.8	-46.0	–	-9.0
6. Change in arrears	-3.5	2.9	0.0	-2.0	-9.0	-5.5	–	0.0
6.1. Domestic	-3.5	2.9	0.0	-2.0	-8.1	-5.5	–	0.0
6.2. External	0.0	0.0	0.0	0.0	-0.9	0.0	–	0.0
7. Items in transit, errors and omissions	-6.4	-8.1	4.0	-12.3	0.0	-2.0	–	0.0
8. Overall balance: (5.) + (6.) + (7.) (cash basis)	-12.5	-14.4	-5.2	-27.5	-22.8	-53.5	–	-9.0
9. Financing	16.3	14.5	6.6	27.7	18.0	50.3	–	8.3
9.1. Domestic (net)	7.3	9.9	0.6	2.9	4.2	37.3	–	-3.6
of which: Banking system	7.3	9.9	0.6	2.9	4.4	37.2	–	-3.6
9.2. External (net)	9.1	4.6	6.0	24.9	13.8	13.0	–	11.9
of which: Disbursements	9.4	5.1	6.1	25.2	15.7	25.1	–	30.4
of which: Amortisation	-0.4	-0.5	-0.1	-0.3	-1.9	-12.1	–	-18.5
10. Financing gap <sup>(b)</sup>	3.8	0.1	1.4	0.3	-4.7	-3.2	–	-0.7

Sources: BCEAO National Directorate for Guinea-Bissau, Ministry of Economy and Finance of Guinea-Bissau, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Level of budget execution: as a percentage of budgeted amounts; (b) Net borrowing (-) / net lending (+).

**Table 36 • Monetary survey**

Billions of CFA francs

	2011	2012	2013	2014	2015	2015/2014		2016	Apr. 2016/2015	
					Est.	[1]	[2]	Apr.	[1]	[2]
Net foreign assets	119.3	84.5	94.9	160.7	196.4	22.2	14.6	174.9	-11.0	-7.0
Central Bank	95.4	65.0	72.1	135.5	176.6	30.3	16.8	176.3	-0.2	-0.1
Commercial banks	23.9	19.5	22.8	25.2	19.8	-21.3	-2.2	-1.4	-107.3	-6.9
Total domestic credit	61.7	85.4	88.3	86.5	124.4	43.8	15.5	144.7	16.4	6.6
Net claims on government	11.2	21.1	21.7	25.4	61.8	143.3	14.9	63.7	3.0	0.6
Credit to the economy	50.5	64.2	66.6	61.1	62.6	2.4	0.6	81.1	29.5	6.0
Other assets (net)	-7.7	-7.1	3.8	-2.9	-11.0	279.9	-3.3	0.8	-	3.8
Total assets	173.3	162.8	186.9	244.3	309.8	26.8	-	320.4	3.4	-
Broad money (M2)	173.3	162.8	186.9	244.3	309.8	26.8	-	320.4	3.4	-
Currency in circulation	85.5	83.4	90.9	151.9	194.5	28.1	-	198.8	2.2	-
Demand deposits	63.4	53.8	72.3	60.3	79.6	32.0	-	88.2	10.9	-
Quasi-money/time deposits	24.3	25.6	23.7	32.2	35.7	11.0	-	33.3	-6.8	-
Total liabilities	173.3	162.8	186.9	244.3	309.8	26.8	-	320.4	3.4	-

Sources: BCEAO National Directorate for Guinea-Bissau, International Monetary Fund and Banco de Portugal calculations.

Notes: [1] Percentage change from the end of the previous year; [2] Changes in percentage of initial stock of broad money (liquidity expansion/contraction factors).

\*The figure shown corresponds to the amount of demand deposits and quasi-money/time deposits.

**Table 37 • Interest rates**

Annual rates, per cent

	2011	2012	2013	2014	2015
	Dec.	Dec.	Dec.	Dec.	Dec.
Deposits					
Up to 1 month	3.9	4.5	4.8	4.8	4.8
1 to 3 months	3.0	4.9	4.7	4.6	4.7
3 to 6 months	3.5	5.1	3.7	4.3	4.2
6 months to 1 year	4.9	4.3	4.5	3.7	3.3
1 to 2 years	3.1	4.5	4.6	4.5	3.3
2 to 5 years	4.8	2.7	5.3	4.5	3.5
5 to 10 years	-	3.5	5.0	-	-
Not determined	-	-	4.3	3.6	3.5
Credit					
Up to 1 month	11.3	11.6	9.7	11.5	11.1
1 to 3 months	8.8	1.4	9.9	9.5	9.1
3 to 6 months	10.9	10.0	9.9	9.5	8.2
6 months to 1 year	9.7	9.8	9.4	9.1	8.5
1 to 2 years	10.0	9.5	9.1	9.3	10.1
2 to 5 years	10.2	7.9	9.0	9.4	8.8
5 to 10 years	8.6	9.6	8.7	5.9	8.7
Over 10 years	3.0	5.5	3.1	7.6	7.8
Central Bank operations					
Banking system					
Discount rate	3.3	3.0	2.5	2.5	2.5
Reserve ratio	7.0	5.0	5.0	5.0	5.0
Memo item:					
Inflation (y-o-y % change)	3.4	1.7	-0.1	-0.1	2.4

Sources: BCEAO National Directorate for Guinea-Bissau and International Monetary Fund.

**Table 38 • Financial stability indicators**

Per cent

	2011	2012	2013	2014	2015	2016
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.
Solvency						
Capital adequacy	22.3	23.7	22.7	20.1	19.3	19.0
Tier 1 ratio	22.3	22.3	23.1	21.4	13.9	15.3
Credit risk						
Non-performing loans (% of total loans)	6.5	6.4	11.6	25.7	6.2	5.6
Provisions (% of total credit)	13.0	10.7	11.6	19.0	8.9	4.2
Profitability						
Return on equity	17.7	18.0	17.9	17.5	17.5	16.5
Return on assets	2.5	2.6	2.9	2.9	2.9	2.8
Liquidity risk						
Loan-to-deposit ratio	58.6	78.9	72.5	82.0	76.5	72.4
Deposit-to-asset ratio	35.6	45.9	56.2	59.2	45.7	43.3
Liquid assets to total assets	30.0	34.3	25.2	34.0	26.8	17.0

Sources: BCEAO National Directorate for Guinea-Bissau and International Monetary Fund.

Table 39 • Exchange rates

Average rates

			EER <sup>(a)</sup> Index: 100 = 2000			
		EUR/XOF	USD/XOF	INR/XOF	Nominal	Real
2001		656.0	732.9	15.5	100.8	100.3
2002		656.0	696.9	14.3	103.8	101.6
2003		656.0	581.5	12.5	109.1	99.5
2004		656.0	528.3	11.7	111.9	101.0
2005		656.0	527.6	12.0	110.8	100.4
2006		656.0	523.1	11.6	112.2	100.0
2007		656.0	479.5	11.6	112.0	99.5
2008		656.0	448.2	10.3	116.9	105.5
2009		656.0	472.2	9.8	119.4	101.7
2010		656.0	495.0	10.8	114.9	95.3
2011		656.0	477.5	10.1	117.8	97.2
2012		656.0	510.5	9.6	120.2	96.9
2013		656.0	494.1	8.5	125.7	98.4
2014		656.0	494.4	8.1	127.7	96.7
2015		656.0	591.4	9.2	121.8	91.4
2014	January	656.0	482.0	7.8	129.7	99.5
	February	656.0	480.2	7.7	130.0	98.7
	March	656.0	474.5	7.8	129.6	97.7
	April	656.0	474.9	7.9	129.1	97.8
	May	656.0	477.7	8.1	128.0	97.4
	June	656.0	482.6	8.1	127.9	96.1
	July	656.0	484.5	8.1	127.9	97.2
	August	656.0	492.6	8.1	127.8	96.5
	September	656.0	508.5	8.3	126.3	96.0
	October	656.0	517.6	8.4	125.9	95.3
	November	656.0	525.9	8.5	125.4	94.7
	December	656.0	532.0	8.5	125.6	94.1
2015	January	656.0	564.5	9.1	122.5	92.6
	February	656.0	577.9	9.3	121.4	91.0
	March	656.0	605.2	9.7	119.7	89.3
	April	656.0	608.6	9.7	119.6	89.2
	May	656.0	588.3	9.2	121.8	90.7
	June	656.0	585.0	9.2	122.1	91.3
	July	656.0	596.5	9.4	121.1	91.0
	August	656.0	588.9	9.0	122.7	93.3
	September	656.0	584.6	8.8	123.8	94.3
	October	656.0	583.9	9.0	123.1	92.0
	November	656.0	611.0	9.2	121.8	91.2
	December	656.0	603.1	9.1	122.6	91.7
2016	January	656.0	604.0	9.0	123.1	92.8
	February	656.0	591.3	8.7	124.7	93.6
	March	656.0	591.0	8.8	123.8	92.2
	April	656.0	578.5	8.7	124.4	92.6
	May	656.0	579.9	8.7	124.6	93.1
	June	656.0	584.2	8.7	124.6	–

Sources: BCEAO National Directorate for Guinea-Bissau, European Central Bank, International Monetary Fund and Banco de Portugal calculations.  
 Notes: (a) Effective exchange rate index (EERI), calculated on the basis of official exchange rates applied to the currencies of Guinea-Bissau's four main trading partners in the 2010/14 period. An increase/decrease in the EERI (nominal or real) corresponds to an appreciation/depreciation of the CFA franc.

## 4. Mozambique

Area: 799,380 Km<sup>2</sup>

Capital city: Maputo

Population: 28.0 million  
(2015; source: UN)

Currency: Metical (MZN)

Growth in Mozambique slowed down in 2015, mainly owing to a drop in investment. The current account deficit worsened compared with the previous year, in association with declines in foreign direct investment (FDI) and international aid. Interventions by Banco de Moçambique to sustain the metical and ensure fuel imports and the public debt service put pressure on the stock of official reserves. As the first five months saw a considerable increase in inflation, 2016 will likely be characterised by a continued contractionary monetary policy, which began in October 2015, an expansionary fiscal policy and risks of a slowdown in growth, as a result of the delay in public-private negotiations on large-scale investment projects.

**Economic growth in Mozambique** remained robust in 2015 (6.6%), despite decreasing slightly compared with the average annual growth rate of 7 per cent recorded in the previous eight years. Financial intermediation and the manufacture of beverages and tobacco made the largest negative contribution to growth in 2015, mostly offset by the expansionary fiscal policy (public administration). Even though it slowed down, the Mozambican economy grew above the average growth rate of sub-Saharan Africa in 2015, and has a growth rate projected for 2016 (6.5 per cent) that is more than double that foreseen for the region (3 per cent).

Mozambique continues to receive consistent support from the IMF throughout its economic stabilisation process, and currently holds a programme under the Policy Support Instrument, signed in June 2013, and a programme under the Stand-by Credit Facility for the 2015-17 period.

The slowdown recorded in gross fixed capital formation in 2014 was followed by a considerable drop of 25 per cent (in real terms) in 2015, chiefly owing to the suspension of a number of large-scale projects pending negotiation and regulation. However, this expenditure component continues to have a considerable weight in GDP – more than 30 per cent. In 2015 final consumption continued to be one of the main drivers of economic activity, although the largest positive contribution to real GDP growth was made by a (real) decrease of 31 per cent in services imports.

Despite the strong depreciation of the metical against the US dollar, the more modest depreciation against the South African rand, low food prices and stable administered prices (fuel, transport, electricity, gas and water) resulted in a **moderate increase in average inflation** from 2.3 to 2.4 per cent between 2014 and 2015. These inflation rates are some of the lowest of the past 15 years. However, year-on-year inflation rates ranged from 11 to 16 per cent in the first months of 2016, and have been following an upward trend, boosted by a continued depreciation of the national currency against the US dollar and increases in administered prices of bread and electricity.

In order to correct the adverse conditions of the foreign exchange market, halt the loss of reserves and prevent inflation from exceeding the maximum threshold of 6 per cent established as 2016's goal, Banco de Moçambique began a **cycle of contractionary monetary** policy in October 2015. The following were increased between October and November: the lending facility rate, by 0.75 percentage points (p.p.), the deposit rate, by 1.25 p.p. and the reserve requirement ratio, by 2.50 p.p. Monetary expansion, which accelerated to 26.1 per cent in 2015 (22.2 per cent in 2014), is expected to slow down to 7.9 per cent in 2016, reflecting the objectives of the adopted policy of monetary contraction. **Financial stability indicators** showed a well capitalised, robust, profitable and resilient banking system, with low levels of non-performing loans.

Intense intervention by the central bank in the foreign exchange market at the end of 2014 and the start of 2015, in order to stabilise the **metrical's exchange rate**, resulted in a net erosion of reserves to the amount of USD 700 million. This intervention was discontinued in April 2015, when the metical's exchange rate started floating freely, recording a strong depreciation throughout the rest of the year – the price of the metical in USD saw a year-on-year decline of more than 36% in December 2015. Together with this depreciation, the commitment made by Banco de Moçambique to supply the US dollars needed to cover fuel imports and meet the EMATUM's debt service obligations led to a further erosion of reserves, which accounted for USD 2.5 billion and 3.0 months of imports at the end of 2015 (3.1 billion and 3.9 months, respectively, at the end of 2014).

The suspension of large-scale foreign investment projects, which are import-intensive, has benefited **Mozambique's current account balance**. Nevertheless, a decline in commodity prices and growth in domestic demand (for imports) put pressure on this current account, which resulted in a worsening of its deficit by more than USD 350 million between 2014 and 2015. This deficit accounted for around 40 per cent of GDP in 2015 (33.5 per cent in 2014). Despite the depreciation of the metical, the

inelasticity of demand for imports prevents these imbalances from being substantially corrected.

**Fiscal deficit** declined by around MZM 30 billion in 2015 (5.9 p.p. of GDP). This fiscal consolidation was based on expenditure containment, focused mainly on capital expenditure items, particularly capital expenditure with external financing, which decreased by MZM 20 billion. Throughout the year, public finances were particularly affected by the regularisation of fuel subsidies, delays in grant flows and the repayment of VAT-related liabilities to firms.

**General government debt continued to grow in 2015**, reaching 73 per cent of GDP at the end of the year (48 per cent at the end of 2014). Its external component, which grew by 19 p.p. of GDP, continued to be the main factor behind this increase in public debt, already accounting for 84 per cent of total debt at the end of 2015. This is the main risk established by the most recent debt sustainability analysis carried out by the IMF (January 2016), as it considerably exposes public finances to the depreciation the metical has been suffering, although the IMF does not consider there is a risk of default on the part of the Mozambican State.

**For 2016**, the pace of growth is expected to slow down slightly (from 6.6 to 6.5 per cent), although the IMF has already stated it expects a downward revision of this projection. Further delays in the construction of infrastructures to exploit liquefied natural gas are one of the main risks to growth

in 2016, if there continues to be a stalemate in negotiations between the government and involved companies. This risk also affects the balance of payments, given that the suspension of flows in foreign direct investment may jeopardise current estimates for an improvement in the current account balance in 2016. The recent amended budget for this year projects a worsening of the fiscal deficit to 8.7 per cent of GDP, chiefly owing to an increase in current and capital expenditure. Banco de Moçambique plans to slow down monetary expansion in 2016 and has made the following commitments, under the programmes entered into with the IMF: (i) continue the cycle of contractionary monetary policy that it began in October 2015, (ii) reform the foreign exchange market, allowing for greater exchange rate flexibility by the metical, (iii) gradually discontinue the commitment to supply US dollars for fuel imports, (iv) minimise interventions in the foreign exchange market and (v) preserve the foreign exchange reserves stock, in the event that significant pressure continues to be put on the balance of payments.

**The main long-term risks** to the Mozambican economy are associated with persistently low commodity prices and a significant slowdown in relevant partners, such as China. These developments may delay investments in energy exploration, thereby affecting Mozambique's growth potential.

**Table 40 • Main economic indicators**

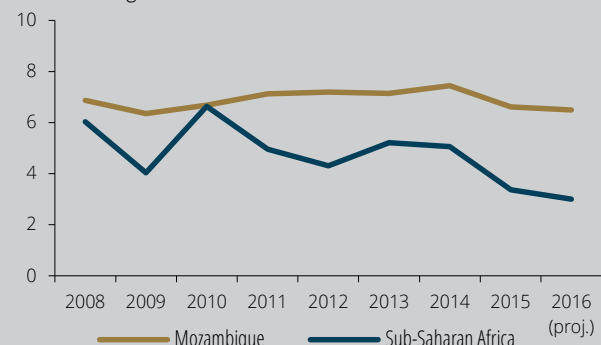
	2013	2014	2015 Est.	2016 Proj.
Real GDP (annual % change)	7.1	7.4	6.6	6.5
Inflation (year-on-year % change)	3.0	1.1	11.1	5.6
Broad money (annual % change)	16.3	22.2	26.1	7.9
Current account (% of GDP)	-38.8	-33.5	-39.8	-33.1
Official reserves (months of imports <sup>(a)</sup> )	3.3	3.9	3.0	2.3
Fiscal balance (% of GDP)	-4.6	-7.8	-1.9	-8.7
Public debt (% of GDP)	42.0	48.4	73.0	69.5

Sources (for the subsequent charts also): IMF, Banco de Moçambique, Mozambique National Planning and Budget Directorate and Mozambique National Institute of Statistics.

Note: (a) Prospective.

**Chart 41 • Real GDP**

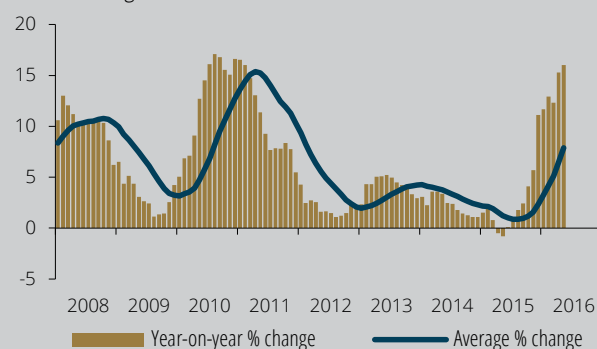
Annual % change



Mozambique has shown a sustained high pace of growth (always above 6 per cent since 2001), with real growth clearly above the average in the region since 2011.

**Chart 42 • Inflation**

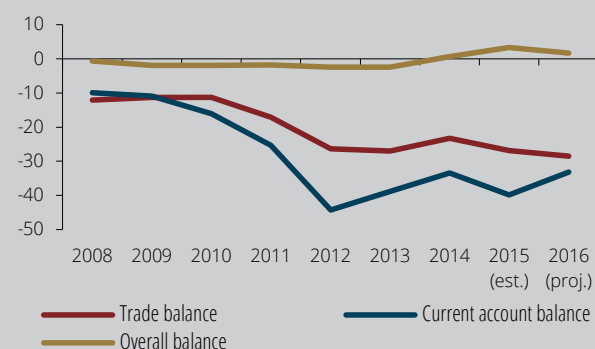
Annual % change of the CPI



After following a downward trend in 2014, inflation has been on a markedly upward trend since 2015, associated with a depreciation of the metical against the currencies of important trade partners (e.g. renminbi and rand) and inflationary pressures on food and non-alcoholic beverages.

**Chart 43 • External accounts**

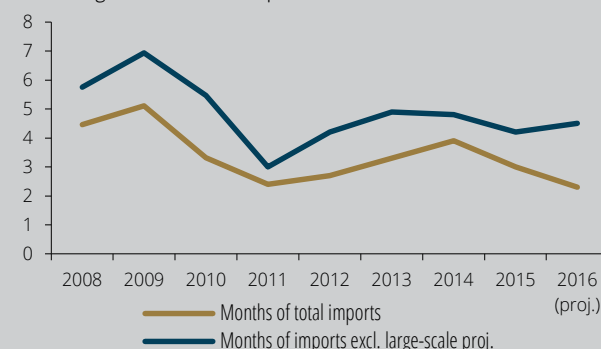
% of GDP



In 2015, FDI in natural resources sectors was affected by a delay in the conclusion of exploration agreements, the prices of relevant commodities decreased, and international aid flows were suspended, which led to considerable declines in international capital inflows.

**Chart 44 • Foreign exchange reserves**

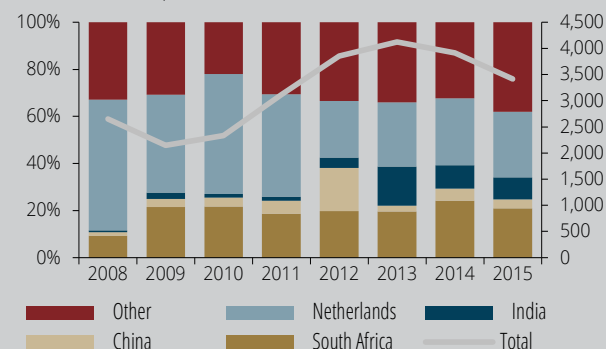
Months of goods and services imports



The decline in international capital inflows has put considerable pressure on foreign exchange reserves, partially offset by a decrease in the public fiscal deficit and a depreciation of the metical.

**Chart 45 • Goods exports**

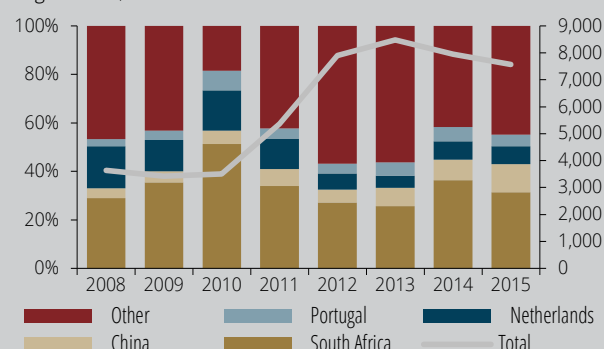
Destinations as a %, total in USD millions



South Africa and the Netherlands continue to be the main destination markets for Mozambican exports, in spite of a gradual diversification of recipient markets.

**Chart 46 • Goods imports**

Origins as a %, total in USD millions

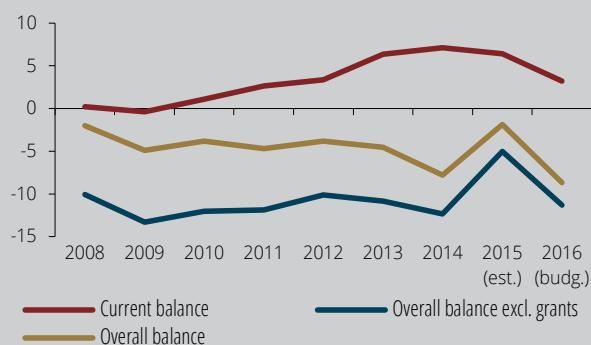


South Africa has remained predominant in Mozambican imports as a whole, while China and Portugal have been increasing in importance, with the latter obtaining a larger market share in 2015 than, for example, India or the United Arab Emirates.



**Chart 47 • Public accounts**

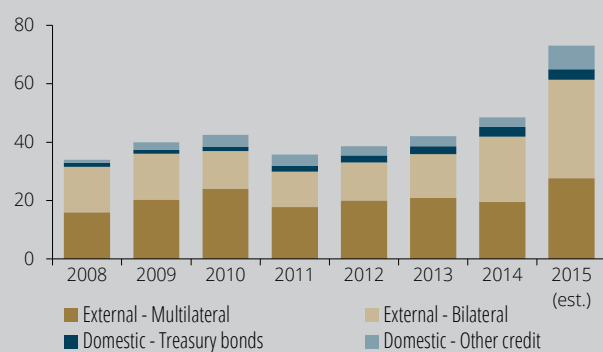
% of GDP



Although the current account has consistently remained in positive territory since 2010, swings in capital expenditure continue to have a strong impact on public finances in Mozambique.

**Chart 48 • Public debt**

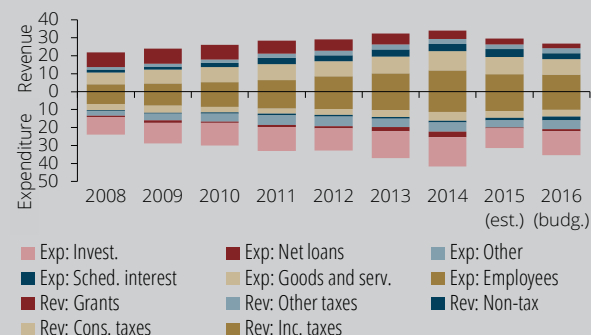
% of GDP



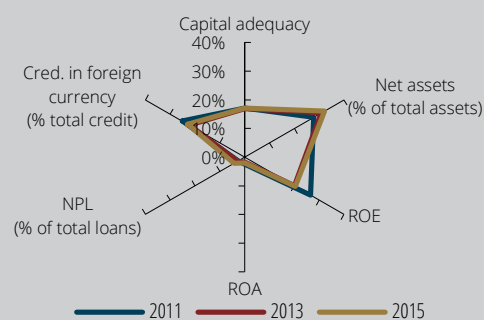
The increase in Mozambican public debt in recent years was mainly reflected in the external component, which represented more than 60 per cent of GDP at the end of 2015.

**Chart 49 • Public revenue and expenditure**

% of GDP



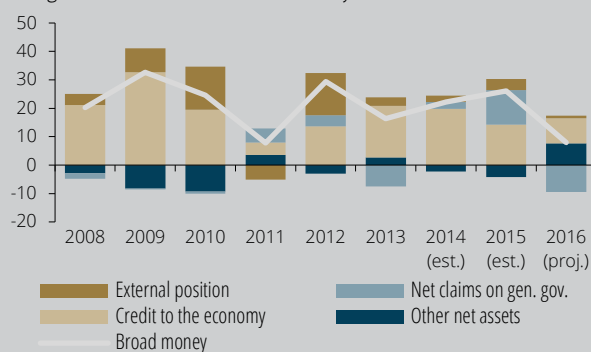
Developments in the fiscal deficit have been determined by the public investment effort, compensation of employees and tax revenue.

**Chart 50 • Financial stability indicators**

In recent years, the Mozambican banking system has been well capitalized and highly robust, showing low shares of non-performing loans.

**Chart 51 • Liquidity expansion/contraction factors**

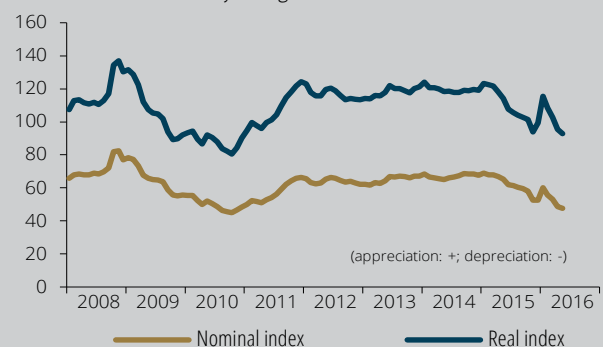
Changes in % of initial stock of broad money



Average annual growth in broad money exceeded 20 per cent in the past eight years, but is expected to slow down in 2016, in line with the losses in international capital inflows.

**Chart 52 • Effective exchange rate**

Indexes: 100 = 2001, monthly averages



Developments in effective exchange rates show the nominal and real depreciation experienced by the metical since 2015, which has contributed to partially offset the external deficit.

Table 41 • Economic indicators

			2011	2012	2013	2014	2015		2016	
			Est.	Est.	Est.	Est.	Proj.	Est.	Proj.	Est.
<b>Output and prices</b>										
Nominal GDP	EUR millions		9,434	12,014	12,144	13,043	13,550	13,961	12,071	–
Real GDP	Annual % change		7.1	7.2	7.1	7.4	7.0	6.6	6.5	–
Inflation (Consumer Price Index)	Year-on-year % change		5.5	2.2	3.0	1.1	5.5	11.1	5.6	16.0 May
	Average % change		10.4	2.1	4.2	2.3	4.0	2.4	5.6	7.9 May
<b>Public finances</b>										
Total revenue	% of GDP		28.4	29.0	32.5	33.9	30.7	29.5	26.8	–
Total expenditure	% of GDP		33.1	32.9	37.0	41.8	36.2	31.4	35.4	–
Overall deficit	% of GDP		-4.7	-3.8	-4.6	-7.8	-5.5	-1.9	-8.7	–
Overall balance excluding grants	% of GDP		-11.9	-10.1	-10.8	-12.4	-9.0	-5.0	-11.3	–
<b>Money and credit</b>										
Net claims on general government	Annual % change		53.6	98.5	-16,284.0	36.6	-54.0	361.6	-135.2	85.5 Jun. <sup>(g)</sup>
Credit to the economy	Annual % change		6.4	19.9	28.7	28.3	17.5	19.3	12.9	6.0 Jun. <sup>(g)</sup>
Broad money (M3)	Annual % change		7.8	29.4	16.3	22.2	17.1	26.1	7.9	5.7 Jun. <sup>(g)</sup>
<b>Interest rates</b>										
Deposit (1-year)	Annual rate		13.4	11.5	9.1	9.1	–	9.4	–	10.6 Jun.
Lending (1-year)	Annual rate		23.7	21.4	20.3	20.8	–	19.1	–	21.3 Jun.
<b>Financial stability</b>										
Capital adequacy <sup>(a)</sup>	Percentage		17.1	17.9	16.9	15.1	–	17.1	–	–
Non-performing loans <sup>(b)</sup> / total loans	Percentage		2.6	3.2	2.8	3.3	–	4.3	–	–
Return on equity (ROE)	Percentage		26.5	19.6	20.0	22.2	–	20.4	–	–
<b>Balance of payments</b>										
Goods exports (in USD)	Annual % change		33.6	23.6	6.9	-5.0	2.9	-12.8	6.7	–
Goods imports (in USD)	Annual % change		52.8	47.2	7.3	-6.2	7.7	-4.7	3.8	–
Current account	% of GDP		-25.3	-44.3	-38.8	-33.5	-39.0	-39.8	-33.1	–
Current account excl. official transfer <sup>(c)</sup>	% of GDP		-31.3	-48.9	-45.5	-39.7	–	-43.3	–	–
Official reserves	Months of imports <sup>(d)</sup>		2.4	2.7	3.3	3.9	2.7	3.0	2.3	–
	Months of imports <sup>(e)</sup>		3.0	4.2	4.9	4.8	4.7	4.2	4.5	–
<b>Public debt</b>										
External debt	EUR millions		3,194	3,684	4,221	5,711	–	6,751	–	–
	% of GDP		29.8	33.1	35.9	41.9	–	61.3	–	–
	% of exports <sup>(f)</sup>		121.0	103.9	121.3	151.7	–	177.5	–	–
Domestic debt	EUR millions		626	611	725	894	–	1,288	–	–
	% of GDP		5.9	5.5	6.2	6.5	–	11.7	–	–
<b>Exchange rates</b>										
EUR/MZM (official market)	Average rate		40.5	36.1	39.7	40.8	–	42.4	–	62.6 May
USD/MZM (official market)	Average rate		29.1	28.1	29.9	30.7	–	38.3	–	55.4 May
USD/MZM (parallel market)	Average rate		31.0	29.5	31.5	31.5	–	42.1	–	66.0 Jun.
Nominal EERI (Index: 100 = 2000) <sup>(c)</sup>	% change <sup>(g)</sup>		36.8	-6.2	8.0	0.7	–	-22.2	–	-9.7 May
Real EERI (Index: 100 = 2000) <sup>(c)</sup>	% change <sup>(g)</sup>		37.7	-8.7	6.7	-1.6	–	-16.5	–	-6.7 May

Sources: Banco de Moçambique, International Monetary Fund, Organisation for Economic Co-operation and Development, Mozambique National Planning and Budget Directorate, Mozambique National Institute of Statistics and Banco de Portugal calculations.

Notes: (a) Regulatory capital/risk-weighted assets; (b) Up to 2013, the calculation of non-performing loans used a definition which did not include all impaired loans; (c) Effective exchange rate index (EERI) calculated on the basis of official exchange rates applied to the currencies of Mozambique's four main trading partners in the 2010/14 period (appreciation: +; depreciation: -); (d) Of goods and services for the following year; (e) Of goods and services, excluding large-scale projects; (f) Of goods and services; (g) Change from the previous December.

**Table 42 • Gross domestic product**

Current prices, MZM millions

	2010	2011	2012	2013	2014	2015	2016
					Est.	Est.	Proj.
Primary sector	94,292	100,369	109,287	116,129	120,982	136,050	-
Agriculture and livestock	88,347	94,128	102,491	108,734	113,213	126,548	-
Fishing	5,946	6,241	6,796	7,395	7,768	9,503	-
Secondary sector	60,520	67,760	75,492	81,860	99,790	116,488	-
Mining and quarrying	5,557	8,428	13,081	15,230	23,894	30,309	-
Manufacturing	36,104	39,299	39,413	41,591	47,821	54,169	-
Electricity and water	11,997	12,085	13,841	16,301	17,116	18,296	-
Construction	6,862	7,948	9,158	8,737	10,960	13,714	-
Tertiary sector	164,571	183,301	210,489	239,075	262,154	287,266	-
Trade and repairs	34,791	39,123	47,427	56,305	61,523	64,482	-
Restaurants and hotels	8,784	10,779	9,516	10,134	10,973	12,999	-
Transport and storage	32,093	30,339	35,746	43,075	39,781	43,792	-
Information and communication	12,564	13,787	15,252	16,494	17,858	19,051	-
Financial services	11,989	18,113	19,812	22,442	24,459	27,436	-
Real estate, renting	23,836	26,054	28,598	31,498	31,124	34,098	-
Public administration	16,749	19,324	21,662	25,271	31,291	37,437	-
Education	22,202	25,806	31,314	33,972	42,271	46,821	-
Healthcare and social work	5,248	6,137	7,624	7,922	10,497	11,296	-
Other	-3,686	-6,161	-6,461	-8,038	-7,623	-10,145	-
Gross Domestic Product (at factor costs)	319,384	351,430	395,269	437,064	482,926	539,804	-
Indirect taxes	25,455	30,262	37,853	45,169	48,851	52,219	-
Gross Domestic Product (market prices)	344,839	381,692	433,121	482,233	531,777	592,024	673,000
Consumption	332,479	365,713	427,472	478,223	510,726	556,965	-
Public	64,131	76,137	90,282	115,101	138,592	157,827	-
Private	268,348	289,576	337,190	363,123	372,134	399,138	-
Investment	63,090	97,969	205,222	262,667	294,406	250,131	273,238
Gross Fixed Capital Formation	61,599	82,232	152,145	189,791	228,937	182,811	-
Changes in inventory	1,491	15,738	53,076	72,875	65,469	67,320	-
Domestic demand	395,569	463,683	632,694	740,890	805,132	807,096	-
Exports of goods and services	108,659	127,587	140,228	146,451	177,397	187,559	-
Overall demand	504,228	591,270	772,922	887,341	982,529	994,655	-
Imports of goods and services	159,389	209,578	339,800	405,108	450,752	402,631	-
Memo items:							
Gross domestic savings	12,360	15,978	5,650	4,010	21,051	35,059	-
Nominal GDPmp (USD millions)	10,454	13,135	15,415	16,123	17,327	15,466	14,800
GDPmp deflator (annual % change)	7.6	3.3	5.9	3.9	2.6	4.4	5.6
Nominal GDPmp (annual % change)	14.8	10.7	13.5	11.3	10.3	11.3	12.5
Real GDPmp (annual % change)	6.7	7.1	7.2	7.1	7.4	6.6	6.5

Sources: Banco de Moçambique, Mozambique National Institute of Statistics, International Monetary Fund and Banco de Portugal calculations.

**Table 43 • Consumer price index**

Per cent

		Monthly change	Year-on-year change	Average change
		[1]	[2]	[3]
2004	December	1.9	9.3	11.4
2005	December	3.9	13.1	7.0
2006	December	2.2	8.1	13.6
2007	December	3.2	12.1	9.2
2008	December	0.9	11.8	14.5
2009	December	2.1	4.2	3.3
2010	December	3.5	16.6	12.7
2011	December	1.3	5.5	10.4
2012	December	1.0	2.2	2.1
2013	December	0.6	3.0	4.2
2014	December	0.6	1.1	2.3
2015	December	5.8	11.1	2.4
2014	January	1.1	3.1	4.3
	February	0.7	2.3	4.1
	March	1.5	3.6	4.0
	April	0.6	3.6	3.9
	May	-0.6	3.4	3.8
	June	-1.3	2.5	3.5
	July	-0.4	2.4	3.3
	August	-1.1	1.8	3.1
	September	-0.5	1.4	2.9
	October	0.1	1.3	2.6
	November	0.4	1.1	2.4
	December	0.6	1.1	2.3
2015	January	1.6	1.5	2.2
	February	1.2	2.1	2.1
	March	0.2	0.8	1.9
	April	-0.6	-0.5	1.6
	May	-0.9	-0.8	1.2
	June	-0.4	0.1	1.0
	July	0.1	0.7	0.9
	August	0.0	1.8	0.9
	September	0.1	2.4	1.0
	October	1.7	4.1	1.2
	November	2.0	5.7	1.6
	December	5.8	11.1	2.4
2016	January	2.1	11.7	3.3
	February	2.3	12.9	4.2
	March	-0.3	12.3	5.1
	April	2.0	15.3	6.5
	May	-0.3	16.0	7.9

Sources: Banco de Moçambique, Mozambique National Institute of Statistics and Banco de Portugal calculations.

Notes: [1] month (n) / month (n-1); [2] month (n) / month (n) of the previous year; [3] last 12 months / previous 12 months.

**Table 44 • Balance of payments**

USD millions

	2011	2012	2013	2014	2015		2016	
					Prog.	Est.	Prog.	Q 1
Current account	-3,329	-6,790	-6,253	-5,797	-6,481	-6,155	-4,901	-871
Excluding official transfers	-4,109	-7,504	-7,341	-6,884	-	-6,695	-	-916
Trade balance	-2,249	-4,048	-4,357	-4,035	-4,531	-4,163	-4,219	-598
Exports (f.o.b.)	3,118	3,856	4,123	3,916	4,031	3,413	3,643	665
of which: Large-scale projects	2,015	2,173	2,201	2,429	2,544	2,057	2,069	503
Imports (f.o.b.)	-5,368	-7,903	-8,480	-7,952	-8,562	-7,577	-7,863	-1,262
of which: Large-scale projects	-1,513	-2,141	-1,934	-1,487	-2,516	-917	-2,058	-230
Services	-1,885	-3,706	-3,259	-2,932	-2,546	-2,622	-1,231	-371
Balance of primary income	-199	-75	-59	-202	-246	-224	-344	-51
of which: Public debt interest (debit) <sup>(a)</sup>	-35	-40	-49	-60	0	-110	-101	23
Dividends and interest from large-scale projects	-157	-48	-42	-46	0	-50	-82	-
Balance of secondary income	1,004	1,039	1,421	1,372	842	854	894	149
Central government	781	714	1,088	1,087	-	540	-	45
of which: External grants	785	538	460	568	551	441	442	-
Financial & non-financial inst., households & NPISHs	224	325	333	285	-	314	-	103
Capital account	446	490	423	375	499	288	368	63
Financial account	-2,631	-5,895	-5,418	-5,568	-6,022	-6,393	-4,791	-
of which: Foreign direct investment (net)	-3,561	-5,626	-6,175	-4,902	-4,048	-3,711	-3,188	-
Errors and omissions	10	32	22	-23	0	-12	0	-
Overall account	-241	-373	-390	123	40	514	258	-
Financing <sup>(c)</sup>	241	373	390	-123	-40	-514	-258	-
Change in official reserves	243	375	393	-120	-7	-602	-335	-
Use of credit (net) <sup>(a)</sup>	-2	-2	-3	-3	-33	88	77	-
of which: Use of IMF funds (net) <sup>(a)</sup>	-2	-2	-3	-3	-33	88	77	-
Exceptional financing	0	0	0	0	0	0	0	-

Sources: Banco de Moçambique, International Monetary Fund and Banco de Portugal calculations.

Notes: Banco de Moçambique started to report these data in line with the Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual. (a) Projections for 2016 correspond to the net value between credit and debit. (b) Value for 2011 only corresponds to dividends. (c) Includes disbursements in Special Drawing Rights.

**Table 45 • Goods exports**

Destinations as a percentage of total exports

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2007 to 2015
Belgium	0.3	0.5	0.7	0.4	0.6	1.1	1.2	1.4	2.6	1.0
China	1.7	1.6	3.5	3.9	5.4	18.2	2.5	5.2	3.9	5.6
India	0.7	0.8	2.6	1.5	1.8	4.5	16.5	9.9	9.4	6.2
Malawi	0.7	1.4	2.2	1.2	1.5	0.8	1.0	0.8	0.4	1.0
Netherlands	61.8	55.5	41.6	51.0	43.5	24.1	27.3	28.4	27.9	37.6
Portugal	1.3	0.8	1.5	4.7	1.4	0.5	2.5	1.4	0.9	1.6
South Africa	17.2	9.2	21.4	21.6	18.7	19.8	19.7	24.2	20.9	19.5
Spain	1.5	1.3	1.5	1.7	2.7	1.5	1.8	1.5	0.8	1.6
United States	0.2	0.5	1.9	0.9	0.8	2.5	3.6	1.4	1.7	1.7
Zimbabwe	2.9	2.1	3.4	3.2	2.5	2.4	2.0	2.5	2.6	2.6
Other	11.7	26.2	19.6	10.0	21.1	24.5	22.1	23.5	29.0	21.6

Sources: Banco de Moçambique and Banco de Portugal calculations.

**Table 46 • Goods imports**

Origins as a percentage of total imports

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2007 to 2015
China	3.5	3.9	4.6	5.7	7.0	5.3	7.5	8.5	11.5	7.1
France	0.8	0.6	0.8	0.3	1.2	1.4	0.8	0.8	3.5	1.3
India	4.4	3.6	6.5	1.1	5.6	2.9	3.7	4.1	4.2	3.9
Japan	3.1	3.2	3.8	5.5	3.5	2.2	2.6	3.5	3.2	3.2
Netherlands	14.5	17.4	13.0	16.5	12.6	6.6	4.9	7.6	7.4	9.6
Portugal	3.5	2.9	3.8	8.0	4.2	4.0	5.7	5.7	4.7	4.8
Singapore	0.2	0.3	1.8	0.0	0.7	0.6	7.4	1.4	2.0	2.1
South Africa	32.4	29.1	35.5	51.2	34.0	27.2	25.7	36.4	31.4	32.4
United Arab Emirates	3.4	2.6	2.0	2.4	5.6	7.7	7.0	6.0	4.5	5.3
United States	2.7	4.0	3.6	0.5	2.8	11.9	2.2	2.0	1.6	3.8
Other	31.5	32.5	24.8	8.7	22.8	30.2	32.6	24.0	25.8	26.6

Sources: Banco de Moçambique and Banco de Portugal calculations.

**Table 47 • Public debt**

USD millions

	2009	2010	2011	2012	2013	2014	2015 Est.
External debt	3,948	3,744	4,214	4,829	5,783	7,043	7,339
Multilateral creditors	2,229	2,437	2,505	2,927	3,374	3,282	3,306
Bilateral creditors	1,719	1,307	1,709	1,902	2,409	3,761	4,033
Paris Club	443	402	667	671	754	905	1,193
Other countries	1,276	905	1,042	1,231	1,655	2,856	2,840
Domestic debt	436	550	826	800	994	1,102	1,400
Central Bank <sup>(a)</sup>	110	88	111	101	100	95	61
Other banks and financial institutions <sup>(b)</sup>	172	161	204	169	281	266	475
Treasury bonds	148	146	273	355	446	568	438
Other <sup>(c)</sup>	6	154	239	176	167	173	426
Total public debt	4,383	4,294	5,041	5,630	6,776	8,145	8,739
External debt service	45	54	73	95	143	174	230
Principal	26	30	39	57	85	99	142
Interest	18	24	34	38	58	75	88
	(% of GDP)						
Total public debt	39.9	42.4	35.7	38.6	42.0	48.4	73.0
External debt	36.0	37.0	29.8	33.1	35.9	41.9	61.3
Domestic debt	4.0	5.4	5.9	5.5	6.2	6.5	11.7
	(% of exports of goods and services)						
External debt	143.1	145.2	121.0	103.9	121.3	151.7	177.5
External debt service	1.6	2.1	2.1	2.0	3.0	3.7	5.6

Sources: Banco de Moçambique, Mozambique National Planning and Budget Directorate and Banco de Portugal calculations.

Notes: (a) Government debt to reinforce the exchange rate balance; (b) Treasury bill flows only occurring in cash operations; (c) Loans related to fuel subsidies, debt of public companies and leasing operations resulting from the construction of public buildings.

**Table 48 • Government operations**

MZM billions

	2011	2012	2013	2014	2015			2016		
					Budg.	Est.	I.e. <sup>(a)</sup>	Budg.	1 <sup>st</sup> half	I.e. <sup>(a)</sup>
1. Total revenue	108.4	125.8	156.6	180.4	181.2	174.6	96.4	183.7	77.9	42.4
1.1. Current revenue	81.1	98.5	126.3	156.3	160.7	155.9	97.0	165.5	72.3	43.7
Non-tax revenue	12.8	14.0	18.8	21.3	27.7	26.2	94.7	21.1	13.1	62.0
Tax revenue	68.3	84.5	107.5	135.1	133.0	129.7	97.5	144.5	59.2	41.0
Income taxes	24.9	36.8	49.4	63.1	51.4	57.9	112.7	64.6	28.8	44.5
Consumption taxes	33.8	36.9	44.9	56.4	63.0	55.8	88.6	60.5	23.0	38.0
Taxes on international trade	6.7	7.5	9.7	11.4	12.2	11.3	92.3	13.9	5.0	35.9
Other taxes	2.9	3.2	3.5	4.1	6.4	4.7	73.2	5.4	2.5	45.8
1.2. Grants	27.4	27.3	30.2	24.1	20.5	18.7	91.3	18.2	5.6	30.6
2. Total expenditure	126.4	142.4	178.5	222.0	211.6	185.6	87.7	243.4	95.2	39.1
2.1. Current expenditure <sup>(b)</sup>	71.0	83.8	95.7	118.5	118.1	117.8	99.8	143.4	72.8	50.8
Compensation of employees	35.8	41.6	49.5	59.8	64.4	64.3	99.8	70.1	38.6	55.1
Goods and services	11.0	14.3	18.9	26.0	22.6	22.5	99.7	24.8	11.8	47.6
Transfers and subsidies	16.5	18.8	18.8	21.0	22.1	22.1	99.7	22.3	14.9	67.0
Scheduled debt interest	3.5	4.1	4.0	5.2	7.6	7.6	100.0	15.1	7.3	48.1
2.2. Capital expenditure	51.0	53.5	72.3	87.0	83.2	64.1	77.0	91.8	16.5	17.9
Domestic financing	20.4	24.9	34.0	45.4	44.9	42.7	95.1	44.7	10.8	24.2
External financing	30.6	28.5	38.3	41.7	38.3	21.4	55.9	47.1	5.6	12.0
2.3. Net lending	4.4	5.2	10.6	16.5	10.4	3.7	36.0	8.1	5.9	72.6
3. Current balance: (1.1-2.1)	10.1	14.7	30.7	37.9	42.6	38.1	–	22.1	-0.5	–
4. Overall balance excl. grants: (1-2-1.2)	-45.3	-44.0	-52.2	-65.7	-50.9	-29.8	–	-77.8	-22.8	–
5. Overall balance: (1-2)	-17.9	-16.6	-22.0	-41.6	-30.5	-11.1	–	-59.6	-17.3	–
6. Financing	17.9	16.6	22.0	41.6	30.5	53.2	–	59.6	26.0	43.6
6.1. Domestic (net) <sup>(c), (d)</sup>	4.2	2.6	-4.8	-5.7	1.4	29.2	–	21.8	2.3	10.5
of which: Banking system	6.6	5.6	-14.0	5.1	–	32.2	–	–	–	–
6.2. External (net)	13.7	14.0	26.8	47.3	29.0	24.0	82.5	37.9	23.7	62.6
Disbursements <sup>(c)</sup>	14.9	15.6	29.3	50.4	36.1	31.0	85.9	–	–	–
Amortisation	-1.2	-1.6	-2.5	-3.1	-7.0	-7.0	100.0	–	–	–
7. Financing gap <sup>(e)</sup>	0.0	0.0	0.0	0.0	0.0	42.1	–	0.0	8.7	–

Sources: Banco de Moçambique, Mozambique National Planning and Budget Directorate, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Level of budget execution, %; (b) Includes other current expenditure; (c) Includes movements related to a Treasury account established abroad with the proceedings of the Moatize coal mines concession; (d) Includes privatisation receipts for 2011; (e) Net borrowing (-) / net lending (+).



**Table 49 • Monetary survey**

MZM billions

	2011	2012	2013	2014	2015		2015/2014		2016	2016p/2015		2016	
					Proj.	Est.	[1]	[2]	Proj.	[1]	[2]	Mar.	Jun.
Net foreign assets	73.0	94.4	100.0	104.8	117.1	115.3	10.1	4.0	118.1	2.4	0.8	105.4	130.9
Central Bank	56.9	73.1	85.7	91.5	95.5	91.8	0.3	0.1	96.0	4.6	1.3	86.1	110.2
Foreign assets	66.9	84.2	97.1	103.6	107.3	113.7	9.7	3.8	124.3	9.4	3.2	107.7	137.8
Foreign liabilities	-10.0	-11.1	-11.3	-12.0	-11.8	-21.9	81.6	-3.7	-28.3	29.4	-1.9	-21.6	-27.6
Commercial banks	16.1	21.3	14.3	13.3	21.6	23.6	77.4	3.9	22.0	-6.6	-0.5	19.4	20.6
Total domestic credit	92.6	117.7	137.6	185.7	215.0	255.4	37.5	26.4	253.8	-0.6	-0.5	272.8	289.3
Net claims on general government	-5.7	-0.1	-14.0	-8.9	-13.7	23.3	361.6	12.2	-8.2	-135.2	-9.4	40.0	43.2
Credit granted	37.7	45.5	57.4	74.0	-	85.2	15.1	4.2	-	-	-	100.1	114.6
Deposits	-43.3	-45.5	-71.4	-82.9	-	-61.9	-25.4	7.9	-	-	-	-60.1	-71.4
National currency	-41.7	-44.2	-69.5	-80.6	-	-59.0	-26.8	8.2	-	-	-	-56.1	-67.3
Foreign currency	-1.6	-1.3	-1.9	-2.3	-	-2.9	25.0	-0.2	-	-	-	-4.0	-4.1
Earmarked funds	-0.3	-0.1	-0.1	-0.1	-	-0.1	2.7	-0.0	-	-	-	-0.1	-0.1
Credit to the economy	98.3	117.8	151.7	194.6	228.7	232.1	19.3	14.2	262.0	12.9	9.0	232.8	246.2
National currency	76.5	89.0	117.3	155.1	182.1	188.9	21.7	12.8	209.5	10.9	6.2	181.8	186.2
Foreign currency	21.8	28.8	34.4	39.5	46.6	43.3	9.6	1.4	52.5	21.4	2.8	51.0	59.9
Other items (net)	-21.8	-26.1	-21.2	-26.0	-22.4	-37.3	-43.2	-4.3	-12.0	67.8	7.6	-49.2	-67.7
Total assets	143.8	186.0	216.4	264.5	309.7	333.5	26.1	-	359.9	7.9	-	329.0	352.5
Broad money (M3)	143.8	186.0	216.4	264.5	309.7	333.5	26.1	26.1	359.9	7.9	7.9	329.0	352.5
Base money	34.3	41.1	47.5	57.3	66.7	73.9	29.0	6.3	78.7	6.5	1.4	70.4	79.7
Currency in circulation	17.5	19.7	22.7	27.3	31.6	30.0	9.8	-	35.3	17.6	-	26.4	30.5
Demand deposits	80.1	109.5	123.3	154.3	175.8	188.4	22.1	-	204.9	8.8	-	184.0	205.8
Quasi-money	46.2	56.8	70.4	82.9	102.3	115.1	38.9	-	119.7	4.0	-	118.6	116.2
Total liabilities	143.8	186.0	216.4	264.5	309.7	333.5	26.1	-	359.9	7.9	-	329.0	352.5

Sources: Banco de Moçambique, International Monetary Fund and Banco de Portugal calculations.

Notes: [1] Percentage change from the previous period; [2] Percentage change relative to the initial stock of broad money (liquidity expansion/contraction factors).

**Table 50 • Interest rates**

Annual rates, per cent

		2010	2011	2012	2013	2014	2015	2016	
		Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.
Deposits	Up to 180 days	11.5	12.7	10.2	8.5	8.4	9.1	9.3	9.5
	181 to 365 days	12.2	13.4	11.5	9.1	9.1	9.4	10.1	10.6
	1 to 2 years	14.3	13.2	9.6	6.1	7.7	6.8	7.1	7.6
Credit	Up to 180 days	22.0	24.4	20.6	19.8	20.4	18.0	18.2	21.1
	181 to 365 days	21.7	23.7	21.4	20.3	20.8	19.1	19.1	21.3
	1 to 2 years	22.6	24.9	21.0	21.1	21.0	18.7	20.0	21.3
Reference rates									
	Standing liquidity provision facility	15.5	15.0	9.5	8.3	7.5	9.8	10.8	14.3
	Treasury bills (91 days)	14.7	11.8	2.6	5.2	5.4	7.5	10.3	12.1
	Unsecured IMM (up to 7 days)	13.4	11.7	2.8	3.4	3.1	5.4	7.7	11.0

Source: Banco de Moçambique.

**Table 51 • Financial stability indicators**

Per cent

	2010	2011	2012	2013	2014 Est.	2015 Est.
<b>Solvency</b>						
Capital adequacy <sup>(a)</sup>	14.4	17.1	17.9	16.9	15.1	17.1
Tier 1/risk-weighted assets	13.7	16.1	16.9	16.0	13.6	15.7
<b>Asset quality</b>						
Non-performing loans <sup>(b)</sup> /total loans	1.9	2.6	3.2	2.8	3.3	4.3
Loans in foreign currency / total loans	29.5	25.1	28.1	22.3	22.6	23.0
<b>Return</b>						
Return on equity (ROE)	32.9	26.5	19.6	20.0	22.2	20.4
Return on assets (ROA)	2.6	2.5	1.9	1.8	2.1	2.0
Net interest margin/gross income	59.4	64.9	58.9	55.9	55.9	52.7
Operational costs/gross income	59.7	61.3	66.1	65.8	62.6	62.8
<b>Liquidity</b>						
Liquid assets <sup>(c)</sup> /total assets	22.4	27.8	33.4	30.9	30.0	32.2
<b>Other indicators</b>						
General government deposits/total deposits	30.3	34.3	27.4	36.9	35.0	20.4
Private sector credit / total deposits	79.6	77.8	70.8	78.3	82.1	76.5
Personnel costs/operating costs	45.5	47.1	49.1	48.0	47.0	46.9
Interest spread, 1-2 years (lending – deposit)	8.3	11.6	11.3	15.0	13.3	11.8

Sources: Banco de Moçambique and Banco de Portugal calculations.

Notes: (a) Regulatory capital/risk-weighted assets; (b) Up to 2013, the calculation of non-performing loans used a definition which did not include all impaired loans; (c) Net assets include deposits with the parent institutions.

Table 52 • Exchange rates

Average rates

		EUR/MZM			USD/MZM					ZAR/MZM	EERI <sup>(a)</sup>	
		Official	Open	Op/Of	Official	Parallel	Open	Pa/Of	Op/Of	Open	Index: 100 = 2001	
		(Of)	(Op)	(%)	(Of)	(Pa)	(Op)	(%)	(%)		Nom.	Real
2001		18,293.7	18,515.4	1.2	20,455.5	21,145.4	20,706.5	3.4	1.2	2,537.1	100.0	100.0
2002		21,896.4	22,370.7	2.2	23,180.4	24,281.3	23,665.4	4.7	2.1	2,373.7	95.7	106.2
2003		26,360.4	26,874.1	1.9	23,340.9	24,248.7	23,782.3	3.9	1.9	3,187.7	77.9	92.7
2004		27,457.0	27,782.7	1.2	22,130.9	23,165.5	22,581.3	4.7	2.0	3,523.4	73.9	96.2
2005		28,337.5	28,576.1	0.8	22,936.3	23,614.4	23,068.4	3.0	0.6	3,617.1	71.6	96.9
2006 <sup>(b)</sup>		32.2	31.4	-2.5	25.0	26.9	26.0	7.8	4.2	3.8	65.8	97.9
2007		35.6	35.0	-1.5	25.6	26.6	25.8	4.2	1.1	3.7	63.7	98.5
2008		35.7	35.5	-0.6	24.2	25.2	24.3	4.0	0.5	3.0	71.1	116.7
2009		38.9	37.2	-4.4	26.7	29.2	27.5	9.5	3.0	3.3	64.2	104.9
2010		45.4	43.6	-4.0	33.0	35.7	34.0	8.1	3.0	4.7	49.5	87.7
2011		40.5	40.5	0.0	29.1	31.0	29.1	6.8	0.0	4.0	56.6	105.8
2012		36.1	36.5	1.2	28.1	29.5	28.4	4.8	1.1	3.5	64.2	117.1
2013		39.7	40.0	0.7	29.9	31.5	30.1	5.3	0.7	3.1	65.1	118.0
2014		40.8	41.6	2.2	30.7	32.9	31.4	7.2	2.2	2.9	67.1	119.5
2015		42.4	44.3	4.4	38.3	42.1	40.0	10.1	4.4	3.1	61.4	108.6
2014	January	41.1	41.4	0.9	30.2	32.2	30.4	6.6	0.9	2.8	68.3	124.1
	February	41.9	43.2	3.2	30.6	33.1	31.6	8.2	3.2	2.9	66.6	120.8
	March	42.2	43.4	3.0	30.5	32.7	31.5	7.1	3.1	2.9	66.1	120.8
	April	42.3	43.3	2.5	30.6	32.5	31.3	6.3	2.5	3.0	65.6	120.0
	May	42.1	43.0	2.3	30.6	32.6	31.4	6.2	2.3	3.0	65.1	118.3
	June	41.6	42.6	2.4	30.6	32.5	31.4	6.0	2.4	2.9	66.2	118.5
	July	41.4	41.9	1.2	30.6	32.5	31.0	6.2	1.2	2.9	66.7	117.9
	August	40.6	40.8	0.5	30.5	32.3	30.6	5.9	0.5	2.9	67.5	117.8
	September	39.5	39.8	0.7	30.6	32.4	30.8	5.7	0.7	2.8	68.7	119.2
	October	39.1	39.8	1.9	30.9	32.8	31.5	6.1	1.9	2.8	68.4	118.7
	November	38.7	39.4	2.0	31.0	33.4	31.6	7.8	1.8	2.9	68.4	119.6
	December	39.0	41.0	5.2	31.6	35.8	33.3	13.3	5.3	2.9	67.7	119.1
2015	January	36.9	38.7	5.0	31.8	35.9	33.4	13.0	5.1	2.9	68.8	123.3
	February	37.0	38.5	4.1	32.6	36.5	34.0	11.9	4.1	2.9	67.9	122.5
	March	36.3	38.2	5.1	33.5	37.0	35.2	10.3	5.1	2.9	68.0	121.7
	April	36.5	38.9	6.6	33.8	37.6	36.0	11.1	6.6	3.0	66.8	118.0
	May	37.9	40.9	7.9	34.0	37.9	36.7	11.5	7.9	3.1	65.4	114.2
	June	41.6	43.1	3.5	37.1	39.6	38.5	6.7	3.6	3.1	62.0	107.5
	July	42.1	42.7	1.4	38.3	40.2	38.9	4.9	1.5	3.1	61.4	105.7
	August	44.0	45.0	2.4	39.5	42.6	40.4	7.9	2.4	3.1	60.4	104.0
	September	45.1	48.3	7.2	40.2	45.8	43.2	13.9	7.6	3.2	59.6	102.7
	October	46.3	49.2	6.3	41.2	46.2	43.8	12.1	6.3	3.2	57.9	101.5
	November	51.4	53.0	3.3	47.9	54.2	49.4	13.2	3.3	3.5	52.5	93.9
	December	53.8	54.6	1.6	49.5	52.2	50.2	5.6	1.6	3.4	52.7	99.4
2016	January	49.3	50.3	2.2	45.3	50.6	46.3	11.7	2.2	2.8	60.0	115.6
	February	52.9	54.4	2.7	47.7	53.5	49.0	12.2	2.7	3.1	55.6	108.4
	March	54.7	56.0	2.3	49.3	57.7	50.4	17.0	2.4	3.3	53.1	102.7
	April	59.3	59.8	1.0	52.3	59.9	52.8	14.6	1.0	3.6	48.7	95.5
	May	62.6	62.7	0.2	55.4	62.9	55.5	13.6	0.2	3.6	47.6	92.8

Sources: Banco de Moçambique, Mozambique National Institute of Statistics, International Monetary Fund, European Central Bank, Organisation for Economic Co-operation and Development and Banco de Portugal calculations.

Notes: (a) Effective exchange rate index (EERI) calculated on the basis of official exchange rates applied to the currencies of Mozambique's four main trading partners in the 2010/14 period (appreciation: +; depreciation: -); (b) A monetary reform was carried out in July 2006 with a conversion rate of 1 to 1,000.



## 5. São Tomé and Príncipe

Area: 997 Km<sup>2</sup>

Capital city: São Tomé

População: 190 thousand  
(2015; source: NSO - STP)

Currency: Dobra (STD)

In 2015 economic growth in São Tomé and Príncipe, although positive and above the average for African countries, was slightly below expectations, mainly owing to the delayed approval of the budget (which strongly conditioned the implementation of public investment projects) and a decline in cocoa exports and tourism flows compared with the high figures recorded in the previous year. For 2016, output was expected to accelerate slightly, but developments in the first half of the year (namely in the banking sector) seem to contradict this scenario.

**In 2015 economic growth in São Tomé and Príncipe slowed down slightly compared with the previous year.** Real growth is estimated to have reached 4.0 per cent in 2015, mainly owing to the delayed approval of the budget, which negatively affected the implementation of public investment projects, together with a drop in cocoa exports and tourism revenue. These factors had made a strong contribution to the country's economic performance of the previous year. Although a slight recovery was initially projected for 2016, economic developments in the first half of this year do not seem to confirm this scenario, although the Santomean economy traditionally performs better in the second half of each year.

**In 2015 price developments continued to follow the desinflationary trend** which has been observed since the new exchange rate regime was adopted. Annual inflation (year-on-year rate) was at 4.0 per cent in December, the lowest level of the past few decades, significantly below the value established in the programme entered into with the IMF in July 2015 (5.2 per cent). The introduction of a new consumption basket (replacing the previous basket from the 1990s), at the start of 2016, led to a slight break in the series, which in turn may have resulted in an increase in the rate in the first months of this year, although this has gradually faded away since May.

The slowdown in economic activity led to a marked decline in imports. As a result, **the current account deficit decreased significantly** (from 22.0 to 16.8 per cent of GDP), despite the drop in transfers (namely emigrant remittances). The financial account was similar to the previous year, given that the increase in the value of loans to the public sector was accompanied by private capital outflows. All these factors together (namely the decline in imports and the increase in the value of loans obtained) led to the external balance recording a deficit, although this was lower than in previous years.

Developments in the external accounts were negative in the first seven months of 2016 and **practically cancelled out the increase in net international reserves observed in 2015.**

However, for the most part, larger capital inflows (external grants and disbursements of loans) are usually recorded in the second half of each year. A reversal of this trend should therefore not be ruled out. Foreign reserves still cover (slightly) more than 3 months of programmed imports for 2016, but the more favourable outlook envisaged at the end of 2015 is compromised.

In a small economy like that of São Tomé and Príncipe, in which the private sector has little weight, **the management of public finances is especially relevant in determining macroeconomic behaviour**, namely under the exchange rate regime in force since 2010. Aware of this fact, the Santomean authorities have been very prudent in the management of fiscal policy, limiting discretionary public expenditure, in order to maintain the main macroeconomic balance both internally and externally. This concern is reflected in the programme entered into with the IMF in 2015, under the ECF (Extended Credit Facility), whose targets have generally been met.

This concern over the management of public finances in 2015 resulted in a **domestic primary deficit (the main reference for budgetary policy) of 3.0 per cent**, which, although slightly above the forecast amount, is lower compared with the previous year. This decrease in the deficit was achieved despite the financial effort from the repayment of arrears, which has been a long-standing objective of the current government.

**Current public revenue was below that budgeted** (86 per cent executed), which, according to the Santomean authorities, was mostly due to the delayed approval of the budget, a factor which prevented the timely implementation of budgeted tax reforms aimed at broadening the tax base and revenue. In response to this situation, authorities reduced budgeted capital expenditures, both externally financed, such as by grants (which were below expectations) and loans, and directly paid by the Treasury.

At the end of 2015, a number of large external loans were disbursed, but not in time to launch

the public investment projects established for the year. Although these are concessional loans, with a relatively favourable debt service, they nevertheless contributed to the worsening **of the debt to GDP ratio, which again moved closer to 90 per cent**, (after dropping to around 70 per cent following the debt relief initiatives). These developments are a cause for concern due to the lack of opportunities to obtain resources that will ensure the sustainability of this debt (exports of goods and services and private capital flows).

As regards the domestic and short-term component of debt, **the second issuance of Treasury bills in February was a success**. These bills were widely subscribed by banking institutions, despite having low yields (3 per cent). This instrument (launched for the first time in 2015) helped to cover the public financing needs that traditionally exist at the start of the year, while absorbing the liquidity in the banking system.

The monetary aggregates of the Santomean economy have displayed a very peculiar behaviour this year: **a considerable decrease in broad money, credit and net foreign assets**. The problems seen in some of the country's

banking institutions have contributed to this negative dynamics, even leading to the winding-up of a bank, after a prolonged intervention by the central bank. The central bank, faced with increasing levels of non-performing loans in commercial banks, has required that institutions recognise losses, put in place adequate provisions and increase their own funds, which has resulted in negative rates of return for the sector as a whole. Naturally, the volume of loans granted (which was already anaemic in previous years) strengthened this trend, declining by more than 17 per cent in the first seven months of this year.

**Exchange rate stability ensured by the peg to the euro** continued to serve the Santomean economy well, namely as the main factor behind the disinflation process. The recent fluctuations in the effective exchange rate index were mostly the result of swings in the Angolan currency, one of the currencies used to determine this index. Angola is the main supplier of fuel to São Tomé and Príncipe. As imported oil is priced in USD, the effect of the depreciation in the kwanza on prices in São Tomé was practically nil.

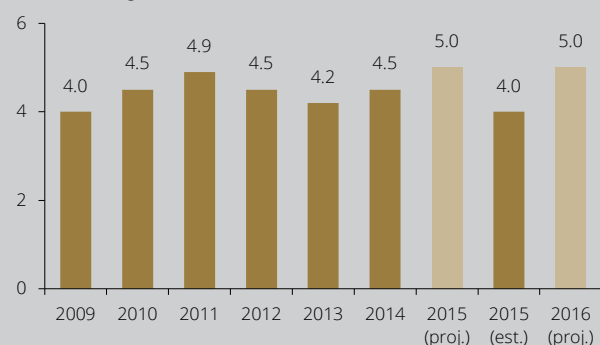
**Table 53 • Main economic indicators**

	2011	2012	2013	2014	2015		2016
	Est.	Est.	Est.	Est.	Proj.	Est.	Proj.
Real GDP (annual % change)	4.9	4.5	4.0	4.5	5.0	4.0	5.0
Inflation (year-on-year % change)	11.9	10.4	7.1	6.4	5.2	4.0	4.0
Broad money (annual % change)	10.5	20.3	14.0	16.8	14.7	13.2	11.1
Current and capital account (% of GDP)	-24.8	-21.2	-23.4	-22.0	-12.4	-16.8	-12.2
Overall fiscal balance (% of GDP)	-12.6	-10.9	-2.0	-5.5	-9.8	-6.3	-10.6
Domestic primary balance (% of GDP)	-3.0	-3.3	-2.7	-3.3	-2.7	-3.0	-2.0
External public debt (% of GDP)	76.8	84.5	75.5	71.7	–	87.7	–

Sources (for the subsequent charts also): Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe) and International Monetary Fund.

**Chart 53 • Real GDP**

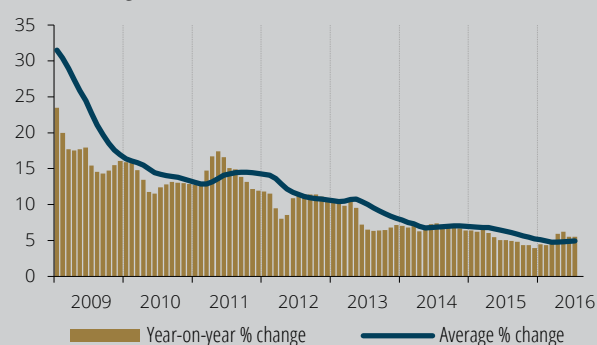
Annual % change



Economic growth in São Tomé and Príncipe was lower than expected. The drop in revenue from cocoa exports and tourism and the delay in the implementation of public investment projects were the main factors behind this less favourable performance.

**Chart 54 • Inflation**

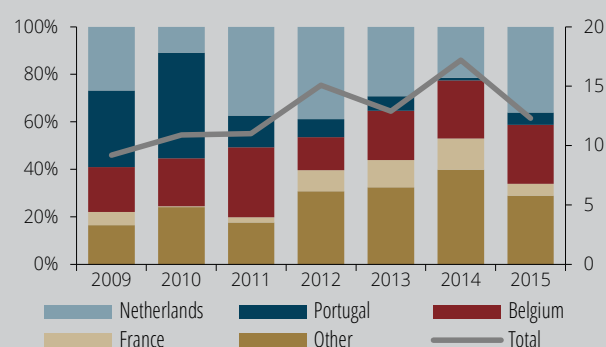
Annual % change of the CPI



The desinflationary trend of previous years continued in 2015. The pick-up at the start of 2016 was the result of a break stemming from the use of a new consumption basket, together with a slight instability in the prices of locally produced food.

**Chart 55 • Goods exports**

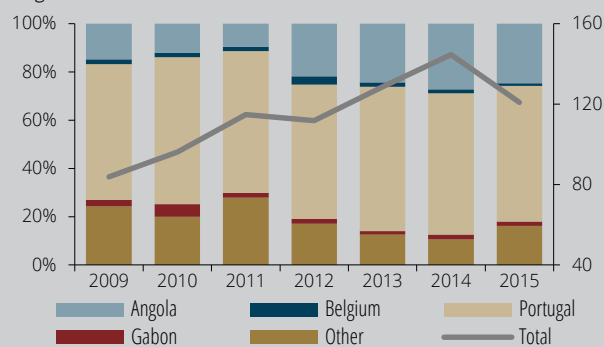
Destinations as a %, total in USD millions



Exports (in particular cocoa) did not maintain the strong performance of the previous year, declining markedly. Belgium and the Netherlands remained the main markets for Santomean exports, although Portugal recovered some of the importance lost in 2014.

**Chart 56 • Goods imports**

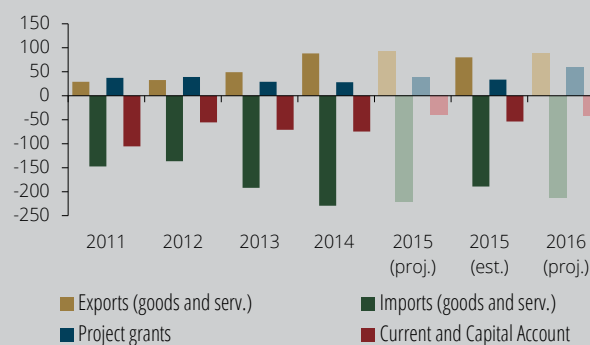
Origins as a %, total in USD millions



Imports dropped considerably, owing to the deceleration in economic activity. This drop was broadly-based: food, capital goods and fuel (the latter reinforced by the fall in oil prices). Portugal continues to be the main supplier for São Tomé and Príncipe.

**Chart 57 • Balance of payments**

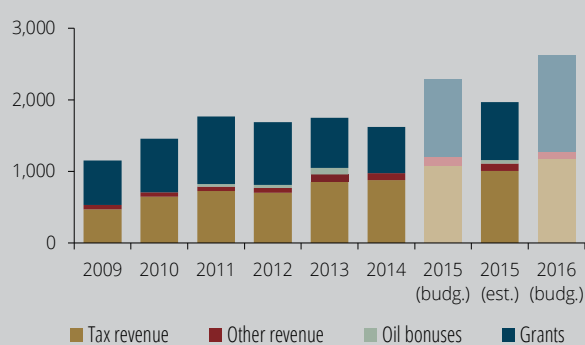
USD millions



Positive developments in the current account were mainly the result of a decline in imports, which more than offset the drop in revenue from exports. Inflows of grants were also slightly higher than in previous years.

**Chart 58 • Public revenue**

STD millions

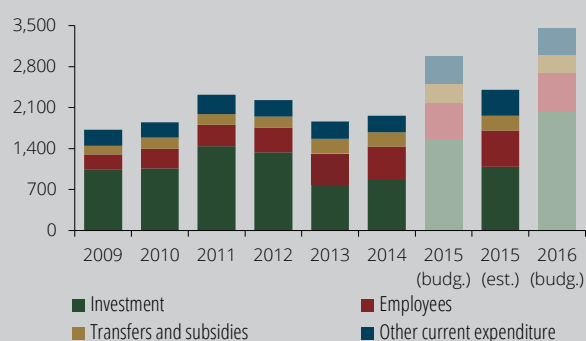


The increase in tax revenue (although lower than anticipated) and the increase in grants compared with the previous year (although also lower than expected), reversed the decline recorded in 2014. A further increase in total revenue is expected for 2016.



**Chart 59 • Public expenditure**

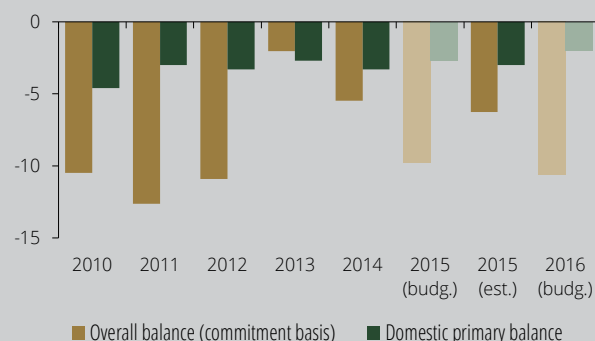
STD billions



Despite the budgetary restrictions, capital expenditure exceeded the values of the two previous years. The increase in 'other current expenditure' is mainly the result of the repayment of arrears, included in this item.

**Chart 60 • Budget balance**

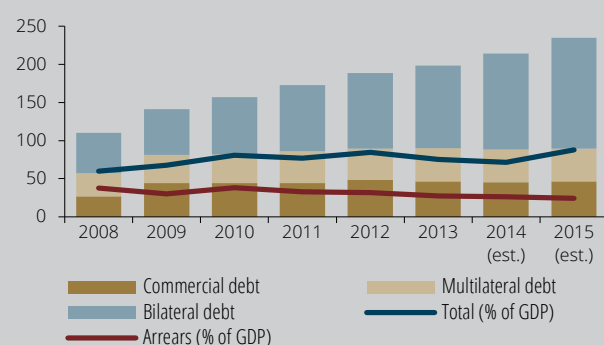
STD billions



In 2015 the domestic primary deficit (the main reference for budgetary policy) was 3%, slightly above the target. The containment of this deficit is a condition considered necessary for the current exchange rate regime to work adequately.

**Chart 61 • External debt**

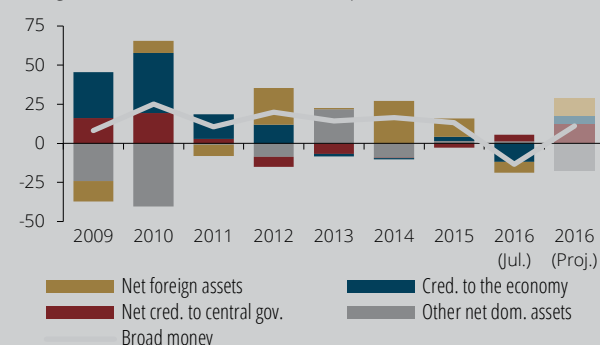
STD millions and % of GDP



The value of external debt increased again, to close to 90 per cent of GDP. On the positive side, arrears have decreased slightly and the new debt is concessional (a condition of the programme entered into with the IMF).

**Chart 62 • Liq. expansion/contraction factors**

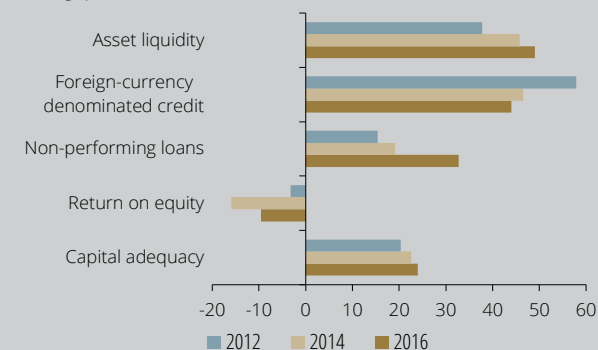
Changes in % of initial stock of broad money



While in 2015 growth in net foreign assets led to growth in broad money (despite a stagnation in credit), this situation reversed in 2016. The decrease in foreign exchange reserves and credit led to a strong drop in broad money.

**Chart 63 • Financial stability indicators**

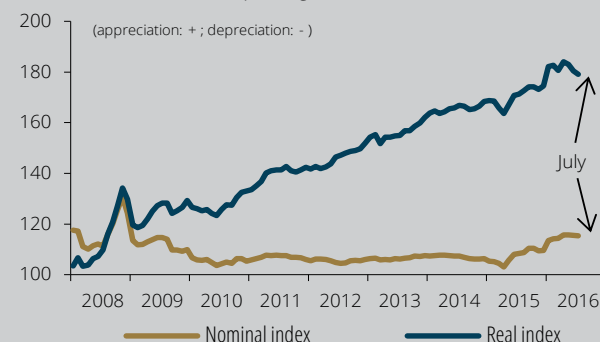
Banking system ratios



Although asset liquidity increased, exchange rate risk decreased and own funds increased (a demand of monetary authorities), in aggregate terms, non-performing loans increased considerably and banking institutions continued to post negative returns.

**Chart 64 • Effective exchange rate**

Index: 100 = Jan. 1999, monthly averages



Nominal exchange rate stability has existed since 2010. The swings observed in the EERI since mid-2015 are mainly due to a strong devaluation in the kwanza and – in the case of the real index – strong inflation in Angola.

Table 54 • Economic indicators

			2010	2011	2012	2013	2014	2015		2016	
								Proj.	Est.	Proj.	Est.
Output and prices											
Nominal GDP	STD billions		3,719	4,376	4,952	5,582	6,242	7,064	7,028	7,847	–
	EUR millions		151.8	178.6	202.1	227.8	254.8	288.3	286.9	320.3	–
	USD millions		200.2	246.5	259.7	302.6	338.0	325.6	318.2	349.2	–
Real GDP	Annual % change		4.5	4.9	4.5	4.0	4.5	5.0	4.0	5.0	–
Inflation	y-o-y % change		12.9	11.9	10.4	7.1	6.4	5.2	4.0	4.0	5.5 Jul.
	Average % change		13.3	14.3	10.6	8.1	7.0	5.8	5.2	4.6	4.9 Jul.
Public finances											
Total revenue	% of GDP		39.2	40.3	34.0	31.4	25.9	30.5	26.0	32.3	–
Current revenue	% of GDP		19.0	18.0	15.6	17.1	15.6	15.6	15.8	16.3	–
Grants	% of GDP		20.2	21.5	17.7	12.6	10.3	15.3	11.4	17.2	–
Total expenditure	% of GDP		49.7	52.9	45.0	33.4	31.4	42.1	34.2	44.1	–
of which: Current expenditure	% of GDP		20.6	19.4	17.7	18.9	17.4	19.5	18.1	17.4	–
Capital expenditure	% of GDP		28.5	32.8	27.0	14.2	13.9	22.0	15.5	25.8	–
Domestic primary balance <sup>(a)</sup>	% of GDP		-4.6	-3.0	-3.3	-2.7	-3.3	-2.7	-3.0	-2.0	–
Overall balance (commitment basis)	% of GDP		-10.5	-12.6	-10.9	-2.0	-5.5	-9.8	-6.3	-10.6	–
Overall balance (cash basis)	% of GDP		-12.5	-11.2	-9.2	-1.6	-3.3	-9.8	-7.6	-7.9	–
Money and credit											
Net credit to central government	Annual % change		78.4	63.5	-459.2	-102.7	-0.8	-2.4	-28.2	111.8	62.3 Jul.
Credit to the economy	Annual % change		40.0	14.7	9.6	-0.9	-1.1	-0.7	3.8	7.1	-19.1 Jul.
Broad money	Annual % change		25.1	10.5	20.3	14.0	16.8	14.7	13.2	11.1	-7.5 Jul.
BCSTP reference interest rate	Annual rate		15.0	15.0	14.0	14.0	12.0	–	10.0	–	10.0 Jul.
Balance of payments											
Exports f.o.b.	Annual % change		18.5	0.9	37.3	-14.6	33.3	25.9	-28.5	30.1	–
Imports f.o.b.	Annual % change		14.8	20.3	2.9	8.0	12.4	0.6	-16.5	7.0	–
Trade balance	% of GDP		-42.0	-42.2	-37.2	-38.2	-37.7	-31.4	-34.1	-32.4	–
Services balance	% of GDP		-5.4	-5.3	-2.6	-9.0	-4.0	-7.8	-0.2	-3.2	–
Current account	% of GDP		-22.6	-27.5	-21.2	-23.4	-22.0	-12.4	-16.8	-12.2	–
Current and capital account	% of GDP		-22.5	-24.8	-21.2	-23.4	-22.0	-12.4	-16.8	-12.2	–
BCSTP net foreign assets	EUR millions		40.7	36.4	43.3	52.7	60.1	73.7	77.7	89.0	71.3 Jul.
BCSTP net foreign assets	USD millions		53.7	46.5	56.7	72.1	73.7	82.6	83.7	97.0	78.9 Jul.
External public debt											
Total external public debt	USD millions		174.8	200.2	226.0	238.0	253.9	–	274.1	–	–
	% of GDP		81.0	76.8	84.5	75.5	71.7	–	87.8	–	–
External debt service	% of exports		6.4	8.0	7.3	9.5	3.7	4.8	4.3	4.2	–
Exchange rates											
Exch. rate EUR / STD	Average annual rate		24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	Jul.
Exch. rate USD / STD	Average annual rate		18,574	17,754	19,211	18,618	18,594	22,024	22,178	21,864	22,085 Jul.
Nominal <sup>(b)</sup> EERI (appreciation: +)	Annual % change		-6.1	1.5	-1.4	1.0	0.5	–	0.0	–	5.2 Jun.
Real <sup>(b)</sup> EERI (appreciation: +)	Annual % change		2.2	9.8	4.6	6.8	6.0	–	3.0	–	2.6 Jun.

Sources: Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe), International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Domestic primary balance corresponds to overall balance (commitment basis), excluding grants, oil revenue (signature bonuses and other), debt interest and capital expenditure financed by external sources. (b) Effective exchange rate index (EERI), calculated on the basis of exchange rates applied to the currencies of the main trading partners.

**Table 55 • Gross domestic product**

Current prices, STD billions

	2010	2011	2012	2013	2014	2015		2016
						Proj.	Est.	Proj.
Primary sector	433	513	594	692	743	–	881	–
Agriculture, livestock, hunting and forestry	226	260	299	335	341	–	377	–
Fishing	194	237	279	340	384	–	484	–
Mining and quarrying	13	15	16	17	18	–	20	–
Secondary sector	635	718	780	879	1,067	–	1,026	–
Manufacturing	316	367	370	415	413	–	446	–
Electricity, gas and water	114	127	125	134	125	–	133	–
Construction	205	224	285	330	530	–	447	–
Tertiary sector	2,491	2,997	3,445	3,869	4,292	–	4,931	–
Trade	1,056	1,257	1,397	1,554	1,683	–	1,812	–
Accommodation and food	139	157	150	193	263	–	466	–
Transportation, storage and communication	467	623	638	647	702	–	818	–
Financial activities	94	111	127	143	161	–	180	–
Real estate activ., rental and serv. to enterprises	220	261	280	316	371	–	428	–
Public admin., defence and social security	194	206	425	514	545	–	576	–
Education	114	125	143	171	201	–	233	–
Health and social work	48	53	53	70	79	–	85	–
Other activities	160	203	233	261	288	–	334	–
FISIM (Financial intermed. servs. indirectly measured)	-110	-130	-149	-168	-188	–	-211	–
Indirect taxes	269	278	282	309	328	–	400	–
Gross domestic product m.p.	3,719	4,376	4,952	5,582	6,242	7,064	7,028	7,847
Consumption	3,859	4,253	–	–	–	–	–	–
Private	3,313	3,579	–	–	–	–	–	–
Public	546	674	–	–	–	–	–	–
Investment	1,802	2,173	–	–	–	–	–	–
Private	710	872	–	–	–	–	–	–
Public	1,092	1,301	–	–	–	–	–	–
Domestic demand	5,661	6,427	–	–	–	–	–	–
Exports of goods and services	450	512	629	902	1,634	2,029	1,776	2,040
Overall demand	6,111	6,939	–	–	–	–	–	–
Imports of goods and services	2,392	2,563	2,599	3,540	4,238	4,799	4,188	4,764
Memo items:								
GDPmp (real % change)	4.5	4.9	4.5	4.0	4.5	5.0	4.0	5.0
GDPmp (nominal % change)	16.8	17.7	13.2	12.7	11.8	13.2	12.6	11.7
Nominal GDP (EUR millions; current prices)	151.8	178.6	202.1	227.8	254.8	288.3	286.9	320.3
Nominal GDP (USD millions; current prices)	200.2	246.5	259.7	302.6	338.0	325.6	318.2	349.2

Sources: Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe), and International Monetary Fund.

Table 56 • Consumer price index

Per cent

		Monthly change	Cumulative change	Year-on-year change	Average change
		[1]	[2]	[3]	[4]
2005	December	–	17.2	17.2	17.2
2006	December	–	24.6	24.6	23.1
2007	December	–	27.6	27.6	18.5
2008	December	–	24.8	24.8	32.0
2009	December	–	16.1	16.1	17.0
2010	December	–	12.9	12.9	13.3
2011	December	–	11.9	11.9	14.3
2012	December	–	10.4	10.4	10.6
2013	December	–	7.1	7.1	8.1
2014	December	–	6.4	6.4	7.0
2015	December	–	4.0	4.0	5.2
2014	January	0.3	0.3	7.0	7.8
	February	0.5	0.8	6.8	7.5
	March	0.2	1.0	7.4	7.3
	April	0.7	1.7	6.3	7.0
	May	0.9	2.6	6.9	6.8
	June	0.6	3.2	7.3	6.8
	July	0.3	3.5	7.4	6.9
	August	0.2	3.6	7.1	6.9
	September	0.2	4.0	7.1	7.0
	October	0.8	4.7	7.3	7.0
	November	0.5	5.2	6.7	7.0
	December	1.2	6.4	6.4	7.0
	December (proj.)	–	–	6.0	7.1
2015	January	0.3	0.3	6.4	6.9
	February	0.3	0.6	6.3	6.9
	March	0.5	1.1	6.5	6.8
	April	0.4	1.5	6.1	6.8
	May	0.2	1.7	5.5	6.6
	June	0.2	1.9	5.0	6.5
	July	0.3	2.2	5.1	6.3
	August	0.1	2.3	5.0	6.1
	September	0.1	2.4	4.8	5.9
	October	0.3	2.7	4.3	5.6
	November	0.5	3.2	4.4	5.5
	December	0.8	4.0	4.0	5.2
	December (proj.)	–	–	5.2	5.8
2016	January	0.8	0.8	4.5	5.1
	February	0.2	0.9	4.4	4.9
	March	0.8	1.7	4.7	4.8
	April	1.7	3.4	6.0	4.8
	May	0.5	3.9	6.2	4.9
	June	-0.5	3.4	5.6	4.9
	July	0.3	3.7	5.5	4.9
	December (proj.)	–	–	4.0	4.6

Sources: BCSTP, Ministry of Finance and Public Administration (São Tomé and Príncipe), International Monetary Fund and Banco de Portugal calculations.

Notes: [1] month (n) / month (n-1); [2] month (n) / Dec. (n-1); [3] month (n) / month (n) of the previous year; [4] last 12 months / previous 12 months.

**Table 57 • Balance of payments**

USD millions

	2012	2013	2014	2015		2016
			Est.	Proj.	Est.	Proj.
1. Current account	-55.2	-70.9	-74.2	-40.4	-53.3	-42.7
1.1. Trade balance	-96.6	-115.7	-127.4	-102.3	-108.5	-113.3
Exports (f.o.b.)	15.1	12.9	17.2	18.8	12.3	16.0
of which: Cocoa	5.3	5.4	9.2	1.6	7.8	11.4
Re-exports	8.8	5.9	7.0	7.1	3.3	3.4
Imports (f.o.b.)	-111.7	-128.6	-144.6	-121.1	-120.8	-129.2
of which: Food	-33.5	-38.4	-42.5	-31.5	-34.6	-34.2
Capital goods	-35.0	-38.5	-30.3	-40.9	-27.7	-41.3
Fuel	-27.2	-38.2	-41.1	-30.6	-33.2	-23.8
1.2. Services	-6.7	-27.3	-13.6	-25.4	-0.7	-11.0
Exports	17.9	36.0	71.3	74.7	68.1	71.8
of which: Travel and tourism	12.6	30.6	56.0	60.3	51.8	54.7
Imports	-24.6	-63.3	-84.9	-100.1	-68.8	-82.8
of which: Freights and insurance	-19.3	-18.8	-23.6	-	-19.6	-
1.3. Income	-4.7	2.6	5.7	8.3	-0.1	1.0
Credit	1.0	5.1	10.1	-	3.5	-
Debit	-5.7	-3.5	-4.4	-	-3.6	-
of which: Scheduled debt interest	-1.9	-2.3	-2.4	-	-1.9	-
1.4. Current transfers	52.8	69.5	61.2	79.0	56.0	80.6
Private transfers	4.9	24.6	25.2	26.8	19.6	20.3
of which: Emigrants' remittances	6.4	26.1	25.2	-	19.6	-
Official transfers (net)	47.9	44.9	36.0	52.2	36.4	60.3
of which: Project grants	38.7	29.4	27.9	39.2	33.6	50.9
Other transfers (incl. HICP)	1.4	1.9	0.8	6.0	6.0	6.6
2. Capital and financial account	64.3	34.3	37.5	48.5	35.2	55.9
2.1. Capital account	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Financial account	64.3	34.3	37.5	48.5	35.2	55.9
Foreign direct investment	21.7	10.2	18.9	16.8	19.9	4.2
of which: Oil signature bonuses	2.0	4.8	0.0	0.0	2.4	2.5
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.3	0.0
Other investment (net)	42.7	24.1	18.6	31.7	15.0	51.7
Other assets	26.9	16.1	15.5	7.3	5.7	5.8
Public sector (net)	15.2	3.1	15.6	32.8	32.9	26.8
of which: Disbursements	22.1	10.8	16.3	34.6	34.5	28.1
Amortisation	-6.9	-7.7	-0.7	-1.8	-1.6	-1.3
Private sector (net)	0.6	5.0	-12.5	-8.3	-23.7	19.0
Commercial banks	-11.0	10.6	-17.5	-4.2	-9.7	1.5
Short-term private capital	11.7	-5.6	5.0	-4.1	-14.0	17.6
3. Errors and omissions	-10.3	48.1	46.3	0.0	36.6	0.0
4. Overall balance (1) + (2) + (3)	-1.2	11.6	9.5	8.0	18.5	13.2
5. Financing gap: (4) + (5)	1.2	-11.6	-9.5	-8.0	-18.5	-13.2
Change in foreign reserves (a) (increase: -)	1.4	-9.1	-10.5	-10.0	-18.2	-13.0
National Oil Account (increase: -)	-0.8	-3.2	2.3	1.9	-0.4	-1.2
Use of IMF resources (net)	0.6	0.7	-1.4	0.1	0.0	1.0
6. Financing gap (4) + (5)	0.0	0.0	0.0	0.0	0.0	0.0
Memo item:						
Current account (% of GDP)	-21.2	-23.4	-22.0	-12.4	-16.8	-12.2

Sources: Banco Central de São Tomé e Príncipe, International Monetary Fund and Banco de Portugal calculations.

Note: (a) Excludes National Oil Account.

**Table 58 • Goods exports**

Destinations as a percentage of total exports

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Belgium	16.8	7.9	18.9	20.2	29.5	13.9	20.7	24.4	24.8
France	6.3	3.7	5.5	0.3	2.3	8.8	11.6	13.2	5.1
Gabon	0.8	0.4	0.7	0.3	1.8	1.1	0.9	0.2	0.5
Netherlands	13.3	28.2	26.8	10.9	37.4	38.8	29.1	21.4	36.1
Portugal	44.9	49.2	32.3	44.4	13.2	7.7	6.2	1.1	5.1
Other	18.0	10.6	15.8	23.9	15.8	29.7	31.5	39.7	28.4
Total exports <sup>(a)</sup>	6.8	7.8	9.2	10.9	11.0	15.1	12.9	17.2	12.3

Sources: Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe), International Monetary Fund and Banco de Portugal calculations.

Note: (a) In USD millions.

**Table 59 • Goods imports**

Origins as a percentage of total imports

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Angola	20.1	22.9	14.8	12.1	9.6	21.9	24.3	27.2	24.7
Belgium	2.3	1.7	1.9	1.8	1.7	3.3	1.9	1.7	1.1
China	1.7	0.9	1.4	2.4	2.0	1.4	1.6	2.8	3.0
France	0.3	0.2	0.7	5.0	2.4	0.6	0.7	0.6	0.5
Gabon	2.2	3.0	2.7	5.3	2.0	2.1	1.4	2.0	1.7
Japan	0.2	0.8	4.4	1.2	2.5	1.5	1.4	0.4	2.2
Netherlands	1.4	0.1	0.4	0.5	0.3	0.4	0.3	0.9	0.8
Portugal	66.2	61.3	56.4	60.9	58.9	55.7	59.8	58.5	56.3
Other	5.6	9.1	17.3	10.8	20.6	13.1	8.6	5.9	9.6
Total imports <sup>(a)</sup>	64.9	92.2	83.8	96.2	115.7	119.1	128.6	144.6	120.8

Sources: Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe), International Monetary Fund and Banco de Portugal calculations.

Note: (a) In USD millions

**Table 60 • External public debt**

USD millions

	2009	2010	2011	2012	2013 Est.	2014 Est.	2015 Est.
1. Medium and long-term debt	140.9	157.1	172.6	188.4	198.2	214.0	234.8
of which: Arrears	65.7	69.1	67.7	81.6	82.7	85.7	72.4
1.1 Multilateral debt	37.0	38.0	42.1	41.0	43.7	43.2	42.6
of which: Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BADEA	4.2	5.1	5.8	5.9	5.8	7.1	9.4
AfDB/ADF	2.2	3.2	2.2	2.1	5.5	5.4	5.2
EIB	2.1	1.4	0.9	0.9	0.6	0.3	0.1
IFAD	5.7	6.5	7.9	8.0	7.7	7.8	6.7
IMF	4.4	4.4	4.9	5.5	6.0	4.6	4.6
IDA	13.7	13.4	14.9	14.1	14.0	14.0	13.8
OPEC	4.7	4.0	5.5	4.5	4.1	4.0	2.8
1.2 Bilateral official debt	59.8	75.0	86.4	98.9	108.3	125.5	145.5
of which: Arrears	39.9	43.3	41.9	41.9	45.5	49.6	49.2
1.2.1 Paris Club members	0.2	0.9	0.9	0.9	1.4	1.4	0.8
of which: Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Germany	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.2	0.9	0.9	0.9	1.4	1.4	0.8
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 Other official creditors	59.6	74.1	85.5	98.0	106.9	124.1	144.7
of which: Arrears	39.9	43.3	41.9	41.9	45.5	49.6	49.2
Angola	32.0	32.0	32.0	32.0	32.0	49.0	63.0
Algeria	1.3	3.1	0.0	0.0	0.0	0.0	0.0
China	17.0	17.0	17.3	17.3	18.6	18.8	18.4
Former Yugoslavia	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Portugal	0.4	13.1	27.3	39.8	47.5	47.5	54.5
1.3 Commercial debt	44.1	44.1	44.1	48.5	46.2	45.3	46.7
of which: Arrears	25.8	25.8	25.8	39.7	37.2	36.1	23.2
Italy	25.8	25.8	25.8	25.8	24.3	24.3	24.3
China	0.0	0.0	0.0	0.0	0.0	0.0	10.0
Other entities	18.3	18.3	18.3	22.7	21.9	21.0	12.4
2. Short-term debt	13.4	17.7	27.7	37.7	39.8	39.8	39.3
of which: Arrears	3.4	13.4	17.7	3.4	3.4	7.7	3.4
Angola	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Brazil	0.0	4.3	4.3	4.3	4.3	4.3	4.3
Equatorial Guinea	0.0	0.0	0.0	0.0	2.1	2.1	1.6
Nigeria	10.0	10.0	20.0	30.0	30.0	30.0	30.0
Total external public debt [1 + 2]	154.2	174.8	200.2	226.0	238.0	253.9	274.1
of which: Arrears	69.1	82.5	85.4	85.0	86.1	93.4	75.8
Memo items:							
Total external public debt (% of GDP)	67.7	81.0	76.8	84.5	75.5	71.7	87.8
Total arrears (% of GDP)	30.3	38.2	32.8	31.8	27.3	26.4	24.3

Sources: Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe), International Monetary Fund and Banco de Portugal calculations.

**Table 61 • Government operations**

STD billions

	2011	2012	2013	2014	2015		2016	
					Budg.	Est.	I.e. <sup>(a)</sup>	Budg.
1. Total revenue	1,765	1,685	1,750	1,618	2,281	1,965	86.1	2,625
1.1. Current revenue	787	771	956	973	1,197	1,107	92.5	1,276
Tax revenue	726	704	854	879	1,074	1,006	93.7	1,170
Direct taxes	235	222	282	300	353	344	97.5	406
Indirect taxes	355	388	460	490	620	550	88.7	661
of which: Customs revenue	299	334	398	407	515	455	88.3	551
Other tax revenue	136	93	112	89	100	112	112.0	104
Non-tax revenue	61	67	102	94	123	101	82.1	106
1.2. Grants	942	876	704	645	1,084	804	74.2	1,349
Project grants	817	706	509	500	730	610	83.6	995
Other grants (incl. to GSBudget)	77	142	173	103	220	61	27.7	205
Debt relief-related grants	49	28	22	42	134	133	99.3	149
1.3. Oil signature bonuses	35	39	90	0	0	53	–	0
2. Total expenditure	2,317	2,226	1,864	1,960	2,973	2,405	80.9	3,460
2.1. Current expenditure	851	875	1,056	1,086	1,374	1,274	92.7	1,366
Compensation of employees	369	419	521	569	631	623	98.7	676
Goods and services	234	198	216	158	229	239	104.4	240
Subsidies and transfers	181	190	256	245	315	248	78.7	311
Public debt interest	24	30	28	28	31	54	174.2	56
Other current expenditure	43	39	34	86	141	110	78.0	82
2.2. Capital expenditure	1,437	1,336	790	865	1,556	1,087	69.9	2,025
With domestic financing	65	74	60	58	63	51	81.0	441
With external financing	1,373	1,262	730	807	1,493	1,036	69.4	1,584
2.3. HICP Initiative-related expenditure	29	14	17	10	70	45	64.3	68
3. Overall balance (commitment basis) [1] - [2]	-552	-540	-114	-342	-692	-440	63.6	-835
4. Change in arrears [decrease: -]	59	33	-22	46	0	-95	–	-85
External arrears (interest)	0	0	0	11	0	-12	–	0
Domestic arrears	59	33	-22	35	0	-82	–	-85
5. Items in transit, errors and omissions	5	51	47	89	0	1	–	0
6. Overall balance (cash basis) [3] + [4] + [5]	-488	-456	-89	-207	-692	-533	29.4	-921
7. Financing	488	456	89	207	692	533	29.4	921
7.1. Domestic financing	11	-86	50	-37	0	-33	–	388
Net bank credit (excl. NOA <sup>(b)</sup> )	11	-86	-71	-37	0	-33	–	0
Non-bank financing	0	0	121	0	0	0	–	388
7.2. External financing	450	558	94	199	651	576	31.0	478
Direct disbursements to the GSBudget	1	75	0	80	0	20	–	0
Disbursements for projects	528	532	159	236	763	742	24.4	659
Scheduled amortisation (incl. relief)	-79	-49	-64	-117	-112	-187	50.8	-181
7.3. Transfer from/to NOA <sup>(b)</sup> [entered into GSB: +]	27	-15	-56	44	42	-10	93.3	53
8. Financing gap [6] + [7]	0	0	0	0	0	0	–	0
Memo items:								
Overall balance, commitment basis (% of GDP)	-12.6	-10.9	-2.0	-5.5	-9.8	-6.3	–	-10.6
Domestic primary balance (STD billions)	-133	-163	-150	-208	-190	-207	–	-155
Domestic primary balance (% of GDP)	-3.0	-3.3	-2.7	-3.3	-2.7	-3.0	–	-2.0

Sources: Banco Central de São Tomé e Príncipe, Ministry of Finance and Public Administration (São Tomé and Príncipe), International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Level of budget execution, per cent. (b) National Oil Account (NOA). (c) Domestic primary balance corresponds to overall balance (commitment basis), excluding grants, oil revenue (signature bonuses and other), debt interest and capital expenditure financed by external sources.



