

Angola Weekly | 19/10

Market Information

Prices accelerated their yearly increase to 23.8% in September, the 11th rise in a row and the highest value since November 2017. Month-on-month, prices rose 1.79%, a decrease of 4 basis points (bp) relative to monthly inflation seen in August. Our expectation is that inflation will continue to accelerate until the end of the year.

The G20 Debt Service Suspension Initiative was extended to the first half of 2021. In April next year, the need for a further extension should be assessed. Although this fact is positive for Angola, the gains will be relatively modest. According to the World Bank, Angola would spend USD 1.3bn on debt service to bilateral official creditors in the first half of 2021, but USD 1.2bn of these are due to Chinese entities: the vast majority of this amount should already be included in individual agreements with creditors.

BNA decided to liberalize the choice of payments methods regarding the import of goods. Up to this point, any import worth over USD 200k would necessarily require the use of a letter of credit - the limit was scrapped with the new regulation, published last Thursday; advanced payments continue to be subject to a limit of USD 50k (or 10% of the total value of an operation, under a letter of credit). In our view, this move relates to an increased capacity by the BNA (and strengthened compliance efforts by banks) to supervise and detect fraudulent international trade operations, which could result in illegal capital flight. The mandatory use of letters of credit for a very significant portion of goods imports had been mandated in 2018.

Net International Reserves ended September at USD 9.3Bn, 2.4Bn below the value at the end of 2019: this amounts to just over 7 months of imports of goods and services. In the middle of October, NIRs were already falling to USD 8.9Bn. **In the foreign exchange market, the Kwanza depreciated 0.9% against the Dollar, trading at USD/AOA 644.8 on Friday.** In comparison to the parallel market, the gap is now slightly below 25% - compared to the BFA sales rate, the gap is around 21%.

Market Information

Indicator	2019*	2020**	2021**
GDP change (%)	-0.9	-4	0.9
Average Inflation (%)	17.2	22.6	20.0
Current Account (% GDP)	5.8	-6.6	-5.55

*GDP, Inflation - INE; Current Account - BNA with BFA calc.
** Average of forecasts from Bloomberg

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	CCC	-	04/09/20
Moody's	Caa1	Stable	08/09/20
Standard & Poor's	CCC+	Stable	26/03/20

Monetary and ForEx data*

	16/10/20	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LIUBOR O/N	12.48%	-0.08	-16.34	-2.05
USD/AOA	644.8	0.86%	33.72%	45.72%
AOA/USD	0.00155	-0.85%	-25.21%	-31.37%
EUR/AOA	756.8	0.32%	39.94%	53.87%
EUR/USD	1.172	-0.91%	4.50%	5.33%
USD/ZAR	16.56	0.57%	18.30%	11.65%

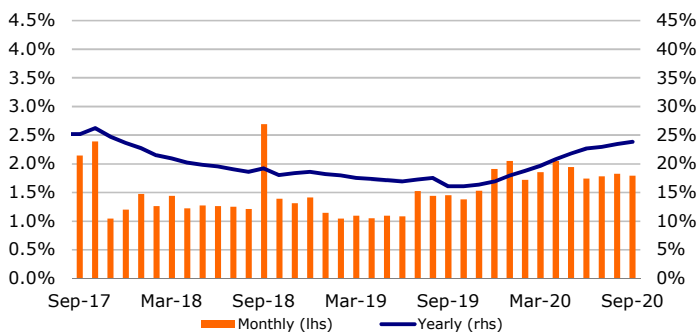
*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Auctions of Treasury bonds and bills last week

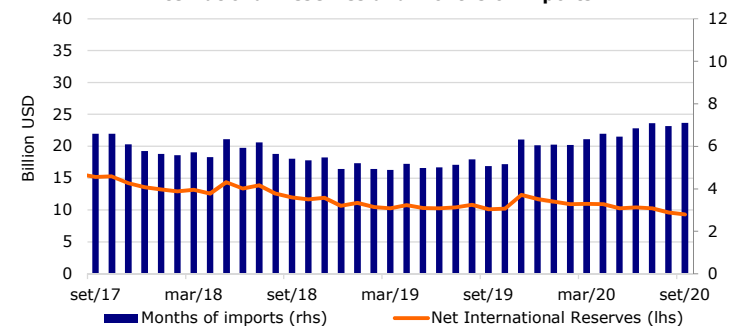
Maturity	Rate	Supply	Demand	Allocated
BT (3 months)	17.1%	3,879	23,291	23,291
BT (6 months)	18.0%	9,499	12,921	12,921
BT (12 months)	18.0%	10,000	392	392
OT (2 years)	23.5%	9,285	18,747	18,747
OT (3 years)	24.8%	14,716	40	40
OT (4 years)	0.0%	0	0	0

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

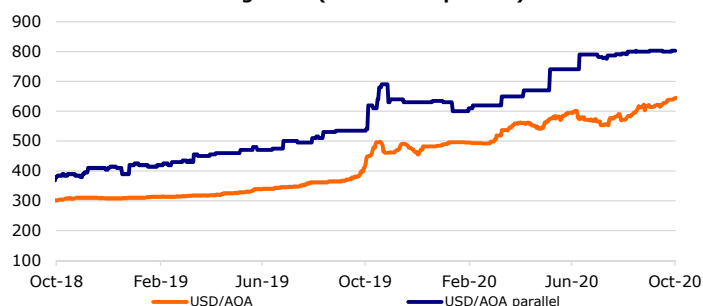
Inflation



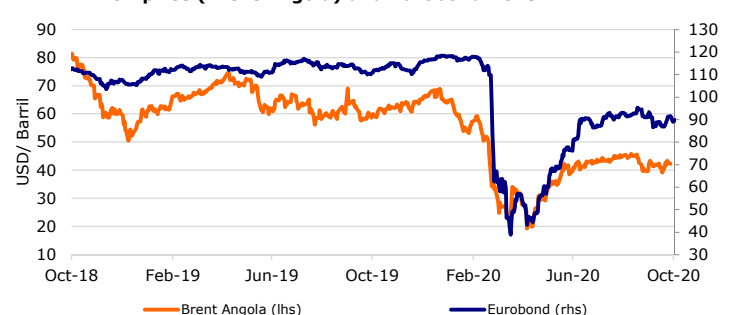
International Reserves and months of imports



Exchange rate (Official and parallel)



Oil price (Brent Angola) and Eurobond 2025



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