

Angola Weekly | May 25

Banco de Fomento Angola
www.bfa.ao | Email: bfa@bfa.ao

José Miguel Cerdeira - jose.miguel.cerdeira@bfa.ao
Lilian Sousa - lilian.rossana.sousa@bfa.ao

Market Information

The BNA has started to reverse the tightening cycle of interest rates initiated in 2015. In fact, despite not changing the reference rate, the central bank lowered the marginal lending interest rate from 20% to 18% - thus, there will be a single BNA rate as a reference for the provision of liquidity and overall policy rate. Most importantly, the monetary policy committee also decided to reduce the national currency mandatory reserve requirements from 21% to 19%. Moreover, BNA meetings will now occur every two months. We expect the central Bank to continue to loosening monetary policy, although it is quite likely that further changes will not occur in the coming meetings, as it is possible that the apex Bank will still wait to see the impact of Kwanza's depreciation in inflation.

The Government has approved significant changes to the oil and gas exploration and development laws, making investments more attractive. In particular, a tax and legal framework for private gas operators is established for the first time, which could attract investment in the sector. On the other hand, the tax conditions for the exploitation of marginal oil fields have been improved - at the same time, the criteria by which fields are considered marginal has been loosened. Furthermore, the exploration and integration of new discoveries adjacent to the original areas of an oil concession is now possible. **Finance Ministry data on oil exports in April accounted for an increase of 144,000 barrels per day compared to March levels.** The average of 1.54 million barrels per day shows a decrease of 5.2% yoy; however, revenues in USD grew 11.7% and were at their highest since July 2015. Tax revenues (including Sonangol) in USD rose 25.9% yoy.

The IMF Executive Board has completed the annual review under Article IV, with the report to be published soon. Although the Fund has praised the reformist agenda of the authorities, it has issued several recommendations, including: use of any oil revenue windfall (due to higher prices) towards the payment of arrears to suppliers; introduction of VAT (scheduled for phased introduction in 2019); gradual elimination of direct forex allocation by the central bank; establishment of a clear timeline to end remaining forex restrictions.

Macroeconomic Forecasts

Indicator	2017*	2018**	2019**
GDP change (%)	1.4	2.1	2.4
Inflation (%)	31.7	21.8	15
Current Account (% GDP)	-0.9	-3.1	-2.4

*GDP and Current Account Balance: Finance Ministry estimate; Inflation: INE
** Average of forecasts from Bloomberg

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B	Stable	25/04/18
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Stable	11/08/17

Monetary and ForEx data

	25/05/18	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	21.02%	0.09	4.62	-1.38
USD/AOA*	234.53	-0.64%	-29.25%	-29.25%
EUR/AOA*	274.99	0.00%	-32.58%	-32.58%
EUR/USD	1.17	-0.54%	-2.47%	4.44%
USD/ZAR*	12.48	2.29%	-0.77%	3.62%

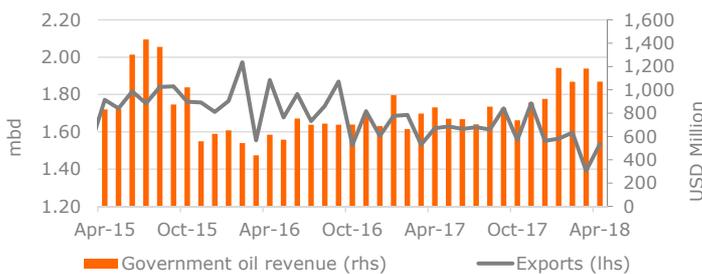
* USD/AOA, EUR/AOA and USD/ZAR change is calculated inversely in order to directly evaluate the appreciation/depreciation of the Kwanza/Rand relative to the other currency

Weekly auctions of Treasury bonds and bills

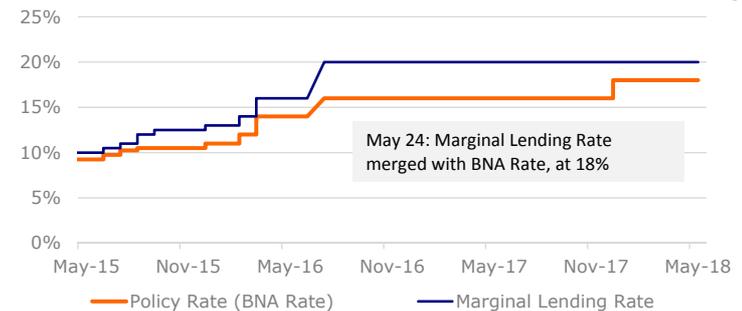
Maturity	Rate	Supply	Demand	Allocated
BT (180 days)	16.00%	9,000	4,333	4,333
BT (182 days)	16.00%	9,000	1,540	1,540
BT (362 days)	17.89%	9,000	1,887	1,887
BT (364 days)	17.89%	9,000	154	154

BT are treasury bills, OT are treasury bonds; Note: amounts (except for the rate) are in million Kwanza.
* Bond linked to the exchange rate ** Bond linked to treasury bills

Oil exports and government oil revenues*



Monetary Policy Rates



Sources: Bloomberg, BNA, INE, Finance Ministry