**Table 62 • Monetary survey**

STD billions

	2010	2011	2012	2013	2014	2015		Dec. 15/ Dec. 14		2016		July 16/ Dec. 15	
	Dec.	Dec.	Dec.	Dec.	Dec.	Proj.	Dec.	[A]	[B]	Proj.	Est.	[A]	[B]
1. Net foreign assets	1,364	1,263	1,630	1,648	2,230	2,535	2,527	13.3	11.9	2,836	2,331	-7.8	-6.9
1.1. Central bank	998	891	1,062	1,292	1,474	1,805	1,903	29.1	17.1	2,180	1,747	-8.2	-5.5
1.2. Commercial banks	367	372	568	356	756	730	624	-17.5	-5.3	656	583	-6.5	-1.4
2. Net domestic assets	53	303	250	501	278	341	313	12.4	1.4	320	130	-58.6	-6.5
2.1. Net domestic credit	1,466	1,728	1,811	1,651	1,630	1,623	1,630	-0.0	-0.0	2,129	1,409	-13.6	-7.8
2.1.1. Net credit to centr. gov.	-60	-22	-123	-250	-252	-246	-323	28.1	-2.8	38	-207	-36.1	4.1
2.1.1.1. Gross loans to centr. gov.	261	267	236	246	258	280	255	-1.1	-0.1	255	427	67.3	6.0
2.1.1.2. Deposits of centr. gov.	-321	-290	-359	-496	-510	-526	-579	13.5	-2.8	-217	-633	9.3	-1.9
2.1.2. Credit to the economy	1,526	1,750	1,934	1,902	1,882	1,869	1,953	3.8	2.8	2,091	1,615	-17.3	-11.9
2.2. Other assets and liabilities	-1,412	-1,424	-1,561	-1,152	-1,352	-1,282	-1,317	-2.6	1.4	-1,809	-1,279	-2.9	1.3
3. Broad money	1,417	1,566	1,879	2,147	2,508	2,877	2,840	13.2	13.2	3,156	2,460	-13.4	-13.4
3.1. Currency in circulation	163	177	173	187	223	256	247	11.0	-	259	246	-0.2	-
3.2. Demand deposits	922	955	1,070	1,404	1,585	1,869	1,935	22.1	-	2,182	1,574	-18.7	-
3.2.1. In national currency	399	493	561	872	884	1,017	1,184	34.0	-	1,243	963	-18.7	-
3.2.2. In foreign currency	524	462	510	532	701	852	751	7.1	-	939	611	-18.7	-
3.3. Other deposits	331	434	636	556	701	752	658	-6.1	-	715	640	-2.8	-
3.3.1. In national currency	23	53	184	303	465	525	475	2.2	-	486	462	-2.8	-
3.3.2. In foreign currency	308	381	452	253	236	227	183	-22.4	-	229	178	-2.8	-

Sources: Banco Central de São Tomé e Príncipe, International Monetary Fund and Banco de Portugal calculations.

Notes: [A] Percentage changes from the end of the previous year. [B] Percentage changes in relation to the initial stock of broad money (liquidity expansion/contraction factors).

**Table 63 • Interest rates**

Annual rates, per cent

	2010	2011	2012	2013	2014	2015				2016	
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
1. BCSTP reference rate	15.0	15.0	14.0	14.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0
2. Lending rates											
2.1. Credit (91-180 days)	26.8	26.0	26.0	23.0	23.0	23.2	24.0	23.5	23.5	18.9	18.9
2.2. Credit (181 days-1 year)	27.0	26.0	26.0	23.3	22.9	22.9	23.5	23.3	23.2	19.0	18.9
2.3. Credit (over 1 year)	26.7	26.5	26.5	25.1	24.2	24.2	23.1	22.9	22.8	20.1	20.0
3. Deposit rates											
3.1. Deposits (up to 90 days)	11.6	12.2	12.2	-	-	-	-	-	-	-	-
3.2. a. Deposits (91 days-1 year)	13.2	13.7	13.7	-	-	-	-	-	-	-	-
3.2. b. Deposits (91-180 days)	-	-	-	10.0	7.6	7.6	7.6	7.6	8.0	3.9	3.9
3.2. c. Deposits (181 days-1 year)	-	-	-	10.1	8.9	6.9	6.5	6.3	6.3	4.2	3.9
3.3. Deposits (over 1 year)	13.9	12.8	12.8	8.0	9.4	6.8	6.3	6.3	6.2	4.0	4.6
Memo item:											
Inflation (year-on-year % change)	12.9	11.9	10.4	7.1	6.4	6.5	5.0	4.8	4.0	4.7	5.6

Source: Banco Central de São Tomé e Príncipe.

Notes: Indicative rates (calculated on the basis of raw information provided by banks). The series of deposit rates (term deposits) before and after 2012 are not comparable due to changes in classification.

**Table 64 • Financial stability indicators**

Per cent

	2011	2012	2013	2014	2015				2016
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
<b>Capital Adequacy</b>									
Tier 1 ratio	27.7	20.3	22.7	22.6	24.1	23.4	21.9	24.1	24.0
Percentage of banks w/ratio >= 10%	100.0	87.5	75.0	75.0	71.4	71.4	71.4	85.7	85.7
Percentage of banks w/ratio > 6% and < 10%	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0
Percentage of banks w/ratio < 6%	0.0	12.5	12.5	25.0	28.6	28.6	28.6	14.3	14.3
Capital (net)/Assets	26.5	22.7	18.4	20.3	17.1	15.7	13.0	15.5	14.0
<b>Asset Quality</b>									
Credit in foreign currency/total credit	68.5	57.9	53.9	46.5	48.3	43.8	42.0	42.1	44.0
Non-performing loans/total loans	15.6	15.4	16.9	19.1	27.0	26.5	24.9	29.8	32.7
Liabilities/defaults	46.1	39.4	56.3	45.1	59.0	58.1	62.4	68.7	75.0
<b>Return</b>									
Return on assets (ROA)	0.5	-0.8	-2.1	-3.2	-3.5	-3.7	-4.5	-5.2	-1.8
Return on equity (ROE)	1.5	-3.3	-9.3	-15.9	-17.8	-19.4	-25.0	-27.1	-9.5
Costs/returns	119.3	117.8	471.1	164.5	350.2	255.3	226.3	215.9	244.0
<b>Liquidity</b>									
Liquid assets/total assets	20.4	37.8	40.8	45.8	49.7	51.6	49.3	52.0	49.0
Liquid assets/short-term liabilities	36.7	61.5	39.6	72.7	79.5	79.7	71.1	72.5	68.0
Credit/total liabilities	83.0	64.7	56.3	47.3	47.5	43.2	45.9	47.1	48.0
Foreign currency-denominated liabilities/total liabilities	35.0	30.8	27.0	28.1	27.6	27.5	23.4	30.0	29.0
Credit/deposits	119.5	101.7	85.8	69.6	71.4	64.5	68.3	63.5	65.0

Sources: Banco Central de São Tomé e Príncipe and International Monetary Fund.

**Table 65 • Exchange rates****Average rates**

		EUR/STD		USD/STD		EER <sup>(a)(b)</sup>	
		Exchange rate	Annual change	Exchange rate	Annual change	Nominal	Real
2008		21,602	16.4	14,685	8.5	116.9	113.5
2009		22,510	4.2	16,208	10.4	112.2	124.6
2010		24,500	8.8	18,574	14.6	105.4	127.3
2011		24,500	0.0	17,754	-4.4	107.0	139.8
2012		24,500	0.0	19,211	8.2	105.5	146.1
2013		24,500	0.0	18,618	-3.1	106.5	156.1
2014		24,500	0.0	18,594	-3.1	107.0	165.5
2015		24,500	0.0	22,178	19.3	107.4	170.4
2014	January	24,500	0.0	18,120	-3.9	107.4	163.8
	February	24,500	0.0	18,082	-2.0	107.4	164.6
	March	24,500	0.0	17,852	-6.2	107.7	163.6
	April	24,500	0.0	17,872	-5.9	107.7	164.3
	May	24,500	0.0	17,951	-5.6	107.6	165.6
	June	24,500	0.0	18,165	-3.0	107.3	165.8
	July	24,500	0.0	18,126	-4.0	107.3	166.9
	August	24,500	0.0	18,525	-0.1	106.9	166.4
	September	24,500	0.0	19,078	3.1	106.3	165.1
	October	24,500	0.0	19,467	7.5	106.2	165.5
	November	24,500	0.0	19,788	8.2	106.2	166.5
	December	24,500	0.0	20,002	11.0	106.3	168.3
2015	January	24,500	0.0	21,090	16.4	105.3	168.7
	February	24,500	0.0	21,745	20.3	105.1	168.6
	March	24,500	0.0	22,739	27.4	104.5	165.8
	April	24,500	0.0	22,612	26.5	103.0	163.5
	May	24,500	0.0	21,861	21.8	105.6	166.9
	June	24,500	0.0	21,820	20.1	108.1	170.8
	July	24,500	0.0	22,452	23.9	108.3	171.2
	August	24,500	0.0	22,189	19.8	108.6	172.6
	September	24,500	0.0	21,996	15.3	110.4	174.2
	October	24,500	0.0	21,957	12.8	110.4	174.2
	November	24,500	0.0	22,951	16.0	109.4	173.1
	December	24,500	0.0	22,723	13.6	109.6	174.5
2016	January	24,500	0.0	22,386	6.1	113.4	182.1
	February	24,500	0.0	22,234	2.2	114.1	182.7
	March	24,500	0.0	22,275	-2.0	114.3	180.6
	April	24,500	0.0	21,780	-3.7	115.7	184.0
	May	24,500	0.0	21,804	-0.3	115.7	183.1
	June	24,500	0.0	21,980	0.7	115.5	180.4
	July	24,500	0.0	22,134	-1.4	115.3	179.0

Sources: Banco Central de São Tomé e Príncipe and Banco de Portugal calculations.

Notes: (a) Effective exchange rate index (EERI), calculated on the basis of exchange rates applied to the currencies of São Tomé and Príncipe's main trading partners; (b) An increase/decrease in the EERI (nominal or real) corresponds to an appreciation/depreciation of the STD.



## 6. Timor-Leste

**Area:** 14,954 Km<sup>2</sup>

**Capital city:** Dili

**Population:** 1.167 million

(2015; source: General Directorate of Statistics of Timor-Leste)

**Currency:** US dollar (USD)

Growth in East Timorese economy (non-oil sector) in 2015 was below expectations, although current public expenditure (its main catalyst) has remained high. The exploitation of energy resources (oil and gas) continued to follow a downward path, which will tend to be exacerbated over the next few years due to the depletion of its main active oil field. Inflation has posted negative values since the last quarter of 2015, chiefly due to the appreciation of the US dollar (Timor-Leste's official currency) against the currencies of its main trading partners. In 2015 and for the first time, the Petroleum Fund decreased, as a combined result of the fall in oil revenue and the growing need for public funding.

The performance of the Timorese economy, excluding the oil sector, **was below expectations in 2015**, given that the latest estimates point to a real change rate of only 4.3 per cent (forecast: 6.8 per cent). Furthermore, growth estimates for the previous years were revised downwards. This notwithstanding and for the first time in many years, non-oil GDP exceeded oil and gas production in 2015, reflecting the marked decrease in the extraction of energy goods (quantity effect and price effect). This trend is expected to continue, with non-oil GDP in 2016 corresponding to approximately 70 per cent of total GDP.

**Economic growth** over the past few years has been chiefly **sustained by the construction and services sectors** (mostly, general government). Manufacturing plays a mere residual role (there are a number of investment projects namely in the cement and beverage sectors, which have yet to materialise) and productivity in agriculture (despite its substantial weight in terms of labour use) is very low and calls for a comprehensive modernisation.

**Inflation has posted negative figures** since the last quarter of 2015, chiefly due to the performance of imported goods prices, given that in 2015 the currencies of the main origin countries of East Timorese imports (most notably, Indonesia) depreciated significantly against the US dollar, which is Timor-Leste's official currency. This fall in prices seems to have also been due to the removal of some bottlenecks in the distribution channels and the development of more competitive practices in terms of imports and distribution.

Despite a fall, to around half, in inflows from oil extraction, the **current account posted a surplus in 2015** (corresponding to 30.5 per cent of non-oil GDP), due to, on the one hand, a contraction in goods imports (partly due to the fall in the prices of derived petroleum products) and, on the other hand, the lower need for capital goods stemming from the construction of power stations, which have since been completed.

**Indonesia and Singapore remain the main suppliers of import goods**, but China has

gradually enhanced its presence, fostered by the progressive increase in Chinese economic interests in Timor-Leste, particularly in the trade and hotel sectors. On the exports side (coffee), the United States recovered their leading position lost to Germany two years before.

Although East Timorese authorities are aware of the risks stemming from high public expenditure levels given the prospect of a depletion in oil revenue in the short run, **the Budget for 2016 remains unchanged from previous years**, reinforcing the frontloading of investment in infrastructure, more specifically transport infrastructure (roads and ports) as a strategy to foster the economy's private sector growth.

In 2015 public expenditure fell marginally from the previous year, but this decrease was chiefly due to a delay in the launch of budgeted investment projects. The implementation rate in the investment component was below 70 per cent, while implementation in current expenditure was close to 90 per cent.

The need to finance public spending was mostly met with Petroleum Fund transfers, which is expected to continue in 2016, although this year it is projected that Timor-Leste will also **borrow from international institutions** (multilateral banks and cooperation agencies), to the extent that these loans are associated with technical support in the monitoring of investment projects (a field in which local resources are limited). However, even if these loans are granted, the cumulative external debt will remain below 10 per cent of non-oil GDP.

In this context, the performance of the Petroleum Fund is particularly significant. Its value grew almost exponentially up to 2014 (partly due to the increase in oil prices up to 2008 and subsequently in 2011-13), but decreased slightly in 2015, given that, on the one hand, revenue deriving from the exploitation of these resources was approximately half of that in 2014 and, on the other hand, transfers to the Treasury exceeded those of the previous year. In turn, income from the Fund's investments was affected by the current low return on financial assets, as well as (accounting) losses from the

exchange rate depreciation in the Fund's non-USD denominated assets. As a result of all these factors, **the Petroleum Fund was slightly lower at the end of 2015 than at the beginning of the year** (approximately USD 16.2 billions, corresponding to 11.5 times the non-oil GDP). In the first half of 2016 the value of the Fund's assets increased, but is likely to be insufficient to reach the budgeted value at the end of 2016 (USD 18 billions).

Similarly to previous years, the **value of the banking system's net foreign assets** (mostly concentrated in the central bank) **continued to fluctuate markedly**: following a sharp increase in 2015 (of more than 34 per cent), in the first five months of 2016 these net assets fell by around 16 per cent, which led to a decrease in broad money, most notably in the demand deposits component.

**Credit to the private sector increased slightly in 2015**, but this dynamics shifted in 2016, given that this variable virtually stagnated. The lack of feasible opportunities of lending for investment purposes and legal difficulties in terms of loan collateralisation (land registration loopholes and virtual inability to exercise claims in the event of non-compliance) impose severe limitations to credit expansion, which at the end of 2015 accounted for only approximately 15 per cent of non-oil GDP. The non-performing loans ratio

decreased in 2015, accounting for around 23 per cent of total credit granted, and is chiefly due (approximately two-thirds) to reckless lending practices by a single banking institution between 2004 and 2007. These potential losses, however, have been fully provisioned.

Although small, the banking sector of Timor-Leste has made **substantial progress in terms of its infrastructure, most notably as regards its payment system**, which since 2015 has in place a new real-time gross settlement system, associated with a unified electronic payment processing platform (namely, debit and credit cards and POS payments), IT applications developed by the central bank in cooperation with the four banking institutions operating in Timor-Leste.

**Timor-Leste's currency, the US dollar, appreciated markedly up to the end of the third quarter of 2015** against the currencies of economic partners (more specifically, the Indonesian rupiah, but also the Australian dollar). Theoretically, this exchange rate performance hampered the Timorese economy's competitiveness, despite its negative inflation. Timor-Leste's economic competitiveness is, affected, however, by other weaknesses, most notably its small size and infrastructure deficiencies.

**Table 66 • Main economic indicators**

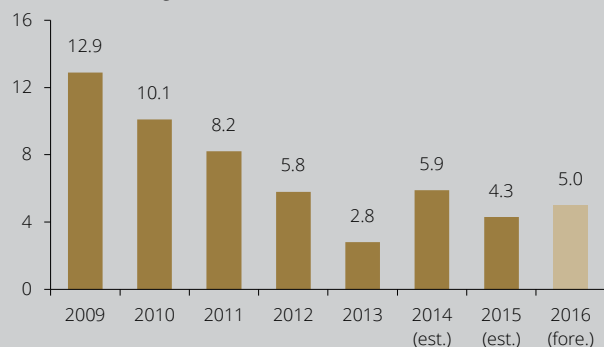
	2011	2012	2013	2014	2015 Est.	2016 For.
Total GDP (real % change)	10.8	1.9	-12.8	-27.8	-0.6	-8.8
Non-oil GDP (real % change)	8.2	5.8	2.8	5.9	4.3	5.0
Inflation (y-o-y % change) <sup>(a)</sup>	17.4	9.1	4.0	0.3	-0.6	-1.5
Broad money (rate of change) <sup>(b)</sup>	10.5	24.8	22.9	20.0	7.0	-14.1
Current account (% of non-oil GDP)	209	211	181	80	31	2.8
Fiscal balance (% of non-oil GDP)	215	225	179	66	7.9	14
Oil revenue (% of non-oil GDP)	301	307	250	151	91	108
Petroleum Fund (% of non-oil GDP)	810	912	1,139	1,181	1,149	1,214

Sources (for the subsequent charts also): Banco Central de Timor-Leste, Ministry of Finance of Timor-Leste and International Monetary Fund.

Notes: (a) The inflation figure for 2016 corresponds to the year-on-year change recorded at the end of July. (b) The broad money figure for 2016 corresponds to the change between December 2015 and May 2016.

**Chart 65 • Non-oil GDP**

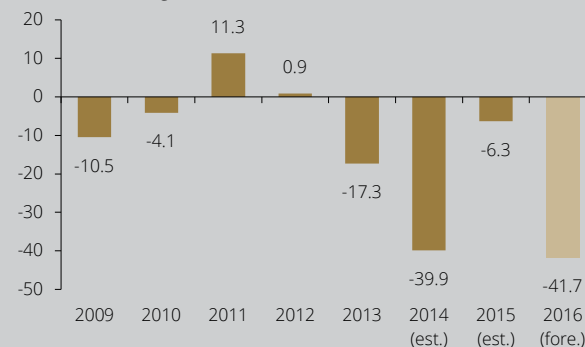
Real annual % change



The pace of economic growth in Timor-Leste (non-oil sector) slowed down in 2015 from the previous year. For 2016, this growth is expected to accelerate somewhat, fueled by investment in infrastructure.

**Chart 66 • Oil GDP**

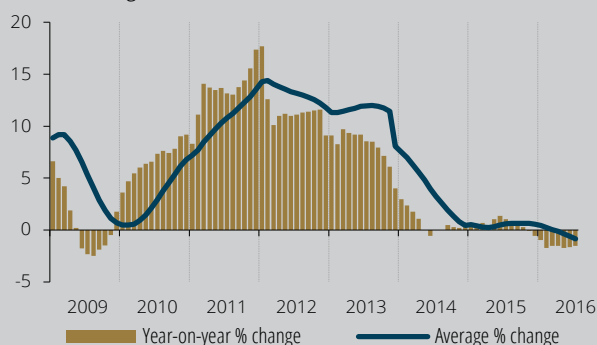
Real annual % change



The fall in oil production was not as marked as in the previous year, but the forecast decrease in production volumes (given that the Bayu-Undan oil field will soon be depleted) will lead to a substantial decline in 2016.

**Chart 67 • Inflation**

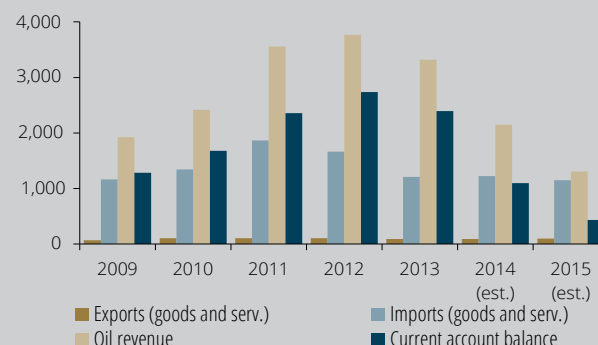
Annual % change of the CPI



The appreciation of the US dollar against the currencies of Timor-Leste's main trading partners (suppliers) is the main factor behind the negative inflation levels seen since the last quarter of 2015.

**Chart 68 • External accounts**

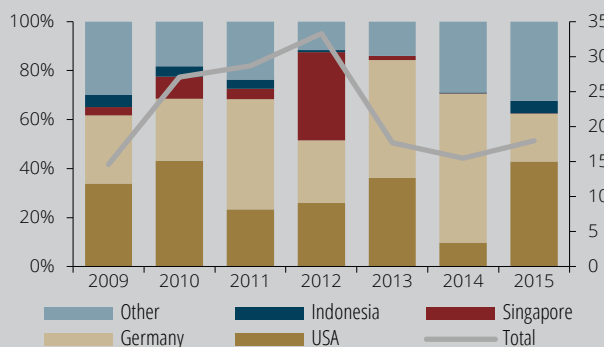
USD millions



The fall in oil revenue (both tax revenue and income from Petroleum Fund investments) and the maintenance of a high deficit in goods and services have been behind a continued decrease in current account surpluses.

**Chart 69 • Goods exports**

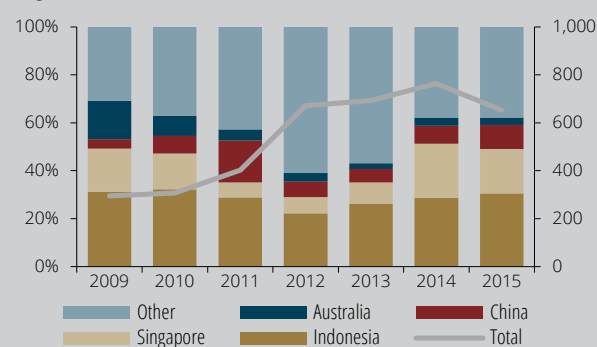
Destinations as a %, total in USD millions



In 2015 Timor-Leste's exports (mostly, coffee) recovered slightly, following declines in 2013 and 2014. The United States were once again the main buyer of Timorese coffee, after a two-year period when Germany was its main consumer.

**Chart 70 • Goods imports**

Origins as a %, total in USD millions

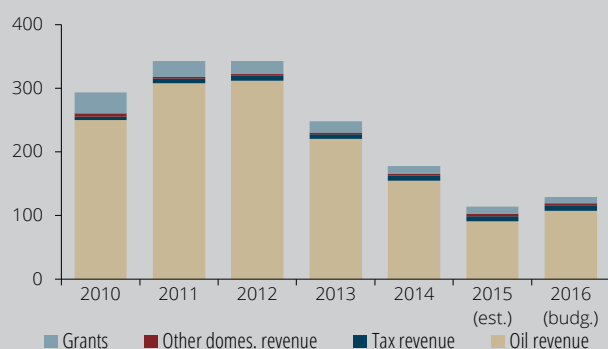


The level of imports declined in 2015, after substantial increases over the past three years due to purchases of equipment, most notably for the new power stations. Indonesia has consolidated its role as the country's largest supplier.



**Chart 71 • Public revenue**

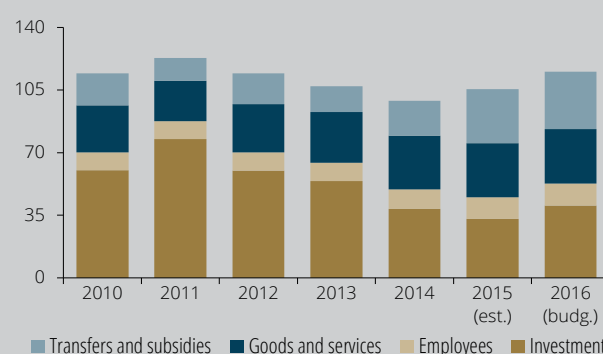
Non-oil GDP, %



Since 2012, oil revenue has decreased markedly and grants have become less relevant. As such, the sustainability of public accounts would call for a tax reform to facilitate the reinforcement of domestic revenue.

**Chart 72 • Public expenditure**

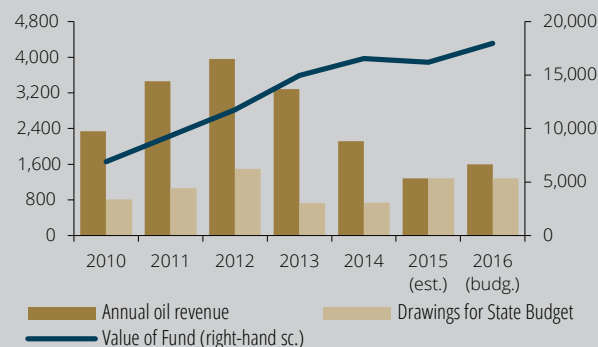
Non-oil GDP, %



The slight fall in expenditure on infrastructure investment projects was counterbalanced by increases in transfers (more specifically, to projects in the Oecusse enclave/special economic zone) and, consequently, total public expenditure has been on the rise.

**Chart 73 • Petroleum fund**

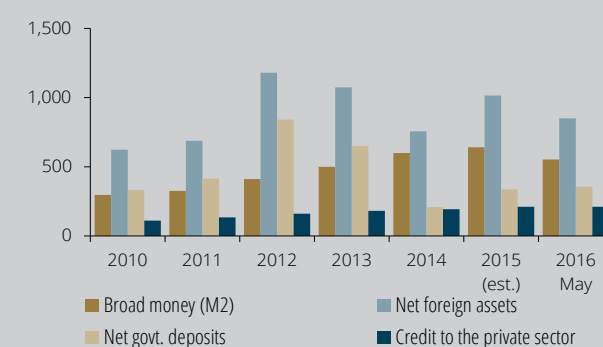
USD millions



In 2015, for the first time since the establishment of the Petroleum Fund, its transfers to the Treasury were substantially the same as revenue, with the Fund's value virtually stagnating. Its profitability was negatively conditioned by the low interest rate levels.

**Chart 74 • Monetary aggregates**

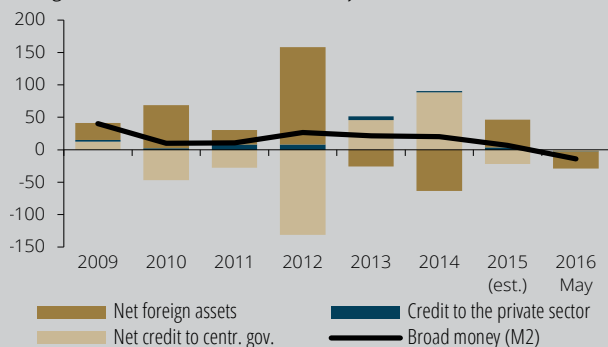
USD millions



The behaviour of monetary aggregates, more specifically net foreign assets, is strongly affected by transfers between the Petroleum Fund and the Treasury account. In the first half of 2016 there was an uncommon reduction in broad money.

**Chart 75 • Liq. expansion/contraction factors**

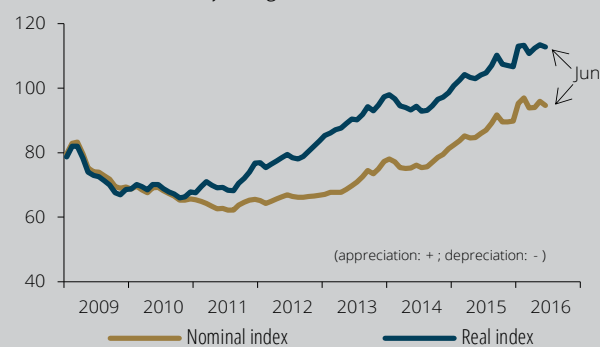
Changes in % of initial stock of broad money



The increase in foreign assets led to a rise in broad money in 2015, which was virtually reversed up to May 2016. Credit has nearly stagnated, reflecting the lack of investment opportunities.

**Chart 76 • Effective exchange rate**

Index: 100 = 2001, monthly averages



The appreciation of the US dollar against the currencies of Timor-Leste's main trading partners, which started in 2011, was even more marked in 2015. However, since January 2016 the Australian and Indonesian currencies have recovered.

Table 67 • Economic indicators

		2010	2011	2012	2013	2014 Est.	2015 Est.	2016 For.
Output and prices								
Gross domestic income	USD millions	4,274	5,973	6,809	5,641	4,176	2,620	2,100
Total GDP	USD millions	-1.3	10.8	1.9	-12.8	-27.8	-0.6	-8.8
	real % change	941	1,149	1,291	1,313	1,400	1,412	1,480
Non-oil GDP	USD millions	10.1	8.2	5.8	2.8	5.9	4.3	5.0
	real % change	22.0	19.2	19.0	23.3	33.5	53.9	70.5
Inflation	y-o-y change	9.2	17.4	9.1	4.0	0.3	-0.6	-1.5 Jul.
	average % change	6.8	13.5	11.8	8.1	0.5	0.4	-0.8 Jul.
Public finances								
Total revenue	% of non-oil GDP	292	335	337	282	183	114	129
Domestic revenue	% of non-oil GDP	10	9.5	11	12	12	12	12
Oil revenue	% of non-oil GDP	248	301	307	250	151	91	108
Other revenue	% of non-oil GDP	33	25	20	20	19	11	10
Total expenditure	% of non-oil GDP	114	120	112	102	116	106	115
Current expenditure	% of non-oil GDP	54	44	54	56	65	72	75
Capital expenditure	% of non-oil GDP	60	76	59	47	51	33	40
Overall balance	% of non-oil GDP	178	215	225	179	66	8	14
Petroleum Fund	% of non-oil GDP	734	810	912	1,139	1,181	1,149	1,214
Money and credit								
Net foreign assets <sup>(a)</sup>	USD millions	622	689	1,179	1,073	757	1,016	849 May
	rate of change <sup>(b)</sup>	40.4	10.8	71.1	-9.0	-29.5	34.2	-16.4 May
	months of imports	5.6	4.4	8.5	10.7	7.4	10.6	7.9 May
Credit to the economy (priv. s.)	USD millions	110	133	160	182	192	212	211 May
	rate of change <sup>(b)</sup>	5.8	20.9	20.3	13.8	5.3	10.6	-0.5 May
Public sector net deposits	USD millions	331	413	841	651	207	339	356 May
	rate of change <sup>(b)</sup>	60.7	24.8	103.6	-22.6	-68.2	63.6	5.0 May
Broad money	USD millions	295	326	407	500	600	642	552 May
	rate of change <sup>(b)</sup>	10.1	10.5	24.8	22.9	20.0	7.0	-14.1 May
Balance of payments								
Merchandise exports <sup>(c)</sup>	USD millions	102	108	102	88	89	97	100
Merchandise imports	USD millions	1,343	1,866	1,661	1,204	1,226	1,145	1,297
Oil income <sup>(d)</sup>	USD millions	2,338	3,461	3,960	3,286	2,117	1,281	1,594
Current account	USD millions	1,678	2,352	2,736	2,391	1,096	431	41
	% of non-oil GDP	179.4	209.4	211.3	181.3	79.9	30.5	2.8
Capital and financial account	USD millions	-1,505	-2,249	-2,220	-2,545	-1,391	-304	-33
	% of non-oil GDP	-160.9	-200.2	-171.4	-192.9	-101.4	-21.5	-2.2
Overall balance	USD millions	156	55	422	-197	-376	127	8
	% of non-oil GDP	16.6	4.8	32.7	-15.0	-26.9	9.0	0.5
Exchange rates								
USD / IDR (Indonesia)	average rate	9,085	8,777	9,384	10,463	11,913	13,387	13,165 Aug.
USD / AUD (Australia)	average rate	1.1	1.0	1.0	1.0	1.1	1.3	1.3 Aug.
Nominal EERI (Index: 100 = 2001 <sup>(e)</sup> )	rate of change <sup>(b)</sup>	-5.3	-0.2	1.9	15.6	5.1	10.5	5.4 Jun.
Real EERI (Index: 100 = 2001) <sup>(e)</sup>	rate of change <sup>(b)</sup>	-1.0	13.1	4.9	16.4	1.3	8.1	5.8 Jun.

Sources: Banco Central de Timor-Leste, Ministry of Finance of Timor-Leste, General Directorate of Statistics of Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Does not include Petroleum Fund assets; (b) Rate of change compared with the previous December; (c) Does not include oil/gas exports; (d) Includes payments to the State by energy companies and income from Petroleum Fund investments; (e) Effective exchange rate index (EERI) calculated on the basis of the exchange rates of Timor-Leste's main trading partners. Appreciation: + / Depreciation: -.

**Table 68 • Gross domestic product**

Constant prices (2010), USD millions

	2009	2010	2011	2012	2013	2014 Est.	2015 For.	2016 Fore.
Agriculture, fishing and forestry	173	191	194	259	276	279	–	–
Mining and quarrying	2,572	3,333	4,826	5,519	4,330	2,777	–	–
of which: Extraction of petroleum and natural gas	2,570	3,333	4,824	5,518	4,328	2,775	–	–
Manufacturing	12	11	11	11	12	13	–	–
Construction	139	155	248	240	215	246	–	–
Trade and services	366	410	450	512	494	508	–	–
Trade (wholesale and retail)	187	187	207	234	246	270	–	–
Information and communication	38	45	56	62	43	27	–	–
Financial activities	4	3	8	9	11	12	–	–
Real estate	74	84	92	113	103	104	–	–
Professional, scient., technical and admin.	7	25	30	37	38	48	–	–
Other services	56	66	57	57	53	47	–	–
Public administration	148	175	208	268	324	362	–	–
Taxes less subsidies (on products)	-12	1	37	2	-11	-11	–	–
Gross Domestic Product (total)	3,397	4,274	5,973	6,809	5,641	4,176	2,620	2,100
Gross Domestic Product (non-oil)	827	941	1,149	1,291	1,313	1,400	1,412	1,480
Gross Domestic Product (oil sector)	2,570	3,333	4,824	5,518	4,328	2,775	1,207	620
Consumption	1,416	1,551	1,720	2,091	1,995	2,067	–	–
Private consumption	569	637	764	1,009	1,077	1,119	–	–
Public consumption	847	914	956	1,082	918	948	–	–
Gross investment	494	481	853	753	586	633	–	–
Gross Fixed Capital Formation	493	475	845	731	569	624	–	–
Changes in inventories	1	6	8	21	17	8	–	–
<b>Domestic demand</b>	1,910	2,032	2,573	2,844	2,581	2,700	–	–
Exports of goods and services	3,165	4,013	5,520	6,524	5,318	3,872	–	–
Exports of oil goods	3,089	3,920	5,421	6,401	5,217	3,791	–	–
Exports of non-oil goods and services	76	93	99	123	101	81	–	–
<b>Overall demand</b>	5,075	6,045	8,093	9,368	7,899	6,572	–	–
Imports of goods and services	1,677	1,771	2,120	2,559	2,258	2,396	–	–
Gross domestic product (total)	3,397	4,274	5,973	6,809	5,641	4,176	2,620	2,100
Memo item:								
Non-oil GDP (real % change)	12.9	10.1	8.2	5.8	2.8	5.9	4.3	5.0
Total GDP (real % change)	-6.7	-1.3	10.8	1.9	-12.8	-27.8	-0.6	-8.8
Non-oil GDP (% of total GDP)	24.3	22.0	19.2	19.0	23.3	33.5	53.9	70.5

Sources: General Directorate of Statistics (Timor-Leste) (2000-14 National Accounts), Banco Central de Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Table 69 • Consumer price index

Per cent

		Monthly change	Cumulative change	Year-on-year change	Average change
		[1]	[2]	[3]	[4]
2002	December	–	9.5	9.5	
2003	December	–	4.2	4.2	7.2
2004	December	–	1.8	1.8	3.2
2005	December	–	0.9	0.9	1.1
2006	December	–	7.3	7.3	3.9
2007	December	–	8.6	8.6	10.3
2008	December	–	7.5	7.5	9.0
2009	December	–	1.8	1.8	0.7
2010	December	–	9.2	9.2	6.8
2011	December	–	17.4	17.4	13.5
2012	December	–	9.1	9.1	11.8
2013	December	–	4.0	4.0	8.1
2014	December	–	0.3	0.3	0.5
2015	December	–	-0.6	-0.6	0.6
2014	January	0.3	0.3	3.0	7.5
	February	0.0	0.3	2.4	7.0
	March	0.1	0.4	1.8	6.3
	April	0.1	0.5	1.1	5.6
	May	-0.8	-0.3	0.0	4.8
	June	-0.2	-0.6	-0.6	4.0
	July	0.2	-0.4	0.0	3.3
	August	0.1	-0.3	0.0	2.6
	September	0.1	-0.1	0.5	1.9
	October	-0.1	0.0	0.3	1.3
	November	0.1	0.1	0.2	0.8
	December	0.2	0.3	0.3	0.5
	December (fore.)	–	–	1.0	2.5
2015	January	0.6	0.6	0.6	0.5
	February	0.0	0.6	0.6	0.4
	March	0.2	0.8	0.7	0.3
	April	-0.1	0.7	0.5	0.2
	May	-0.2	0.5	1.1	0.3
	June	0.0	0.5	1.4	0.5
	July	-0.1	0.4	1.1	0.6
	August	-0.2	0.2	0.8	0.6
	September	-0.1	0.1	0.5	0.6
	October	-0.1	0.0	0.3	0.6
	November	-0.3	-0.3	-0.1	0.6
	December	-0.3	-0.6	-0.6	0.6
	December (fore.)	–	–	1.9	1.1
2016	January	0.2	-0.4	-1.0	0.4
	February	-0.6	-1.0	-1.7	0.2
	March	0.1	-0.9	-1.5	0.1
	April	-0.2	-1.1	-1.5	-0.1
	May	-0.2	-1.2	-1.7	-0.4
	June	0.0	-1.2	-1.6	-0.6
	July	-0.1	-1.3	-1.5	-0.8
	December (fore.)	–	–	3.6	1.5

Sources: Banco Central de Timor-Leste, General Directorate of Statistics (Timor-Leste), International Monetary Fund and Banco de Portugal calculations.  
 Notes: [1] month (n) / month (n-1); [2] month (n) / Dec. (prev. year); [3] month (n) / month (n) of the previous year; [4] past 12 months / previous 12 months.

**Table 70 • Balance of payments**

USD millions

	2010	2011	2012	2013	2014 Est.	2015 Est.	2016 Fore.
Current account	1,678	2,352	2,736	2,391	1,096	431	41
Trade account	-280	-373	-638	-679	-749	-635	-710
Exports <sup>(a)</sup>	27	29	33	18	15	18	17
of which: Coffee	17	12	32	17	15	17	16
Imports	-307	-402	-672	-696	-764	-653	-728
of which: Consumer and intermediate goods	-257	-303	-506	-552	-606	-517	-577
Capital goods	-50	-99	-166	-144	-159	-135	-151
Services	-961	-1,385	-920	-437	-388	-414	-486
Exports	75	79	69	70	74	79	83
of which: Travel	31	24	21	29	35	33	36
Imports	-1,036	-1,464	-989	-508	-462	-492	-569
Income	2,435	3,577	3,862	3,327	2,149	1,304	1,001
of which: Return on financial investments	278	312	207	275	331	327	869
Other primary income (oil products)	2,134	3,247	3,559	3,042	1,817	979	145
Current transfers	484	533	432	179	84	176	236
of which: Official grants	445	457	395	165	81	158	194
Capital and financial account	-1,505	-2,249	-2,220	-2,545	-1,391	-304	-33
Capital account	31	26	23	20	-3	28	20
Financial account	-1,536	-2,275	-2,265	-2,564	-1,387	-332	-53
of which: Investment of oil savings	-1,509	-2,424	-2,280	-2,556	-1,385	-2	111
Foreign direct investment	55	14	51	62	47	35	170
External debt flows	0	0	0	6	16	25	107
Items in transit, errors and omissions	-17	-48	-94	-43	-81	0	0
Overall balance	156	55	422	-197	-376	127	8
Financing	-156	-55	-422	197	376	-127	-8
Change in net foreign assets (increase: - )	-156	-55	-422	197	376	-127	-8
Memo items:				(% of non-oil GDP)			
Oil revenues <sup>(b)</sup>	249.3	308.2	311.8	238.9	143.3	92.4	69.2
Current account	179.4	209.4	211.3	181.3	79.9	30.5	2.8
Capital and financial account	-160.9	-200.2	-171.4	-192.9	-101.4	-21.5	-2.2

Sources: Banco Central de Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) The value of revenue from oil exports is accounted for as income and therefore is not recorded as goods exports. (b) Includes oil fiscal revenue and income from Petroleum Fund investments.

**Table 71 • Goods exports**

Destinations as a percentage of total exports

	2009	2010	2011	2012	2013	2014	2015
Australia	3.0	4.1	2.3	0.3	3.4	3.0	6.2
Germany	27.9	25.3	45.1	25.4	48.0	60.9	19.5
Indonesia	4.9	4.2	3.7	0.9	0.0	0.2	5.1
Japan	4.7	3.7	5.4	3.8	6.4	6.2	5.6
Portugal	8.9	4.3	0.9	0.6	0.9	9.1	2.3
Singapore	3.4	9.0	4.2	36.0	1.7	0.1	0.1
United States	33.8	43.2	23.3	26.1	36.3	9.8	42.9
Other	13.4	6.2	15.1	6.9	3.3	10.8	18.3
Value of exports <sup>(a)</sup>	14.6	27.1	28.7	33.3	17.7	15.5	18.0

Sources: Banco Central de Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Note: (a) USD millions.

**Table 72 • Goods imports**

Origins as a percentage of total imports

	2009	2010	2011	2012	2013	2014	2015
Australia	16.0	8.4	4.5	3.5	2.3	3.4	3.1
China	3.9	7.2	17.6	6.5	5.7	7.5	10.0
Indonesia	31.2	32.2	28.8	22.2	26.1	28.7	30.6
Japan	2.6	3.4	1.7	3.5	1.6	2.2	1.4
Malaysia	2.7	1.7	4.0	7.7	11.5	6.5	7.2
Portugal	3.2	2.4	1.4	1.6	1.8	5.7	1.7
Singapore	18.1	15.1	6.3	6.8	9.0	22.6	18.5
Thailand	1.1	1.1	2.4	1.7	1.0	3.7	2.4
Vietnam	11.7	4.7	2.2	4.6	5.9	6.1	6.5
Other	9.3	23.8	30.9	41.9	35.2	13.5	18.6
Value of imports <sup>(a)</sup>	295.1	307.4	401.9	672.0	696.2	764.2	652.9

Sources: Banco Central de Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Note: (a) USD millions.

**Table 73 • Government operations**

USD millions

	2010	2011	2012	2013	2014	2015			2016
						Budg.	Est.	I.e. <sup>(a)</sup>	Budg.
Total revenue	2,744	3,854	4,351	3,698	2,555	1,819	1,612	88.6	1,908
Domestic revenue	96	109	138	151	168	170	170	99.8	171
Direct taxes	18	28	37	40	53	46	53	116.6	52
Indirect taxes	32	51	61	64	71	80	66	83.1	64
Other domestic revenue	46	30	39	46	44	45	50	112.3	55
Oil revenue <sup>(b)</sup>	2,338	3,461	3,960	3,286	2,117	1,394	1,281	91.9	1,594
Tax revenue from oil exploitation	2,117	3,240	3,559	3,042	1,817	862	979	113.6	719
Income from Petroleum Fund investments	221	221	401	245	300	532	302	56.7	875
Grants (to projects and infrastructures)	309	284	254	260	270	254	161	63.3	143
Total expenditure	1,070	1,381	1,451	1,342	1,629	1,824	1,501	82.3	1,706
Current expenditure	506	509	691	731	913	1,147	1,023	89.2	1,107
Compensation of employees	92	112	131	142	163	178	170	96.0	182
Expenditure on goods and services	246	254	342	392	459	516	425	82.3	449
Current transfers and subsidies	169	143	219	197	292	455	428	94.2	476
Capital expenditure	564	872	760	611	717	677	467	69.1	599
Expenditure funded by Treasury resources	–	–	–	351	446	422	306	72.6	455
Expenditure funded by external grants	–	–	–	260	270	254	161	63.3	143
Overall balance	1,675	2,473	2,900	2,356	926	-6	111	–	203
Overall balance (excl. oil revenue)	1,527	2,406	2,465	2,556	1,385	67	2	–	310
Financing	-664	-989	-1,060	-930	-1,191	-1,400	-1,170	–	-1,391
Change in treasury balances (increase: -)	664	989	1,060	930	1,191	1,400	1,170	–	1,391
Drawings from the Petroleum Fund (sust. income)	-147	-70	-478	194	443	2	-132	–	0
Drawings from the Petroleum Fund (above sust. income)	650	657	654	730	632	639	639	–	545
Indebtedness (disbursements)	161	399	841	0	100	689	640	–	739
Indebtedness (disbursements)	0	0	22	6	16	70	24	–	107
Other (including errors and omissions)	0	4	21	0	0	0	0	–	0
Memo items:									
Non-oil GDP (USD millions)	941	1,149	1,291	1,313	1,400	–	1,412	–	1,480
Overall balance (% of non-oil GDP)	178	215	225	179	66	–	8	–	14
Overall balance, excl. oil revenue (% of non-oil GDP)	-71	-86	-82	-71	-85	–	-83	–	-94
Petroleum Fund (cumulative, USD millions)	6,904	9,310	11,775	14,952	16,539	–	16,218	–	17,967
Petroleum Fund (% of non-oil GDP)	734	810	912	1,139	1,181	–	1,149	–	1,214

Sources: Banco Central de Timor-Leste, Ministry of Finance of Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Notes: (a) Level of budget execution, per cent; (b) Includes tax revenue from oil exploitation and income from the Petroleum Fund's financial investments;

**Table 74 • Monetary survey**  
USD millions

	2010		2011		2012		2013		2014		2015		Dec. 15 / Dec. 14		2016		May 16 / Dec. 15	
	Dec.		Dec.		Dec.		Dec.		Dec.		Dec.		[1]	[2]	May		[1]	[2]
Net foreign assets	622		689		1,179		1,073		757		1,016		34.2	43.1	849		-16.4	-25.9
Foreign assets	650		756		1,251		1,091		832		1,099		32.0	44.4	929		-15.5	-26.6
Banco Central de Timor-Leste	406		498		884		687		311		438		40.6	21.1	189		-56.8	-38.8
Commercial banks	244		259		368		404		521		661		26.9	23.4	740		11.8	12.2
Foreign liabilities	-28		-68		-72		-18		-75		-83		11.5	-1.4	-80		-4.7	0.6
Banco Central de Timor-Leste	-12		-14		-12		-12		-11		-11		-4.5	0.1	-11		1.9	-0.0
Commercial banks	-16		-53		-60		-6		-64		-73		14.3	-1.5	-69		-5.6	0.6
Net domestic assets	-327		-362		-772		-572		-157		-374		138.2	-36.2	-298		-20.4	11.9
Net claims on government	-331		-413		-841		-651		-207		-339		63.6	-22.0	-356		4.9	-2.6
Gross loans to government	22		6		0		0		0		0		-	0.0	0		-	0.0
Government deposits	-353		-419		-841		-651		-207		-339		63.6	-22.0	-298		-12.2	6.4
Credit to the economy	110		133		160		182		192		212		10.5	3.4	211		-0.4	-0.1
Other assets (net)	-105		-83		-91		-103		-141		-247		75.2	-17.7	-153		-38.0	14.6
Total assets of the banking system	295		326		407		500		600		642		7.0	-	552		-14.1	-
Broad money	295		326		407		500		600		642		7.0	-	552		-14.1	-
Currency in circulation (coin) <sup>(a)</sup>	3		4		5		7		10		12		24.5	-	13		9.0	-
Demand deposits	138		163		206		273		333		386		15.7	-	305		-20.8	-
Time deposits and other deposits	154		160		196		221		257		244		-5.0	-	233		-4.6	-
Memo items:																		
Rate of change in broad money	10.1		10.5		26.4		23.1		20.2		7.0		-	-	-14.1		-	-
Inflation rate (y-o-y rate of change)	9.2		17.4		11.7		4.0		-0.1		-1.1		-	-	-1.7		-	-
Petroleum Fund assets (USD millions)	6,904		9,310		11,775		14,952		16,539		16,218		-1.9	-	16,466 <sup>(b)</sup>		1.5	-
Public net foreign assets <sup>(c)</sup> (in mo. of imports)	69		66		91		156		165		169		-	-	154		-	-

Sources: Banco Central de Timor-Leste, International Monetary Fund and Banco de Portugal calculations.

Notas: [1] Percentage change from the previous period. [2] Percentage changes in relation to the stock of broad money at the start of the period (expansion/contraction determinants).

(a) The aggregate currency in circulation only includes coins (centavos, sub-denomination of the USD) issued by Banco Central de Timor-Leste, not including USD banknotes held by Timorese residents, as these are not liabilities of the Timorese banking system. (b) Petroleum Fund value as at 30 June 2016. (c) Public net foreign assets correspond to the sum of foreign exchange reserves and the value of Petroleum Fund assets.



**Table 75 • Exchange rates**

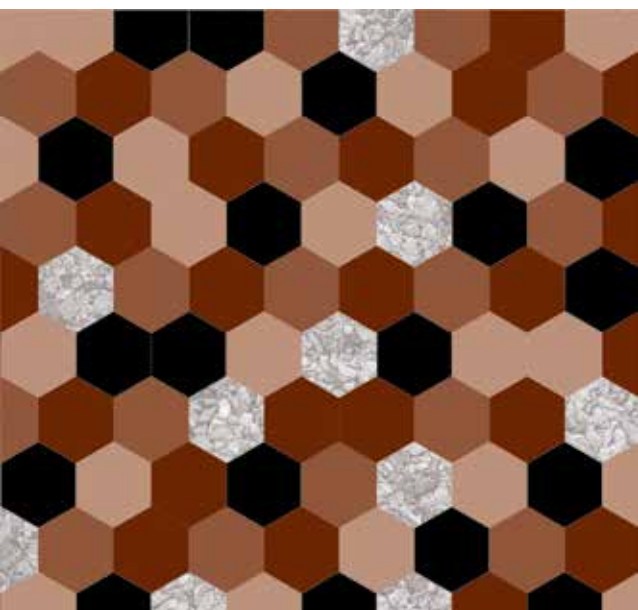
Average rates

		USD/AUD	USD/IDR	EUR/USD	EERI <sup>(a)</sup>	
					Nominal	Real
2007		1.2	9,140	1.4	71.3	70.0
2008		1.2	9,690	1.5	71.4	71.2
2009		1.3	10,412	1.4	75.1	73.7
2010		1.1	9,085	1.3	67.6	68.5
2011		1.0	8,777	1.4	63.9	70.5
2012		1.0	9,384	1.3	66.0	78.8
2013		1.0	10,463	1.3	71.0	90.6
2014		1.1	11,913	1.3	77.0	95.3
2015		1.3	13,387	1.1	86.9	105.1
2014	January	1.2	12,710	1.3	78.1	97.9
	February	1.1	11,952	1.4	77.1	96.7
	March	1.1	11,422	1.4	75.4	94.5
	April	1.1	11,423	1.4	75.1	94.0
	May	1.1	11,537	1.4	75.2	93.2
	June	1.1	11,881	1.4	76.2	94.5
	July	1.1	11,692	1.4	75.4	92.9
	August	1.1	11,709	1.3	75.7	93.1
	September	1.1	11,883	1.3	77.0	94.5
	October	1.1	12,148	1.3	78.5	96.6
	November	1.2	12,162	1.2	79.4	97.2
	December	1.2	12,431	1.2	81.3	98.6
2015	January	1.2	12,574	1.2	82.4	100.7
	February	1.3	12,754	1.1	83.7	102.4
	March	1.3	13,064	1.1	85.2	104.2
	April	1.3	12,944	1.1	84.5	103.3
	May	1.3	13,122	1.1	84.7	102.9
	June	1.3	13,313	1.1	86.0	104.1
	July	1.4	13,375	1.1	87.0	104.8
	August	1.4	13,782	1.1	89.1	107.1
	September	1.4	14,396	1.1	91.7	110.2
	October	1.4	13,796	1.1	89.5	107.4
	November	1.4	13,673	1.1	89.6	107.1
	December	1.4	13,855	1.1	89.8	106.6
2016	January	1.4	13,889	1.1	95.3	113.0
	February	1.4	13,516	1.1	97.0	113.2
	March	1.3	13,193	1.1	93.9	110.8
	April	1.3	13,180	1.1	94.0	112.4
	May	1.4	13,420	1.1	95.9	113.5
	June	1.3	13,355	1.1	94.6	112.8
	July	1.3	13,119	1.1	–	–
	August	1.3	13,165	1.1	–	–

Sources: Banco Central de Timor-Leste, Reserve Bank of Australia, Bank Indonesia and Banco de Portugal calculations.

