

**Market Information**

The central bank has announced a partial opening of the capital account, exempting some types of investment-related capital flows from previous licensing. Other capital flows restrictions remain, in particular regarding transactions related to the purchase of local debt securities. These regulations ease restrictions on foreign capital investment, aiming to boost the success of the privatization program planned for the coming years. **Net international reserves (NIR) rose by USD 2.2 billion (bn) in November to USD 12.4bn - the highest since August 2018.** The significant increase was due to the USD 3.0 bn Eurobond issue at the end of November. According to our calculations, the amount corresponds to around 7.0 months of imports. Compared to December 2018, reserves increased by USD 1.7 bn, an average monthly increase of USD 157 million. Year-on-year, NIR were up by USD 466 million. **The floor target for NIR agreed with the IMF for the end of 2019 is USD 9.4 bn.**

Last week, the BNA divulged the result of the **Asset Quality Review (AQR) on the 12 largest banks.** According to the central bank, AQR results revealed that the Angolan banking system is globally robust. However, BNA pointed to significant capital needs in BPC and Banco Económico (96% of total recapitalization needs against current minimum regulatory requirements). Thus, BNA has requested banks to record the adjustments identified in the exercise in their 2019 financial statements. **Banks will have until the end of June 2020 to comply with BNA recommendations and raise the additional capital necessary according to the exercise.**

In the foreign exchange market, the last two weeks were marked by a **2.33% depreciation of the Kwanza against the Dollar - trading at USD/AOA 482.227.** As a result, the Kwanza closed the year slightly stronger than we expected (between USD/AOA 490-510). This recent depreciation movement was due to a slight improvement in liquidity - which could still revert in the near term, depending on the support provided by the BNA to the banks' liquidity. This was reflected in the overnight interbank rate, which traded at 22.52% last Friday, significantly below its previous level (around 29%).

In the international market, **Brent was trading above USD 68, the highest since May 2019.** This is partly a result of the optimism of the international markets with the latest US-China trade news, combined with renewed geopolitical tensions between the US and Iran.

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Indicator	2018*	2019**	2020**
GDP change (%)	-1.2	-0.6	1.3
Average Inflation (%)	19.6	17.5	15.0
Current Account (% GDP)	7.0	0.8	-0.3

\*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\***

	03/01/20	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	22.52%	-6.08	5.77	5.77
USD/AOA	482.2	0.00%	56.26%	56.10%
AOA/USD	0.00207	0.00%	-36.00%	-35.94%
EUR/AOA	537.0	-0.09%	52.11%	52.92%
EUR/USD	1.116	-0.16%	-2.69%	-2.06%
USD/ZAR	14.26	1.64%	-0.60%	-0.27%

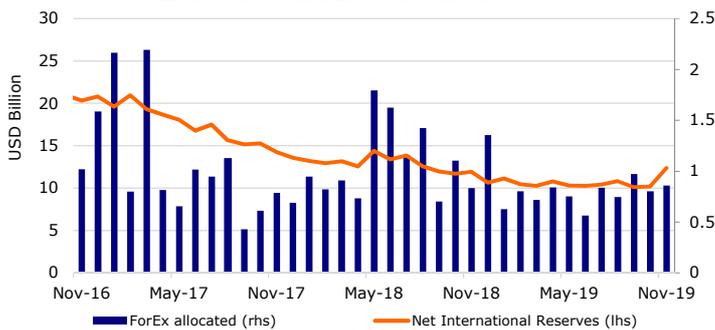
\*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

**Auctions of Treasury bonds and bills last week**

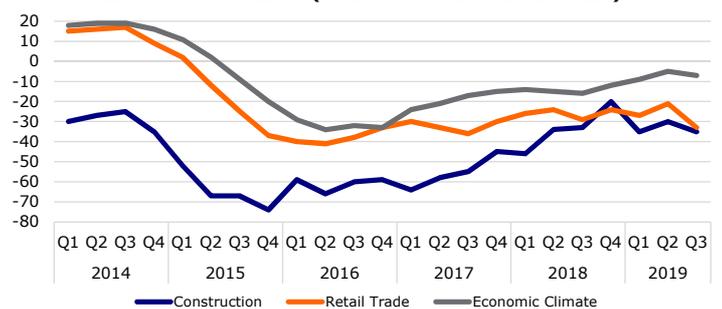
Maturity	Rate	Supply	Demand	Allocated
BT (6 months)	12.00%	4,991	20	20
BT (1 year)	14.68%	4,702	1,023	1,023
OT (2 years)	22.25%	7,504	7,504	7,504
OT (3 years)	23.25%	7,500	7,500	7,500

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

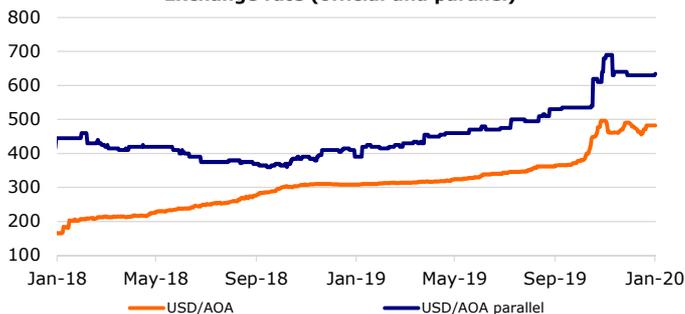
**ForEx allocation and International Reserves**



**Economic Sentiment (Construction and Retail Trade)**



**Exchange rate (official and parallel)**



**Oil price (Brent Angola) and Eurobond 2025 price**



Sources: Bloomberg, BNA, INE, Finance Ministry, OPEC