

Angola Weekly | 17/10

Market Information

In September, year-on-year inflation was 18.16%, a drop of 1.61 percentage points (p.p) compared to August - the eighth consecutive month of decline in 2022. According to INE data, monthly inflation accelerated slightly to 0.79% (+0.03pp compared to August). Education costs recorded the highest monthly increase, +3.15% (+1.75pp than the increase in Sep/2021), still affected by the resumption of the school period. Then, the largest increases were in the Clothing & Footwear and Health classes, which increased 1.77% (-0.01pp) and 1.54% (-0.43pp), respectively. In the opposite direction, the Transport class stands out, which registered a variation of 0.17%, followed by Housing, Water and Electricity, which rose 0.55%, the smallest increase since June 2020, and 0.32pp less than in the same month of 2021. The inflation value in September was in line with our estimates; for the next few months, we expect a slight increase in monthly values, although remaining below 1% - year-on-year inflation is expected to end the year below 15%, lower than the BNA's target for this year (18%).

The International Monetary Fund (IMF) expects the Angolan economy to grow 2.9% in 2022. The October 2022 forecasts point to an increase in GDP by an average of 3.8% over the next 5 years; on 2023 and 2024, the economy will grow by 3.4% and 3.8%, respectively. Overall, our projections through 2027 are in line with the Fund's; however, for 2022 we are more optimistic (4.6%) and more pessimistic for 2023 (2.4%), mainly due to the impact of the Oil GDP, which is quite volatile. The Fund forecasts inflation to end 2022 at 14.96%, projecting a gradual deceleration, resulting in inflation below double digits from 2024 onwards, in line with the BNA target. In our view, the inflation deceleration will only continue until 2023, with inflation expected to remain in double digits over the next few years - the root cause of the difference being that the IMF is forecasting a slightly slower depreciation than the one we expect. Regarding public finances, the IMF expects to see public debt below 60% of GDP this year (56.6%), falling to 37% in 2027. The budget balance should pass from a surplus (2.7% of GDP) to balance in 2023 and 2024 and deficit in the following years. Regarding the current account, the surplus is expected to be significant in 2022 (11.3% of GDP), gradually decreasing in the following years. Our outlook on fiscal and external balance is similar to that of the IMF, with some non-fundamental differences in specific years.

Banco Económico approved the capital restructuring at its shareholders's meeting, which involved the transformation of deposits into equity for the largest depositors. The bank is now "entirely private", owned by a collective investment entity underwritten by a number of entities. The 2019-2021 accounts were also approved, with historically high losses in 2019.

Macroeconomic Forecasts

Indicator	2021*	2022**	2023**
GDP change (%)	0.7	4.6	2.4
Average Inflation (%)	25.8	21.2	12.2
Current Account (% GDP)	10.5	9.0	3.3

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

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B-	Positive	15/07/2022
Moody's	B3	Stable	13/09/2021
Standard & Poor's	B-	Stable	04/02/2022

Monetary and ForEx data*

	14/10/2022	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	10.00%	-0.63	-8.68	-7.57
USD/AOA	442.5	0.76%	-20.27%	-25.96%
AOA/USD	0.00226	-0.76%	25.42%	35.07%
EUR/AOA	431.4	0.70%	-31.41%	-37.84%
EUR/USD	0.972	-0.23%	-14.49%	-16.17%
USD/ZAR	18.4	1.46%	15.20%	24.16%

*Change of USD/AOA (or EUR/AOA) shows the appreciation 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 (4 years)	17.2%	10,000	10,000	10,000
OT AOA (10 years)	21.0%	20,000	28,898	28,898
OT USD (7 years)	5.7%	1.00	0.03	0.03

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

