

Angola Weekly | 17/06

Market Information

Annual inflation decelerated again slightly in May to 17.13%, down 21 basis points (b.p.) - the lowest since January 2016 (15.2%). Monthly inflation was 1.09%, within our expectations, slightly higher than in April (1.05%), and 18 b.p. less than in May 2018. For the month of June, we expect a slight drop in the monthly price variation, at around 1.0%. In July, with the introduction of new electricity pricing, we anticipate an increase in monthly inflation. **According to the Portuguese news agency Lusa, the implementation of VAT was delayed until October, after an agreement between the Government and a group of private sector experts.**

In May, BNA sold the equivalent to USD 752.3 million in foreign currency to commercial banks, a decrease of USD 87.9 million from April (USD 840.1 million) - yoy a drop of 58.1%. From January to May, sales totalled about USD 3.7 billion, down 28.1% from the same period in 2018. In the FX market, the Kwanza remained stable against the US Dollar (USD/AOA 339.0) in the formal market; on the other hand, according to KinguilaHoje, the informal market saw the Kwanza appreciate 2.1%, putting the difference between markets at 38.6%.

According to BNA data, non-performing loans stood at 28.5% in April, an increase of 3.2 p.p. compared to the same period in 2018 - still quite high. In the first four months of the year, the ratio fluctuated slightly, declining in January (28.1%) and February (27.8%), increasing again in March to 28.4% - YTD the increase is small, only 0.2 p.p. (28.3% in December).

The IMF approved the first review of the Extended Fund Facility last Wednesday, June 12, thus approving the disbursement of the second tranche of the programme - USD 248 million. The review should have occurred at the end of March, but we believe that the IMF has preferred to wait for confirmation of the implementation of the Revised State Budget in order to do a more detailed analysis. The statement by the IMF indicates continued coordination between the Fund and the Executive, praising the fiscal prudence expressed by the Budget revision. The only adverse fact reported was the request by the Angolan authorities (accepted by the IMF) to obtain a waiver of nonobservance of the "criterion on the non-accumulation of external arrears" - that is, Angola had an increase in arrears owed abroad (with no information on the amount) in the period under review. **The next IMF review is scheduled for the end of September 2019.**

Market Information

Indicator	2018*	2019**	2020**
GDP change (%)	-1.7	1.8	2.4
Average Inflation (%)	19.6	15	14.6
Current Account (% GDP)	7.0	1.4	0.8

*GDP - IMF forecast; Inflation - INE; Current Account - BNA with BFA calc.
** 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-	Negative	08/02/19

Monetary and ForEx data*

	14/06/19	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	15.07%	-0.67	-1.68	-5.96
USD/AOA	339.0	1.56%	9.84%	41.73%
AOA/USD	0.00295	-1.53%	-8.96%	-29.44%
EUR/AOA	383.9	2.19%	8.74%	36.53%
EUR/USD	1.133	0.66%	-1.23%	-3.89%
USD/ZAR	14.67	0.04%	2.24%	11.43%

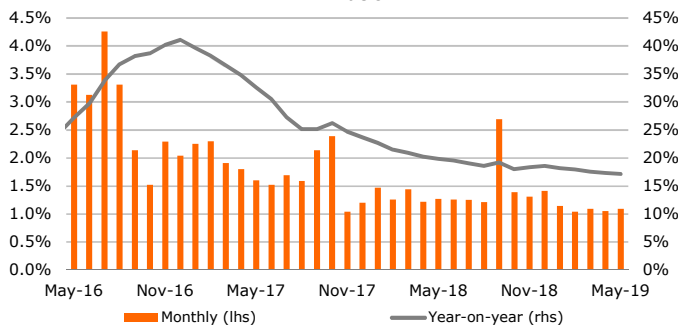
*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Auctions of Treasury bonds and bills last week

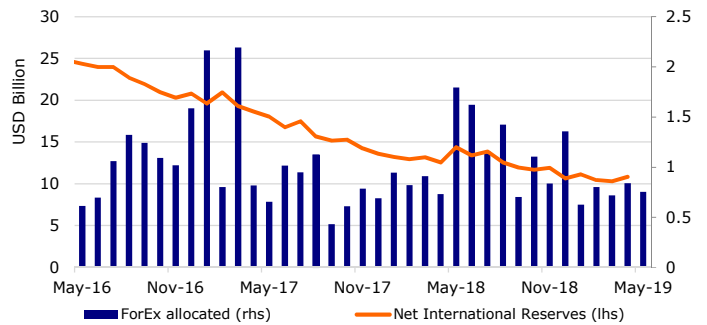
Maturity	Rate	Supply	Demand	Allocated
BT (1 Year)	15.50%	47,496	1,553	1,553

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

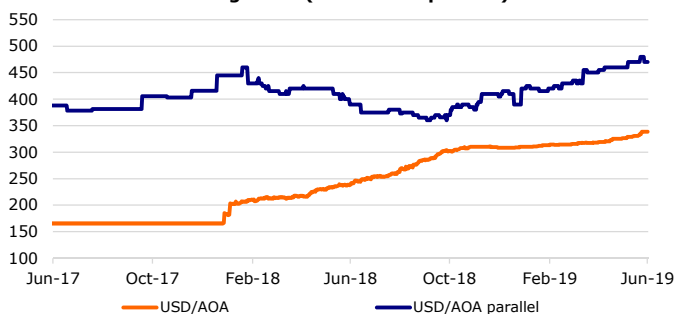
Inflation



ForEx allocation and International Reserves



Exchange rate (official and parallel)



Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry