

Angola Weekly | 19/08

Market Information

Year-on-year inflation accelerated in July to 17.24%, a 31 basis points (b.p.) increase from the previous month, as a result of significant increase in energy prices. Monthly inflation was 1.52%, 44 b.p. higher than in June (1.08%). The increase in inflation resulted from price changes in the Housing, Water, Electricity and Fuel sector, which contributed to 20.7% of monthly inflation. This increase was nonetheless milder than we anticipated. Average annual inflation should end 2019 at around 17%.

In July, BNA sold USD 836.0 million in foreign currency to retail banks, an increase of USD 272.1 million compared to June; Year-on-year, there was a 27.9% drop. From January to July, the yoy comparison shows a harsh fall of 35.6%. **In the foreign exchange market, the Kwanza depreciated against international currencies, having lost 0,94% against the Dollar.** In the parallel market, the Kwanza followed the same trend having lost 2.9% against the US currency – trading at USD/AOA 510 today, according to Kinguila Hoje; therefore, the difference between the parallel and the official exchange rates has widened again to 40.9%.

According to the Finance Ministry, Angola exported 715.5 thousand carats of diamonds in July, an increase of 12.4% compared to June. Since the beginning of the year, the volume of carats exported amounted to 4.84 million (-19.6% yoy). However, the higher export price means that export earnings are only 7.8% lower. In terms of tax revenue, the Government raised about USD 53.7 million in the first 7 months of the year, a yoy increase of 1.4%.

Also according to MinFin data, July's oil revenue stood at USD 2.58 billion, down 18.9% yoy. Although the drop was influenced by a fall in exported volume (-1.2% yoy), the decrease in export prices (-17.9% yoy) contributed most significantly. Data point to 1.40 million barrels per day (mbd) in exports in July; on the other hand, data reported to OPEC points to a production of 1.26 mbd in the same month. Looking at the period from January to July 2019, the data is more consistent, pointing to production and exports around 1.39-1.40 mbd (1.49 mbd in the same period of 2018). Our expectation is that the oil sector will continue to see declines, albeit milder, in the second half of 2019, with a possible return to growth in the last quarter of the year. **The Angolan oil agency hired IHS Markit to conduct the international roadshow in anticipation of the Namibe basin oil block auction.**

Market Information

Indicator	2018*	2019**	2020**
GDP change (%)	-1.2	0.6	2.0
Average Inflation (%)	19.6	16.8	14.6
Current Account (% GDP)	7.0	1.6	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	Negative	12/07/19
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Negative	08/02/19

Monetary and ForEx data*

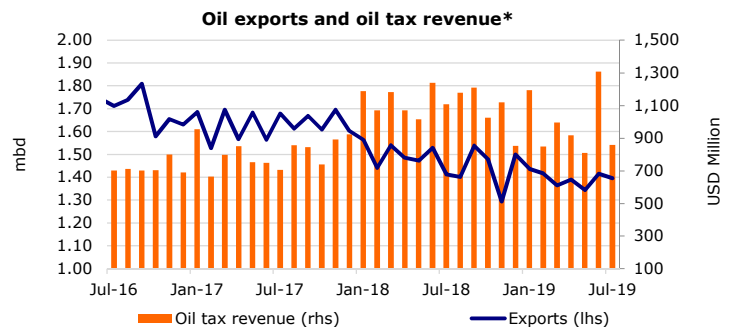
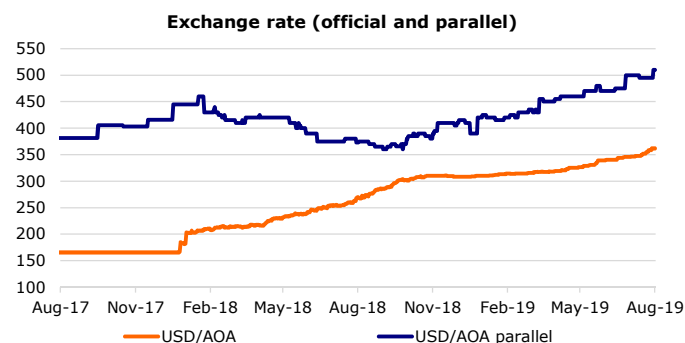
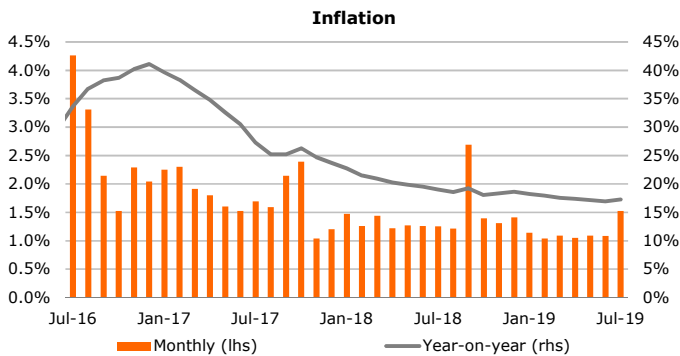
	16/08/19	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	13.50%	-0.30	-3.25	-2.83
USD/AOA	362.0	0.95%	17.31%	33.89%
AOA/USD	0.00276	-0.94%	-14.75%	-25.31%
EUR/AOA	401.2	-0.15%	13.64%	31.09%
EUR/USD	1.108	-1.08%	-3.38%	-2.62%
USD/ZAR	15.19	-0.42%	5.87%	3.06%

*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.

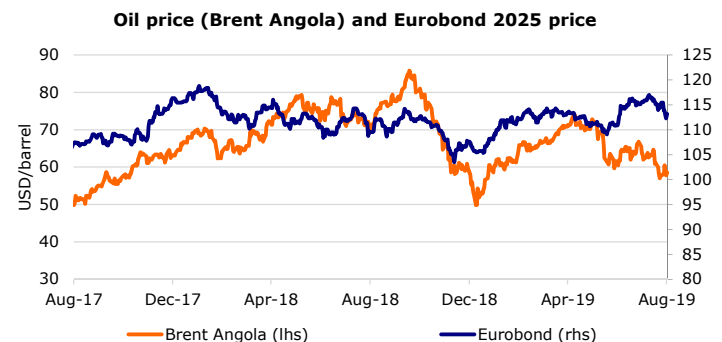
Auctions of Treasury bonds and bills last week

Maturity	Rate	Supply	Demand	Allocated
BT (1 year)	14.70%	39,566	12,383	12,383

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



*Including Sonangol revenue



Sources: Bloomberg, BNA, INE, Finance Ministry