Notes: (a) Effective exchange rate index (EERI) calculated on the basis of the currencies of Timor-Leste's main trading partners: Indonesia, Australia, Singapore, Japan, Vietnam, Thailand and Portugal. Index: 2001 = 100. Index developments: appreciation: + / depreciation: -.





## Portugal's economic and financial relations with Portuguese-speaking African Countries and Timor-Leste

In 2015 and as regards Portugal's trade relations with Portuguese-speaking African Countries and Timor-Leste, exports and imports fell, by 27 and 28 per cent respectively, while Portuguese direct investment in this group of countries returned to positive territory, following disinvestment in 2014. The Portuguese-speaking African Countries' official debt to Portugal remained on a downward path, which was intensified by the appreciation of the US dollar against the euro, thus cutting the dollar values of commitments undertaken in the European currency.

Angola continued to be Portugal's main partner, accounting for the largest share of exports, imports and direct investment. In 2015 Mozambique accounted for the largest stock of official debt to Portugal, although with a declining tendency.



The decline in Portugal's trade relations with Angola led to a **substantial decrease in trade with Portuguese-speaking African Countries and Timor-Leste as a whole in 2015**. Exports to this group of countries declined by 27 per cent, thus interrupting the upward trend that began in 2011, with imports decreasing further from 2014, by 28 per cent. Against a background of an increase in trade between Portugal and the rest of the world, these reductions led to a decrease in the share of Portuguese-speaking African Countries and Timor-Leste in total goods exported and imported by Portugal, to 5.7 and 2.1 per cent respectively (8.1 and 2.9 per cent in 2014).

The value of Portugal's **exports** to Angola declined by 34 per cent. Likewise, export flows to Cabo Verde contracted slightly (-0.1 per cent). Conversely, Portuguese goods sent to Mozambique and Guinea-Bissau increased, by 12 and 13 per cent respectively. By groups of goods, falls in exports were more substantial in terms of machinery and equipment, food, base metals and motor vehicles and other transport equipment, mostly with Angola as destination.

Portuguese **imports** of goods performed similarly to exports, with declines chiefly in goods from Angola (mineral fuels), but also Cabo Verde (footwear and food). In the other markets, special mention should be made to the increase in imports of agricultural goods and textile products from Mozambique.

Angola remains the most important market for Portugal's trade with Portuguese-speaking African Countries and Timor-Leste, accounting for 96 per cent of imports and 75 per cent of Portuguese exports. Mozambique (13 per cent of exports and 3 per cent of imports) and Cabo Verde (around 8 per cent of exports) are far behind.

The fall in exports to Angola was directly reflected in a reduction in Portugal's trade surplus with this group of six countries, of 6.1 per cent, to EUR 1,699 million. This decline was accompanied by a reduction in the services account (of 8.7 per cent, once again chiefly with Angola) and, as such, the **aggregate balance of bilateral current accounts** with

Portuguese-speaking African Countries and Timor-Leste fell by 10.6 per cent, to EUR 3,587 million, despite improvements associated with income. Moreover, Portuguese emigrants in Angola and Cabo Verde reduced further their remittances, which accounted for the second consecutive fall in such flows from the group of countries under review. In turn, remittances of these countries' immigrants in Portugal increased, particularly to Angola, Cabo Verde, Guinea-Bissau and Mozambique.

**Portuguese direct investment in Portuguese-speaking African Countries and Timor-Leste returned to positive territory in 2015**, following disinvestment in the previous year. Available estimates point to EUR 74 million investment in this group of countries, which corresponds to an improvement from 2014, but still far from past values (between 2010 and 2013 investment was positive and always stood above EUR 250 million, peaking at EUR 426 million in 2013). Following a few years on a counter cycle trend, Portuguese investment in Portuguese-speaking African Countries and Timor-Leste grew, in line with developments in Portuguese investment in the rest of the world, which more than doubled from 2014.

As of 2002, **transactions with Angola have set the direction and magnitude** of Portuguese investment in the group of countries under review. The second largest market is still clearly Mozambique, despite a marked fall (of 65 per cent), followed at a great distance by São Tomé and Príncipe. There was also net disinvestment in Cabo Verde, for the first time since 2011. The group represented 1.0 per cent of total Portuguese direct investment abroad in 2015.

The **recovery in Portuguese direct investment in the services sector**, more specifically as regards financial and insurance activities, following one year of disinvestment, together with some reinforcement in manufacturing, made it possible for the group of countries under review to post positive values in 2015. Disinvestment was only recorded in the construction sector, as has been the case over the past few years (except for 2013), in this case in Mozambique, Angola and Cabo Verde.

The group of Portuguese-speaking African Countries and Timor-Leste continued to direct positive direct investment flows into Portugal in 2015, reaching EUR 129 million, although below the level seen one year before. In 2015 these six countries accounted for 2.4 per cent of foreign direct investment in Portugal, which corresponds to a reduction in their share compared with 2014 (7.6 per cent).

Angola took on a leading role in the aggregate, accounting for 99.6 per cent of the total in 2015, investing in particular in the services sector (including financial and insurance activities) and construction. Of the remaining countries, reference should be made to Cabo Verde's investment (EUR 1.9 million) in the construction and services sectors.

The official debt of Portuguese-speaking African Countries to Portugal declined further in 2015, similarly to the previous year. The aggregate direct and Portuguese State-guaranteed debt taken on by these countries totalled USD 2,803 million as at December 2015, corresponding to a 12.6 per cent decline from 2014. Similarly to the previous year, the appreciation of the US dollar against the euro intensified the reduction in official debt, reducing the dollar value of the commitments undertaken in euros.

The decline in the total stock of official debt of this group of countries to Portugal in 2015 was once again chiefly associated with a decrease in medium and long-term State-guaranteed debt, thus enhancing the downward trend that began in 2014. Furthermore, direct debt continued to follow the downward trend that started in 2009 (interrupted only in 2012).

Of all Portuguese-speaking African Countries, debt to Portugal increased only in **São Tomé and Príncipe**. This increase was chiefly due to the full use of a new credit line of EUR 10 million granted by Portugal to further develop the country's energy sector.

Similarly to 2014, the greatest decline in the stock of official debt to Portugal in 2015 was posted by **Angola**, with a decrease in guaranteed credits of almost 37 per cent.

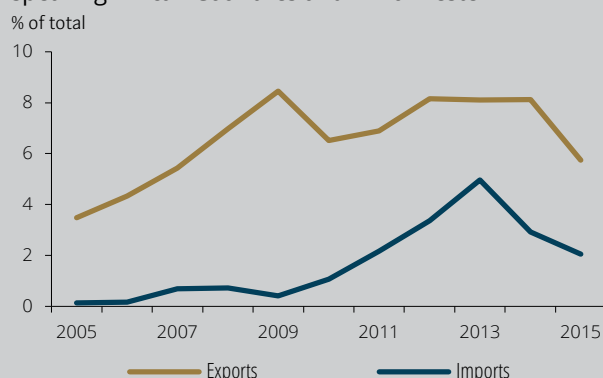
This added to the contractualised redemption of its direct debt due, as established in the rescheduling agreement signed in 2004 (in effect for 25 years).

Despite an 8 per cent reduction, **Mozambique's** official debt to Portugal was the most substantial among this group of countries, amounting to 37.1 per cent of total official debt in 2015. In addition to consecutive redemptions of direct debt following the restructuring and progressive cancellation agreement signed in July 2008 under the Heavily Indebted Poor Countries Initiative, the reduction in this country's debt benefited from the appreciation of the US dollar against the euro and a lower volume of guaranteed exports.

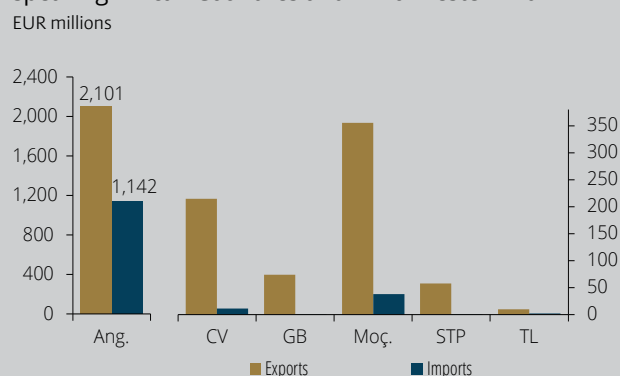
Despite new disbursements of Portuguese State-guaranteed debt, particularly as regards the credit line associated with social housing projects, **Cabo Verde's** official debt to Portugal decreased in 2015, chiefly due to the depreciation of the euro against the US dollar.

As in the past few years, in 2015 there was no movement in **Guinea-Bissau's** official debt to Portugal. The appreciation of the US dollar against the European currency was the only factor behind the decline observed, given that all credits are denominated in euro.

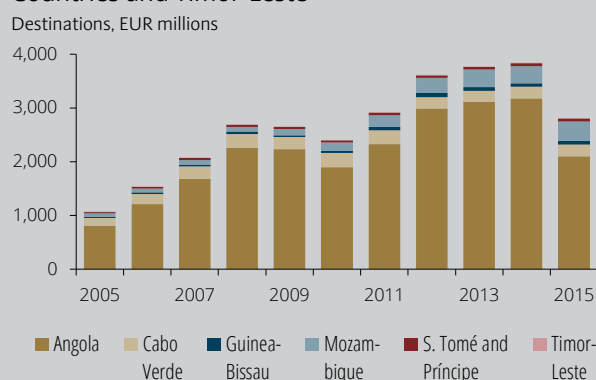
**Timor-Leste** has no official debt to Portugal.

**Chart 77 • Portugal's trade relations with Portuguese-speaking African Countries and Timor-Leste**

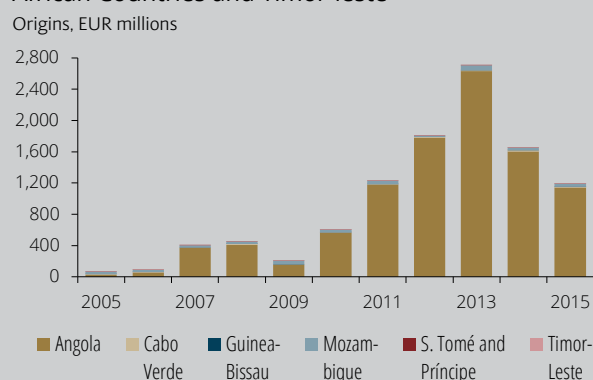
Trade with Portuguese-speaking African Countries and Timor-Leste declined in 2015, which, given the acceleration in Portugal's international trade with the rest of the world, led to a decrease in the share of these countries in terms of both exports and imports.

**Chart 78 • Portugal's trade relations with Portuguese-speaking African Countries and Timor-Leste in 2014**

Portugal's trade relations with Portuguese-speaking African Countries and Timor-Leste continued to be dominated by trade with Angola, followed at a great distance by flows with Mozambique and Cabo Verde (in particular exports to both countries).

**Chart 79 • Exports to Portuguese-speaking African Countries and Timor-Leste**

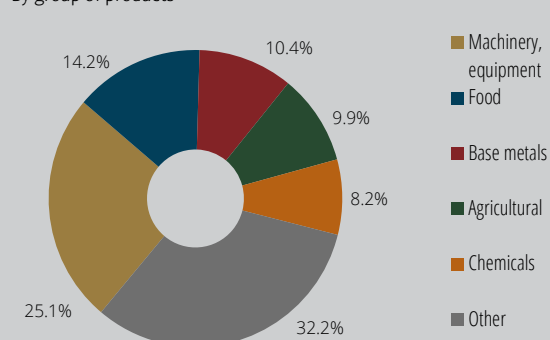
The interruption in 2015 of the upward trend in exports to Angola was key to the reduction in total Portuguese goods sent to this group of countries, given the share of the Angolan market.

**Chart 80 • Imports from Portuguese-speaking African Countries and Timor-Leste**

Portuguese imports of goods from Portuguese-speaking African Countries and Timor-Leste are widely determined by the behaviour of imports of Angolan mineral fuels (crude oil and derivatives), which have continued to fall following a peak in 2013.

**Chart 81 • Exports to Portuguese-speaking African Countries and Timor-Leste in 2015**

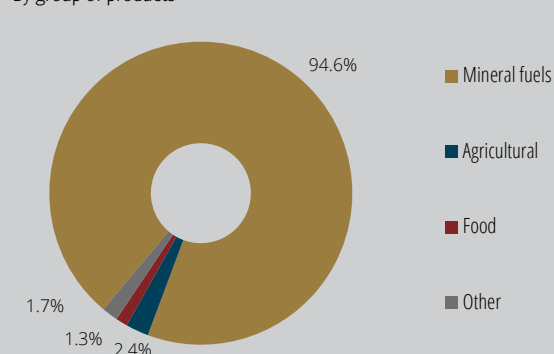
By group of products



Among Portuguese goods exported to Portuguese-speaking African Countries and Timor-Leste, three major groups stand out (machinery and equipment, food and base metals). In 2015, they accounted for about half of the total.

**Chart 82 • Imports from Portuguese-speaking African Countries and Timor-Leste in 2015**

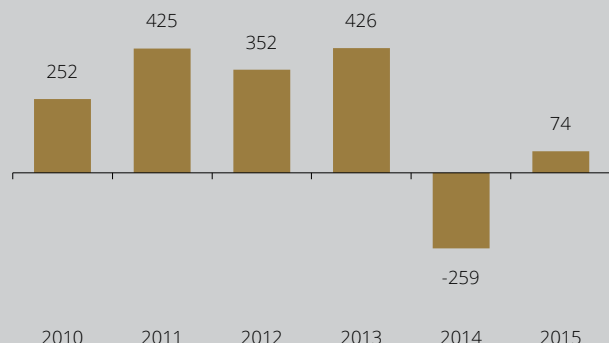
By group of products



Imports of Angolan mineral fuels, although lower than in recent years, accounted for almost 95 per cent of Portuguese imports from Portuguese-speaking African Countries and Timor-Leste in 2015, followed at a distance by agricultural goods and food (both from Mozambique).

**Chart 83 • Portuguese investment in Portuguese-speaking African Countries and Timor-Leste**

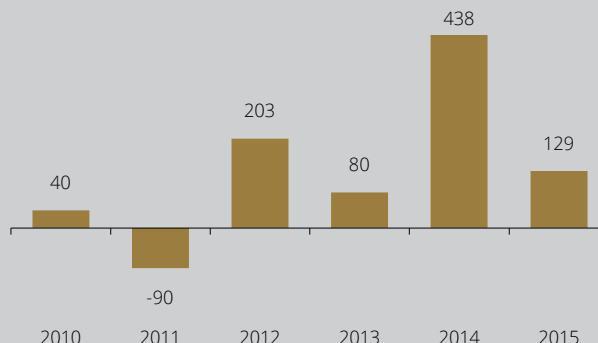
Total annual amounts, EUR millions



Following disinvestment in 2014, Portuguese direct investment returned to positive territory in 2015, although in a much more contained manner than in the previous period (between 2010 and 2013).

**Chart 84 • Investment of Portuguese-speaking African Countries and Timor-Leste in Portugal**

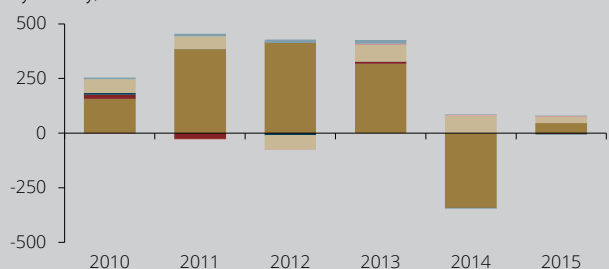
Total annual amounts, EUR millions



Direct investment of Portuguese-speaking African Countries and Timor-Leste in Portugal remained positive in 2015, although considerably below the substantial value of the previous year. Consequently, the share of these countries in the total for Portugal declined to 2.4 per cent (7.6 in 2014).

**Chart 85 • Portuguese investment in Portuguese-speaking African Countries and Timor-Leste**

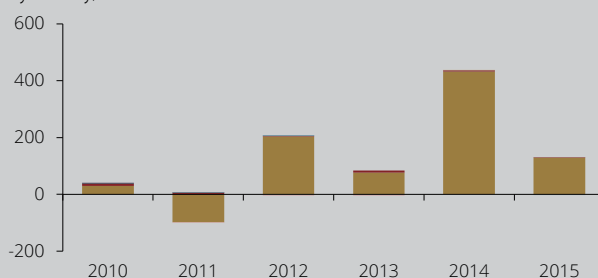
By country, EUR millions



Although still key, in 2015 Portuguese direct investment in Angola was closely followed by an interest in the Mozambican market. As a whole, both countries accounted for nearly all Portuguese direct investment in this group of countries.

**Chart 86 • Investment of Portuguese-speaking African Countries and Timor-Leste in Portugal**

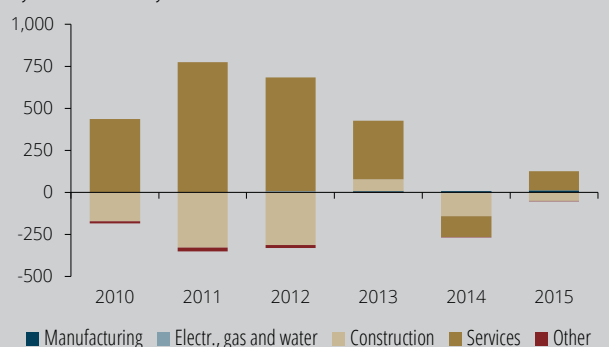
By country, EUR millions



Nearly all direct investment of Portuguese-speaking African Countries and Timor-Leste in Portugal was made by Angola, which accounted for over 99 per cent of the total in 2015. Only Cabo Verde, at a great distance, made some direct investment in Portugal.

**Chart 87 • Portuguese investment in Portuguese-speaking African Countries and Timor-Leste**

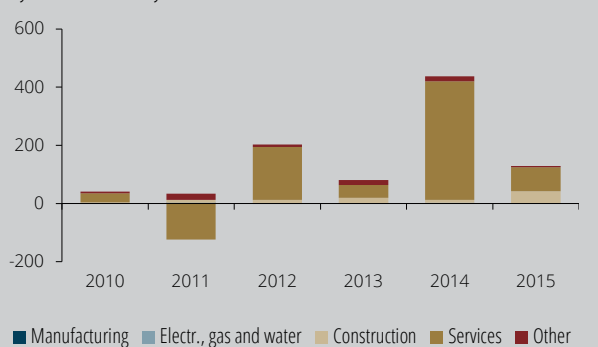
By sector of activity, EUR millions



The services sector, in particular financial and insurance activities, was once again the main destination of Portuguese investment in Portuguese-speaking African Countries and Timor-Leste. Although with a lower relative share, there was some investment in manufacturing.

**Chart 88 • Investment of Portuguese-speaking African Countries and Timor-Leste in Portugal**

By sector of activity, EUR millions

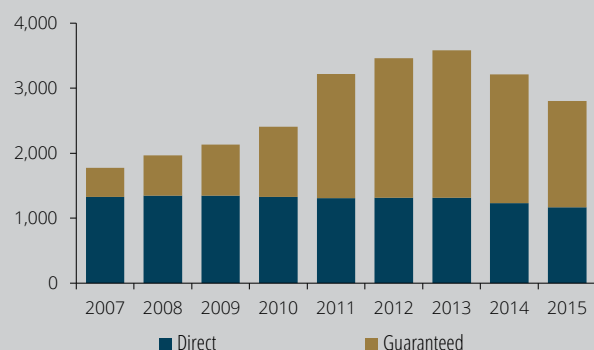


Similarly to Portuguese investment in these countries, the services sector played a key role in direct investment of Portuguese-speaking African Countries and Timor-Leste in Portugal, particularly financial and insurance activities. In 2015 investment in construction was also significant.



**Chart 89 • Official debt of Portuguese-speaking African Countries to Portugal**

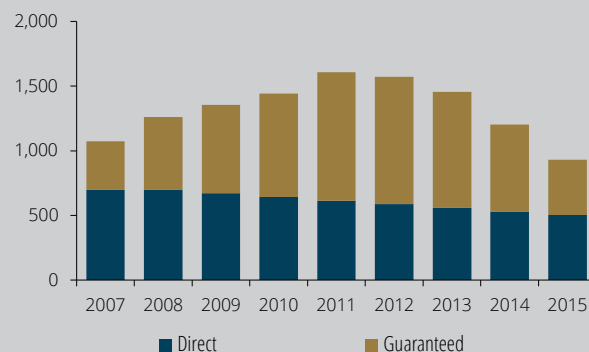
USD million



Continuing the trend seen in the previous year, aggregate official debt of Portuguese-speaking African Countries to Portugal decreased in 2015. This decline was particularly marked in Portuguese State-guaranteed debt, but also reflected a fall in direct debt.

**Chart 90 • Official debt of Angola to Portugal**

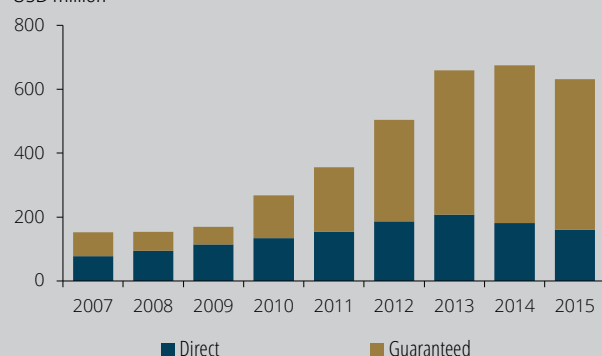
USD million



In 2015 Angola's official debt to Portugal maintained its fast downward pace from the previous year, adding a strong reduction in Portuguese State-guaranteed credits to the contractualised redemption of direct debt in the rescheduling agreement signed in 2004.

**Chart 91 • Official debt of Cabo Verde to Portugal**

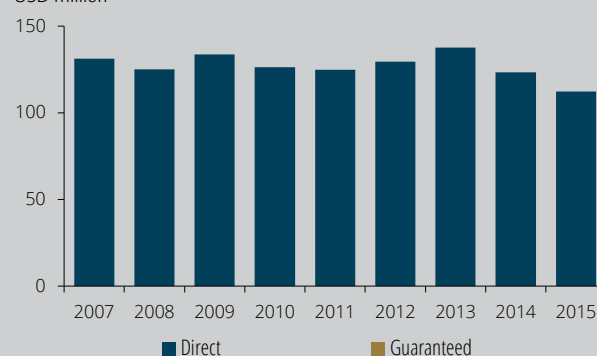
USD million



In 2015 Cabo Verde's US dollar-denominated official debt to Portugal declined. Developments in the US dollar against the euro offset the new disbursements of concessional credit lines denominated in the European currency.

**Chart 92 • Official debt of Guinea-Bissau to Portugal**

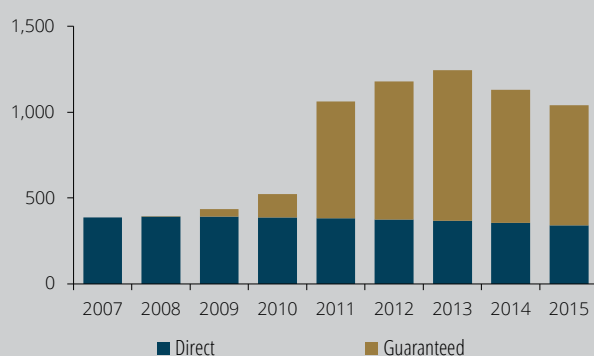
USD million



Once again, there was no movement in Guinea-Bissau's official debt to Portugal in 2015. Debt stock changes are only due to the behaviour of the euro against the US dollar, given that all credits granted to that country are denominated in euro.

**Chart 93 • Official debt of Mozambique to Portugal**

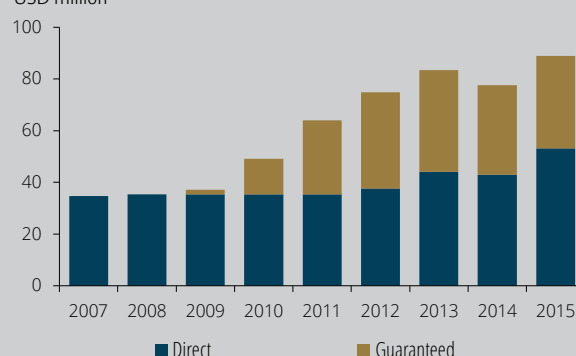
USD million



In 2015 Mozambique became the largest debtor among these countries, despite the reduction in its official debt. This was due to the lower volume of guaranteed exports, the foreign exchange effect and redemptions following the 2008 restructuring agreement.

**Chart 94 • Official debt of São Tomé and Príncipe to Portugal**

USD million



Of all Portuguese-speaking African Countries, São Tomé and Príncipe was the only country whose official debt to Portugal increased in 2015. This was mostly due to the full use of a new credit line granted by the Portuguese State to develop the energy sector.

**Table 76 • Portugal/Portuguese-speaking African Countries and Timor-Leste: Goods imports and exports (Portugal's perspective)**

EUR millions

	Angola		Cabo Verde		Guinea-Bissau		Mozambique		S.Tomé and Príncipe		Timor-Leste		Total	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1997	39	394	9	109	2	25	27	43	0	13	–	–	79	584
1998	22	368	9	118	2	16	28	61	1	17	–	–	62	580
1999	10	277	10	138	0	17	39	67	4	19	–	–	64	517
2000	58	371	10	170	1	28	45	69	9	19	–	–	123	657
2001	127	504	9	135	3	23	40	63	3	21	–	–	182	745
2002	70	570	9	148	3	21	37	54	0	30	1	1	121	823
2003	2	652	9	137	2	17	38	54	0	25	1	5	52	890
2004	2	671	11	140	1	18	26	55	0	24	1	1	41	909
2005	25	803	7	149	1	24	32	65	0	22	1	1	67	1,064
2006	53	1,210	7	190	1	27	29	73	1	28	1	2	92	1,530
2007	369	1,682	7	228	1	35	26	89	0	33	0	1	403	2,067
2008	408	2,260	9	257	1	40	34	91	0	36	1	2	452	2,687
2009	151	2,236	7	223	1	33	43	120	0	36	1	9	204	2,656
2010	563	1,901	7	262	0	43	29	149	0	43	1	7	602	2,404
2011	1,178	2,330	10	254	0	64	42	217	0	47	1	5	1,231	2,916
2012	1,781	2,989	9	216	0	72	16	287	0	46	0	8	1,807	3,617
2013	2,632	3,113	11	202	0	70	63	328	0	50	1	7	2,707	3,770
2014	1,606	3,178	11	215	0	65	35	318	0	57	1	7	1,653	3,839
2015	1,142	2,101	11	215	0	74	38	356	0	57	2	10	1,193	2,813

Source: Statistics Portugal.

**Table 77 • Share of portuguese trade held by Portuguese-speaking African Countries and Timor-Leste**

Per cent

	Angola		Cabo Verde		Guinea-Bissau		Mozambique		S.Tomé and Príncipe		Timor-Leste		Total	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1997	0.1	1.8	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	–	–	0.3	2.7
1998	0.1	1.6	0.0	0.5	0.0	0.1	0.1	0.3	0.0	0.1	–	–	0.2	2.5
1999	0.0	1.2	0.0	0.6	0.0	0.1	0.1	0.3	0.0	0.1	–	–	0.2	2.2
2000	0.1	1.4	0.0	0.6	0.0	0.1	0.1	0.3	0.0	0.1	–	–	0.3	2.4
2001	0.3	1.8	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	–	–	0.4	2.7
2002	0.2	2.0	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	0.0	0.0	0.3	2.9
2003	0.0	2.2	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	0.0	0.0	0.1	3.0
2004	0.0	2.2	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	0.0	0.0	0.1	3.0
2005	0.1	2.6	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	0.0	0.0	0.1	3.5
2006	0.1	3.4	0.0	0.5	0.0	0.1	0.1	0.2	0.0	0.1	0.0	0.0	0.2	4.3
2007	0.6	4.4	0.0	0.6	0.0	0.1	0.0	0.2	0.0	0.1	0.0	0.0	0.7	5.4
2008	0.7	5.9	0.0	0.7	0.0	0.1	0.1	0.2	0.0	0.1	0.0	0.0	0.7	7.0
2009	0.3	7.1	0.0	0.7	0.0	0.1	0.1	0.4	0.0	0.1	0.0	0.0	0.4	8.5
2010	1.0	5.1	0.0	0.7	0.0	0.1	0.1	0.4	0.0	0.1	0.0	0.0	1.1	6.5
2011	2.1	5.5	0.0	0.6	0.0	0.2	0.1	0.5	0.0	0.1	0.0	0.0	2.2	6.9
2012	3.3	6.7	0.0	0.5	0.0	0.2	0.0	0.6	0.0	0.1	0.0	0.0	3.4	8.2
2013	4.8	6.7	0.0	0.4	0.0	0.2	0.1	0.7	0.0	0.1	0.0	0.0	5.0	8.1
2014	2.8	6.7	0.0	0.5	0.0	0.1	0.1	0.7	0.0	0.1	0.0	0.0	2.9	8.1
2015	2.0	4.3	0.0	0.4	0.0	0.2	0.1	0.7	0.0	0.1	0.0	0.0	2.1	5.7

Sources: Statistics Portugal and Banco de Portugal calculations.

**Table 78 • Portugal/Portuguese-speaking African Countries and Timor-Leste: Exports by group of products (Portugal's perspective)**  
Em milhões de EUR

	2014						2015							
	Angola	C. Verde	G. Bissau	Mozamb.	S.Tomé	Timor-L.	Total	Angola	C. Verde	G. Bissau	Mozamb.	S.Tomé	Timor-L.	Total
Agricultural	251.8	32.3	3.6	10.9	11.0	0.6	310.1	219.6	31.1	4.8	10.0	12.0	0.6	278.0
Food	508.3	27.3	15.0	25.8	14.0	1.7	592.2	317.7	29.3	13.8	25.1	12.8	1.6	400.3
Mineral fuels	23.9	1.5	26.0	3.4	0.9	0.0	55.7	17.9	1.6	26.1	18.8	1.2	-	65.5
Chemicals	227.4	19.6	1.7	22.6	4.1	0.0	275.5	180.8	19.0	1.7	25.3	3.6	0.2	230.5
Plastics; rubber products	148.4	10.8	1.0	16.6	2.6	0.0	179.4	109.0	12.3	1.3	16.6	2.7	0.1	141.9
Leather; leather products	11.9	2.3	0.0	1.3	0.1	0.0	15.7	7.6	1.7	0.1	1.6	0.1	0.0	11.1
Wood; cork	36.7	5.1	0.2	3.8	0.2	0.0	46.1	19.3	4.1	0.4	5.9	0.3	0.0	30.1
Pulp; paper	96.9	6.7	0.5	15.8	1.1	1.1	122.0	69.7	6.8	0.5	16.4	0.8	0.3	94.5
Textile products	42.5	4.0	0.3	3.4	0.6	0.1	50.9	24.8	4.4	0.4	3.8	0.4	0.2	34.0
Clothing	54.9	2.4	0.5	4.2	1.4	0.0	63.4	34.4	2.3	0.4	3.7	0.3	0.1	41.1
Footwear	27.5	0.4	0.1	2.6	0.3	0.0	30.9	23.7	0.7	0.1	4.2	0.3	0.0	29.0
Minerals; ores	110.6	18.8	5.6	14.8	2.8	0.1	152.7	75.0	18.8	8.3	15.0	2.9	0.1	120.2
Base metals	373.2	24.5	2.1	43.6	4.9	0.3	448.6	210.1	24.8	3.1	47.7	4.8	2.7	293.2
Machinery; equipment	826.9	40.5	4.2	108.3	6.9	1.8	988.6	523.3	39.9	6.2	126.9	8.8	0.9	706.1
Motor vehicles and other transport	120.8	6.1	2.3	17.2	2.6	0.2	149.1	65.5	6.6	2.8	8.0	2.7	0.0	85.6
Optical and precision instruments	89.0	3.5	0.3	6.8	0.6	0.0	100.3	60.9	3.2	0.5	6.7	0.9	0.2	72.3
Other products	227.2	9.2	1.5	17.0	2.4	0.9	258.2	142.2	8.1	3.2	20.0	2.8	3.0	179.3
Total	3,177.9	215.0	64.9	317.9	56.6	7.0	3,839.3	2,101.3	214.8	73.6	355.6	57.5	10.1	2,812.8

Source: Statistics Portugal.

**Table 79 • Portugal/Portuguese-speaking African Countries and Timor-Leste: Imports by group of products (Portugal's perspective)**  
EUR millions

	2014						2015							
	Angola	C. Verde	G. Bissau	Mozamb.	S.Tomé	Timor-L.	Total	Angola	C. Verde	G. Bissau	Mozamb.	S.Tomé	Timor-L.	Total
Agricultural	0.5	0.5	0.0	16.9	0.0	0.9	18.8	6.5	0.4	0.0	20.5	0.0	1.7	29.1
Food	0.2	0.6	0.0	17.1	0.0	-	17.9	0.2	0.2	0.0	14.7	0.0	-	15.1
Mineral fuels	1,601.5	0.1	0.0	0.0	-	-	1,601.6	1,128.1	0.4	-	0.0	-	-	1,128.5
Chemicals	0.0	0.0	-	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.0	-	0.1
Plastics, rubber products	0.0	0.1	0.0	0.0	-	0.0	0.1	0.1	0.1	0.0	0.0	-	-	0.2
Leather, leather products	0.0	-	-	0.0	-	-	0.0	0.0	-	-	0.0	-	-	0.0
Wood, cork	0.6	0.0	0.0	0.0	-	-	0.6	0.8	0.0	-	0.0	-	-	0.8
Pulp, paper	0.0	0.0	-	0.0	-	0.0	0.0	0.0	0.0	-	0.0	-	-	0.0
Textile products	0.0	0.0	-	0.4	-	-	0.5	0.0	0.0	0.0	2.1	0.0	-	2.2
Clothing	0.0	4.3	-	0.0	-	-	4.3	0.0	4.7	-	0.0	-	-	4.8
Footwear	0.0	4.3	-	-	-	0.0	4.3	0.0	3.4	-	0.0	-	-	3.5
Minerals, ores	0.2	0.0	-	0.0	-	-	0.2	0.2	0.1	0.0	0.0	-	-	0.2
Base metals	0.2	0.3	0.2	0.0	0.1	-	0.8	0.1	0.2	0.1	0.0	0.1	-	0.5
Machinery, equipment	0.7	0.6	0.0	0.1	0.1	0.0	1.5	3.1	1.1	0.0	0.1	0.0	0.0	4.4
Motor vehicles and other transport	0.8	0.3	0.0	0.2	-	-	1.2	0.7	0.1	0.0	0.1	0.0	-	0.9
Optical and precision instruments	0.7	0.1	0.0	0.1	-	-	0.9	2.2	0.2	0.0	0.0	0.0	-	2.5
Other products	0.2	0.0	0.0	0.0	-	0.0	0.2	0.3	0.0	0.0	0.0	0.0	-	0.4
Total	1,605.8	11.1	0.2	34.9	0.1	0.9	1,653.0	1,142.3	10.9	0.2	37.8	0.2	1.7	1,193.1

Source: Statistics Portugal.

**Table 80 • Current and capital accounts with Portuguese-speaking African Countries and Timor-Leste (Portugal's perspective)**

EUR millions

		Current account										Capital account
		Goods			Services		Primary income	Secondary income			Balance	
		Exp.	Imp.	Bal.	Total	o.w.: Travel and tourism		Total	o.w.: Remittances			
									Emig.	Immig.		
Angola	2011	2,486.3	1,070.1	1,416.2	1,065.4	296.4	849.4	163.5	147.3	12.9	3,494.4	5.6
	2012	3,113.0	1,631.9	1,481.1	978.5	430.2	1,017.3	279.0	270.7	15.4	3,755.8	6.9
	2013	3,269.9	2,390.9	879.0	1,076.6	458.7	638.4	333.8	304.3	18.8	2,927.9	2.7
	2014	3,185.6	1,479.4	1,706.2	1,239.3	544.1	171.9	179.0	248.0	13.8	3,296.4	-0.6
	2015	2,111.6	1,063.3	1,048.3	1,072.5	453.1	121.4	350.3	218.1	19.5	2,592.6	-0.1
Cabo Verde	2011	247.9	9.7	238.2	8.3	-22.8	29.9	-6.5	2.8	13.3	269.9	-0.8
	2012	210.9	13.6	197.2	-4.5	-20.9	42.6	-10.2	2.4	14.1	225.1	3.0
	2013	199.2	15.3	183.9	-2.8	-16.5	20.9	-6.7	3.4	13.1	195.3	0.0
	2014	212.6	13.3	199.3	11.7	-11.0	5.8	-14.0	3.0	12.0	202.8	0.4
	2015	212.6	11.9	200.7	13.9	-11.1	5.5	-10.0	1.6	17.0	210.1	0.0
Guinea-Bissau	2011	64.2	2.1	62.2	5.8	1.8	1.9	-5.3	0.2	4.3	64.5	-1.0
	2012	71.5	2.6	68.9	3.8	1.3	0.1	-3.9	0.2	2.5	68.9	-0.5
	2013	69.8	1.4	68.4	3.0	0.7	0.6	0.3	0.5	2.6	72.3	0.0
	2014	65.0	0.3	64.8	-1.5	-0.5	-0.3	-3.4	1.6	3.4	59.6	0.0
	2015	73.5	0.2	73.3	-0.4	-1.1	-0.2	-1.3	2.6	3.1	71.5	-0.2
Mozambique	2011	216.8	43.1	173.7	51.7	-2.9	68.6	0.0	4.7	5.7	294.1	-14.3
	2012	287.0	26.9	260.2	62.6	-2.7	108.3	5.3	5.0	8.8	436.4	-16.4
	2013	327.7	68.2	259.5	71.9	10.6	88.0	-3.8	7.6	10.0	415.6	-17.2
	2014	317.9	45.1	272.9	113.3	41.6	25.9	-14.7	4.6	9.5	397.3	-18.3
	2015	355.5	44.6	310.9	196.8	86.5	103.7	40.1	6.2	9.8	651.6	-24.1
S. Tomé and Príncipe	2011	46.5	1.1	45.4	9.7	2.6	-0.1	0.0	0.3	0.8	55.0	-1.1
	2012	46.1	1.7	44.4	7.4	2.9	-1.0	-1.3	0.3	1.3	49.6	-1.0
	2013	50.3	1.4	48.9	1.9	-1.7	-1.5	0.3	0.7	1.0	49.6	-0.9
	2014	56.6	1.3	55.2	2.4	-2.5	0.1	-1.8	0.3	1.2	55.9	-0.9
	2015	57.5	0.5	57.0	-1.8	-4.3	0.7	-0.4	0.6	1.6	55.5	-1.2
Timor-Leste	2011	5.2	0.8	4.3	1.0	0.7	18.4	-5.0	0.4	0.1	18.8	-0.5
	2012	8.1	0.2	8.0	3.2	1.6	16.0	-5.5	0.8	0.1	21.7	-0.5
	2013	7.3	0.6	6.7	3.7	1.6	8.0	0.5	0.3	0.1	18.9	0.0
	2014	7.0	0.7	6.3	6.8	-0.2	-2.8	-10.1	0.2	0.9	0.2	-0.1
	2015	10.1	1.4	8.7	7.4	-0.9	-0.3	-8.3	0.2	0.4	7.4	0.0
Total Portuguese-speaking African Countries and Timor-Leste	2011	3,067.0	1,127.0	1,940.0	1,141.9	275.9	968.2	146.7	155.8	37.0	4,196.7	-12.1
	2012	3,736.6	1,676.9	2,059.7	1,051.1	412.4	1,183.3	263.3	279.4	42.0	4,557.4	-8.5
	2013	3,924.2	2,477.8	1,446.4	1,154.4	453.3	754.4	324.4	316.9	45.7	3,679.6	-15.5
	2014	3,844.7	1,540.1	2,304.6	1,372.0	571.6	200.4	135.1	257.6	40.9	4,012.2	-19.6
	2015	2,820.8	1,122.0	1,698.8	1,288.4	522.1	231.0	370.4	229.4	51.4	3,588.6	-25.7

Source: Banco de Portugal.

**Table 81 • Portuguese direct investment in Portuguese-speaking African Countries and Timor-Leste**

By sector of activity, EUR millions

		2010	2011	2012	2013	2014	2015
Angola	Manufacturing	-9.4	-12.0	-6.9	0.2	-1.1	4.7
	Electricity, gas and water	0.2	0.1	2.7	0.3	-4.8	0.2
	Construction	-177.5	-266.0	-213.7	110.2	-136.5	-17.6
	Services	353.9	632.4	644.6	208.2	-200.2	60.1
	of which: Financial and insurance activities	213.3	556.2	450.8	287.9	-200.8	62.2
	Other	-10.6	29.3	-13.9	-0.6	0.0	-0.4
	<b>Total</b>	156.7	383.7	412.8	318.2	-342.6	47.0
Cabo Verde	Manufacturing	5.9	3.6	2.7	1.8	0.0	0.0
	Electricity, gas and water	-	-	0.0	0.0	0.0	0.0
	Construction	-14.0	-44.4	-9.5	-14.2	-10.3	-12.4
	Services	28.3	15.9	7.0	21.0	12.3	8.0
	of which: Financial and insurance activities	28.8	15.0	10.4	20.2	3.1	5.6
	Other	0.2	-1.4	0.9	0.0	-1.8	0.0
	<b>Total</b>	20.4	-26.3	1.0	8.6	0.2	-4.4
Guinea-Bissau	Manufacturing	2.3	1.6	0.5	0.4	-0.5	-1.0
	Electricity, gas and water	-	-	-	-	-	-
	Construction	-	-	-10.0	0.1	0.0	0.0
	Services	6.3	0.1	0.1	0.1	0.0	0.0
	of which: Financial and insurance activities	-	-	0.0	0.0	-	0.0
	Other	-1.0	0.0	-0.1	-	-	-
	<b>Total</b>	7.6	1.7	-9.5	0.6	-0.5	-1.0
Mozambique	Manufacturing	2.6	6.9	7.0	4.0	9.4	7.5
	Electricity, gas and water	0.7	1.4	0.0	0.0	0.0	0.0
	Construction	20.4	-13.6	-79.2	-28.1	7.0	-23.2
	Services	38.2	112.9	11.9	101.2	64.3	44.1
	of which: Financial and insurance activities	30.3	108.0	32.1	80.5	61.4	37.2
	Other	0.2	-49.7	-3.8	-0.3	0.2	0.0
	<b>Total</b>	61.9	57.9	-64.1	76.9	80.9	28.4
São Tomé and Príncipe	Manufacturing	-	-	-	-	0.0	0.0
	Electricity, gas and water	-1.0	-	-	-	-	0.0
	Construction	-0.7	-4.9	-1.2	3.0	1.7	2.7
	Services	0.7	0.6	-0.5	2.2	1.0	0.9
	of which: Financial and insurance activities	0.4	0.5	-0.3	0.5	1.1	-
	Other	-2.2	-0.4	0.0	-	-	-
	<b>Total</b>	-3.2	-4.6	-1.7	5.1	2.7	3.6
Timor-Leste	Manufacturing	-	-	-	-	0.0	0.0
	Electricity, gas and water	-	-	-	-	-	-
	Construction	-	0.0	-	0.0	-	0.0
	Services	8.6	12.1	13.7	16.9	0.5	0.5
	of which: Financial and insurance activities	7.9	11.4	13.4	16.7	0.4	-
	Other	0.0	0.0	0.2	-	-	-
	<b>Total</b>	8.6	12.1	14.0	16.9	0.6	0.4
<b>Total Portuguese-speaking African Countries and Timor-Leste</b>		252.0	424.5	352.5	426.3	-258.7	74.1

Source: Banco de Portugal.

**Table 82 • Direct investment of Portuguese-speaking African countries and Timor-Leste in Portugal**  
By sector of activity, EUR millions

		2010	2011	2012	2013	2014	2015
Angola	Manufacturing	0.1	2.3	-0.4	0.0	0.9	0.0
	Electricity, gas and water	–	0.1	–	–	–	–
	Construction	-0.5	8.7	12.3	16.4	6.5	42.4
	Services	25.0	-129.6	181.4	41.9	406.3	81.3
	of which: Financial and insurance activities	6.5	-152.1	164.1	34.3	397.7	55.3
	Other	5.3	21.1	10.7	18.3	18.8	5.0
	<b>Total</b>	29.9	-97.4	204.0	76.6	432.5	128.6
Cabo Verde	Manufacturing	–	–	–	–	–	–
	Electricity, gas and water	–	–	–	–	–	0.0
	Construction	4.5	1.4	0.4	4.9	3.8	1.3
	Services	3.6	3.7	1.3	2.3	0.9	0.6
	of which: Financial and insurance activities	0.0	0.4	0.2	-0.2	-0.2	-0.2
	Other	0.2	0.7	0.0	–	–	–
	<b>Total</b>	8.2	5.8	1.7	7.2	4.6	1.9
Guiné-Bissau	Manufacturing	–	–	–	–	–	–
	Electricity, gas and water	–	–	–	–	–	–
	Construction	–	–	–	–	–	0.0
	Services	2.1	–	–	–	–	0.0
	of which: Financial and insurance activities	–	–	–	–	–	–
	Other	0.4	0.0	0.1	–	–	0.0
	<b>Total</b>	2.6	0.0	0.1	0.0	0.0	0.0
Moçambique	Manufacturing	-1.5	0.0	0.0	0.4	0.7	–
	Electricity, gas and water	–	0.0	0.0	0.4	0.7	0.0
	Construction	–	–	–	–	–	–
	Services	1.0	-0.1	-0.5	-0.8	0.1	0.3
	of which: Financial and insurance activities	-0.2	–	–	–	–	–
	Other	-0.1	-0.3	-1.3	-1.1	-0.8	-0.8
	<b>Total</b>	-0.6	-0.5	-1.8	-1.0	0.7	-0.5
São Tomé e Príncipe	Manufacturing	0.1	-0.1	–	–	–	–
	Electricity, gas and water	–	–	–	–	–	–
	Construction	–	–	-0.1	-2.2	–	0.0
	Services	–	0.0	-0.9	-0.1	–	0.0
	of which: Financial and insurance activities	–	0.0	–	0.1	–	–
	Other	0.1	-0.5	–	–	–	0.0
	<b>Total</b>	0.1	-0.6	-1.1	-2.3	0.0	0.0
Timor-Leste	Manufacturing	–	–	–	–	–	–
	Electricity, gas and water	–	–	–	–	–	–
	Construction	–	–	–	–	–	-0.9
	Services	0.0	2.2	0.0	0.0	–	0.0
	of which: Financial and insurance activities	0.0	2.2	–	–	–	0.0
	Other	0.0	0.0	0.0	–	–	–
	<b>Total</b>	0.0	2.2	0.0	0.0	0.0	-0.9
<b>Total Portuguese-speaking African Countries and Timor-Leste</b>		40.3	-90.5	202.9	80.4	437.8	129.2

Source: Banco de Portugal.

**Table 83 • Official debt of Portuguese-speaking African Countries to Portugal**

USD millions

		Direct debt to the State (1)			Medium and long-term State-guaranteed debt (2)			Official debt (1)+(2)		
		Due	In arrears	Total	Due	In arrears	Total	Due	In arrears	Total
Angola	2011	614	–	614	994	–	994	1,608	–	1,608
	2012	586	–	586	984	–	984	1,570	–	1,570
	2013	558	–	558	897	–	897	1,456	–	1,456
	2014	530	–	530	672	–	672	1,203	–	1,203
	2015	502	–	502	423	–	427	926	–	929
Cabo Verde	2011	154	–	154	202	–	202	355	–	355
	2012	187	–	187	318	–	318	505	–	505
	2013	208	–	208	451	–	451	659	–	659
	2014	181	–	181	494	–	494	675	–	675
	2015	160	1	160	472	–	472	632	–	632
Guinea-Bissau	2011	70	55	125	–	–	–	70	55	125
	2012	70	60	129	–	–	–	70	60	129
	2013	71	66	138	–	–	–	71	66	138
	2014	61	62	123	–	–	–	61	62	123
	2015	53	59	112	–	–	–	53	59	112
Mozambique	2011	383	–	383	680	–	680	1,063	–	1,063
	2012	376	–	376	803	–	803	1,178	–	1,178
	2013	367	–	367	878	–	878	1,245	–	1,245
	2014	355	–	355	775	–	775	1,131	–	1,131
	2015	341	–	341	699	–	699	1,041	–	1,041
S. Tomé and Príncipe	2011	35	–	35	29	–	29	64	–	64
	2012	38	–	38	37	–	37	75	–	75
	2013	44	–	44	39	–	39	83	–	83
	2014	43	–	43	35	–	35	78	–	78
	2015	53	–	53	36	–	36	89	–	89
Total Portuguese-speaking African Countries	2011	1,256	55	1,310	1,905	–	1,905	3,161	55	3,215
	2012	1,256	60	1,316	2,142	–	2,142	3,398	60	3,458
	2013	1,248	66	1,315	2,265	–	2,265	3,514	66	3,580
	2014	1,171	62	1,233	1,976	–	1,976	3,147	62	3,209
	2015	1,110	60	1,170	1,630	3	1,633	2,740	63	2,803

Source: Ministry of Finance - GPEARI.





