

Angola Weekly | June 29

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

Brent saw an upward trend in prices this week, trading slightly below USD 80 today. Despite the agreement of an increase in supply last Friday, by OPEC, Russia and other producers, the rising pressure from the USA against imports from Iran, together with other temporary supply restraints (Libya, Kazakhstan, and Canada) had a combined larger effect. **On the other hand, Italian oil company ENI announced a new discovery of oil reserves in Block 15/06, amounting to 230-300 million barrels.** According to BFA's calculations, these reserves could eventually add 90-120 million barrels per day to Angolan output.

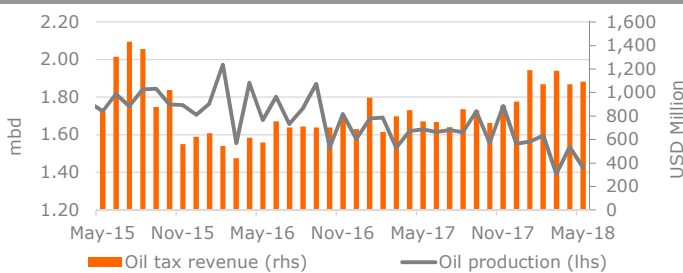
A rate of 14% was proposed for VAT in Angola, to be implemented from 2019 onwards. This proposal is now waiting for approval from the Finance Ministry; the rate is slightly lower than the SADC's average of 16.6%.

The new IMF mission head for Angola, Mario Zamaroczy, was in the country to start updating the Fund's economic forecasts, which will serve as a basis to negotiate the upcoming non-financial assistance programme.

The gap between the official and the parallel exchange rate dropped to its lowest value since July 2015, to 50%. The Kwanza is trading today at USD/AOA 249.55, against USD/AOA 375 in the street (according to Kinguila Hoje). There has been some effect of a larger flow in foreign exchange allocation from May onwards; the central bank intends this gap to reach 20% by year-end. **Earlier in the week, the central bank suspended the board of BANC, a small lender which held less than 0.5% of the system's deposits in March.** This intervention was due to an unavailability of shareholders to raise capital, in order to abide to the new minimum levels of capital requirements for banks.

A new policy of diamond trade was approved by the Executive: the new regime ends the requirement of sale to "preferential customers", allowing greater freedom for producers and pricing according to international benchmarks.

Oil production and government oil revenues*



Macroeconomic Forecasts

Indicator	2017*	2018**	2019**
GDP change (%)	1.4	2.1	2.4
Inflation (%)	31.7	21.8	15.0
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

	29/06/18	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	21.89%	0.54	5.49	-0.51
USD/AOA*	249.26	-1.33%	-33.43%	-33.44%
EUR/AOA*	288.87	-1.27%	-35.82%	-35.82%
EUR/USD	1.16	-0.14%	-3.08%	1.70%
USD/ZAR*	13.83	-2.82%	-10.44%	-5.81%

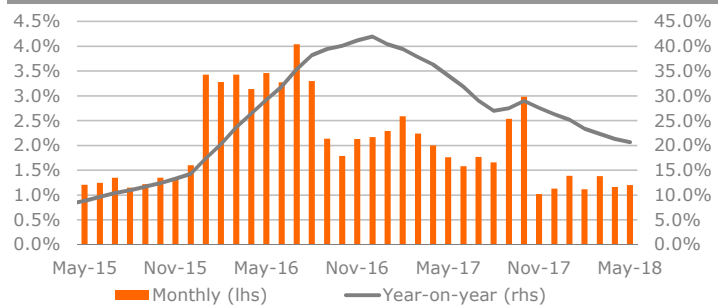
* USD/AOA, EUR/AOA and USD/ZAR change is calculated inversely in order to directly evaluate the appreciation/depreciation of the Kwanza/Rand relative to the other currency

Weekly auctions of Treasury bonds and bills

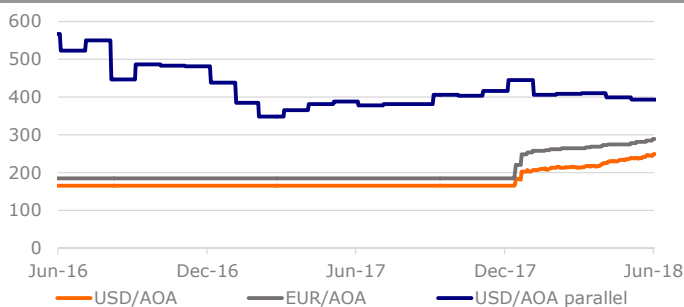
Maturity	Rate	Supply	Demand	Allocated
BT (88 days)	12.00%	5,000	1,104	354
BT (91 days)	16.00%	8,525	1,281	1,281
BT (179 days)	16.00%	9,969	1,444	1,444
BT (182 days)	16.00%	10,000	258	258
BT (361 days)	17.90%	9,187	50	50
BT (364 days)	17.90%	9,742	555	555
OT* (5 years)	5.00%	2,379	1,002	1,002

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

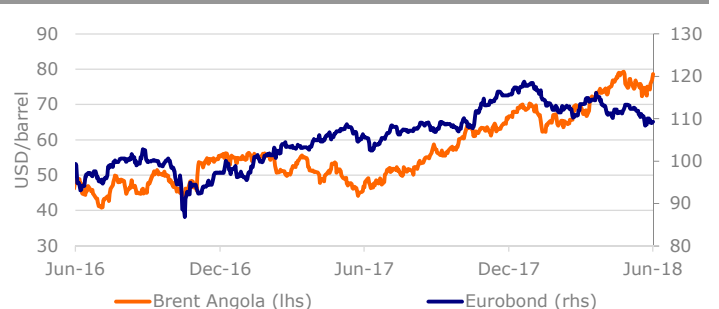
Inflation (Luanda)



Exchange rate (official and parallel)



Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry

