

Market Information

The Angolan economy declined by 0.8% yoy in Q3 2019. Up to September, economic activity dropped 0.4% yoy. In particular, the oil economy shrank 8.7% yoy in Q3 - it plunged by 6.6% yoy, January through September. On the other hand, outside the oil economy, Retail Trade recovered between July and September, growing 8.0% yoy; the pace was, however, not enough to make up for the tumbles in the previous two quarters - the year-on-year drop was 1.3% on Q1 through Q3. The brighter signs came from the Construction sector, the 2nd largest non-oil activity: there was a 2.8% yoy increase in Q3 - the 5th positive quarter in a row; up to September, Construction activity rose 6.0% yoy. Finally, it is worth to mention a staggering 41.4% yoy surge in Diamonds & Mining in Q3; up to September, the sector grew 7.9% yoy. **In Q4, the economy should have dropped harshly; on the one hand, the oil economy has likely shrunk at a similar or worse pace than in Q3; on the other hand, the implementation of VAT, together with the exchange rate regime changes, most probably had a detrimental effect on the confidence of companies and consumers, thus dragging down the non-oil economy.** For the whole of 2019, we therefore expect a decline near 1%, or possibly higher. In 2020, the oil economy is expected to perform close to stagnation, as new investments almost fully make up for natural decline in mature oil blocks. The non-oil economy is expected to grow at a very moderate pace, near 1%, albeit conditional to the establishment of a more stable environment in the forex market, which allows economic agents to regain some trust. **Thus, we expect a slight increase in GDP, probably below 1%.**

Average yearly inflation was 17.3% in 2019, below the 20.2% posted in 2018, and well below the 32.4% in 2016 - inflation in the 3-year period ending in December 2019 was below 100% (74.7%), enabling the Angolan economy to no longer be classified as hyperinflationary. Monthly inflation in December was 1.93%, +0.45p.p. compared to the previous month; year-on-year inflation was up 0.48p.p. to 17.1%.

In 2019, the Angolan central bank sold USD 9.4 billion in forex to retail banks, 30.2% below the level sold in 2018. These sales are going to be significantly lower in 2020, given the new regulations, allowing for direct forex sales between oil companies and banks. **Moreover, BNA has approved legislation to simplify current invisible operations, eliminating the need of previously licensing contracts, and other existing restrictions.**

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Indicator	2019*	2020**	2021**
GDP change (%)	-0.6	1.2	2.4
Average Inflation (%)	17.5	15.0	10.0
Current Account (% GDP)	0.8	-0.3	-0.5

*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*

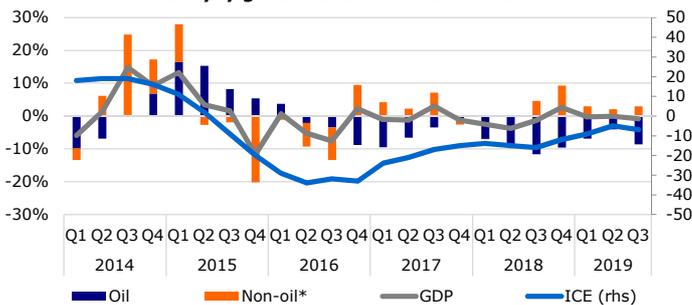
	17/01/20	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	19.94%	-1.05	-8.88	3.44
USD/AOA	489.4	1.06%	1.48%	57.76%
AOA/USD	0.00204	-1.04%	-1.46%	-36.61%
EUR/AOA	544.1	1.29%	0.62%	53.95%
EUR/USD	1.109	-0.26%	-1.08%	-2.61%
USD/ZAR	14.47	0.72%	3.36%	5.45%

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

Auctions of Treasury bonds and bills last week

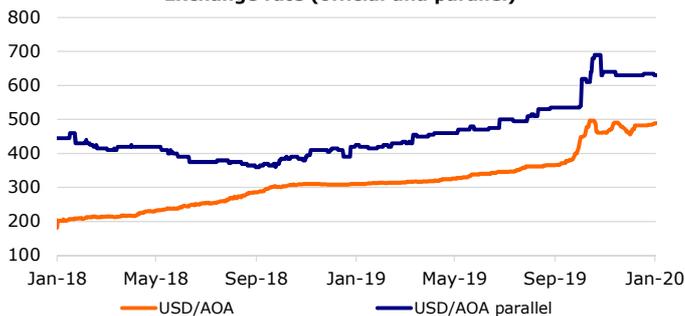
Maturity	Rate	Supply	Demand	Allocated

GDP yoy growth and economic sentiment

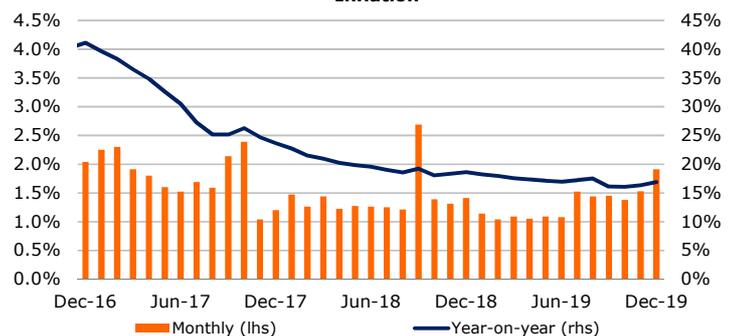


*Statistical proxy

Exchange rate (official and parallel)



Inflation



Oil price (Brent Angola) and Eurobond 2025 price



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