

Angola Weekly | 16/05

Market Information

In April, annual inflation was 25.79%, representing a drop of 1.21 percentage points (p.p) compared to March, and the third consecutive month of inflation decline. According to INE data, monthly inflation in April shows a significant slowdown in the pace of price growth to 1.12% (from 2.10% in December 2021). Apparel & Footwear again posted the highest monthly increase of 1.72%, surpassing the rise in prices for Foods & non-alcoholic Beverages (1.07%), which in turn reached its lowest level since January 2019. On the other hand, Luanda's inflation stood at 0.97% (2.10% in December 2021), and the lowest since May 2015. The inflation behaviour in the first four months of the year is in line with our expectations, with annual inflation to get below 20% by the end of this year.

Oil exports were close to 1.14 million barrels per day (mbd) in April, -2.6% compared to the same period. On the contrary, the average export price rose sharply (+90.0% yoy) to USD 119.5 per barrel, the highest price since June 2012. As a result of this increase, exports yielded USD 4.2 billion (Bn) in sales in April, corresponding to a year-on-year increase of 85.1%. Oil tax revenues were USD 1.4bn, three times the amount in April 2020. **Data independently collected by OPEC point to a year-on-year increase of 1.9% in crude oil production in April, averaging 1.16 mbd.** We reiterate our expectation for 2022 of a slight growth in production, about 2%, to close to 1.18 mbd. In international markets, Brent remains quite volatile, having finished the week around USD 110.

The Industrial Production Index (IPI) increased by 1.3% in 2021. Despite the 3.9% drop in the Extractive Industries index (resulting from the drop in oil extraction), which represents 87.2% of industrial production, there was a very significant increase in the production of Manufacturing Industries (10.1% of the index), with an increase of 12.1%: in particular, the production of beverages and tobacco rose 35.6%, while Food Industries saw a 5.8% rise. Electricity Production and Distribution rose 13.3%, although it represented only 1.7% of the index.

Last week, the government ensured funding from the World Bank (USD 500M) and the French Development Agency (USD 207M), both for budget support and reform financing, similar to IMF funding. The first is the last tranche of an agreement initiated in 2019, in the overall amount of USD 1.7bn. In the case of AFD, the amount of this type of tranches already totals USD 0.4bn.

Macroeconomic Forecasts

Indicator	2021*	2022**	2023**
GDP change (%)	0.7	5.5	4.0
Average Inflation (%)	25.8	18.7	8.5
Current Account (% GDP)	11.4	6.6	1.5

*GDP and inflation - INE; Current account - BFA forecast
**Forecasts

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B-	-	21/01/22
Moody's	B3	Stable	13/09/21
Standard & Poor's	B-	Stable	04/02/22

Monetary and ForEx data*

	13/05/2022	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	13.34%	-1.20	-5.34	0.09
USD/AOA	409.2	0.87%	-26.27%	-36.57%
AOA/USD	0.00244	-0.87%	35.63%	57.65%
EUR/AOA	424.3	-0.94%	-32.54%	-45.56%
EUR/USD	1.041	-1.32%	-8.43%	-13.82%
USD/ZAR	16.17	1.06%	1.43%	14.51%

*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
OT AOA (2 years)	16.50%	7 700	7 600	7 600
OT AOA (4 years)	18.40%	3 000	10 144	10 144
OT AOA (6 years)	19.49%	9 633	9 633	9 633
OT AOA (10 years)	21.00%	3 000	3 000	3 000
OT USD (3 years)	3.70%	1.00	2.44	2.44
OT USD (4 years)	4.20%	1.00	2.10	2.10

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

