

Angola Weekly | 05/06

Market Information

The price of gasoline rose 87.5% to AOA 300 per litre, as part of the Angolan Government's strategy for the gradual removal of fuel subsidies. According to the Government, the subsidy for oil derivatives has created constraints not only for Sonangol, the state-owned oil company, but also for public finances, generating a tendentially growing and unsustainable fiscal cost in the long term. According to the Ministry of Finance, in 2022 the Angolan State assumed a total subsidy of AOA 1.98 billion, with diesel corresponding to almost 68% of the total, followed by gasoline with 23.2%. The accounted values of subsidies represent about 92% of health and education expenditure in the State Budget for that year, which is why it is unaffordable from the point of view of fiscal policy management. The Government's strategy for removing fuel subsidies is based on the specificity of each product. In addition to the already adjusted price of gasoline, the strategy foresees a progressive and gradual removal of the prices of diesel - it is the fuel that has the greatest impact on the economy - and of illuminant, until 2025. To mitigate the negative impacts of the removal of subsidies to fuel, the Government intends to subsidize agriculture and fishing, taxi drivers and motorcycle taxi drivers, transport of goods, as well as support for families through reinforcement of the Kwenda programme, reduction of taxes on income from work, among others. **At that time, we believe that this measure is also an ingredient to accelerate monthly inflation along with the depreciated exchange rate.** However, we do not know exactly how inflation will react and we believe it is prudent to wait for the next three months, noting that our inflation forecast for the current year may be revised.

Interest rates on the Interbank Money Market, Luibor, are rising in line with the rising pace of rates for open market operations (OMO) with repurchase agreements. According to our calculations, Luibor Overnight, which rose 102 basis points (bp) in May, rose again in the first weeks of June, and is now quoted at 11.72%. This movement is in line with the rates of Repos which are also rising, having ended the month of May at 10% and rising more recently to 13.5%. This rise in rates signals that the BNA has already started to tighten monetary policy at a time when pressure on inflation is no longer limited to the exchange rate, but also the beginning of the gradual removal of fuel subsidies. The contraction of liquidity through the OMOs may relieve some of the pressure on the kwanza, which last week fell again by almost 8% and should serve as some counterbalance to the likely increase in inflation resulting from the increase in fuel prices.

Macroeconomic Forecasts

Indicator	2022*	2023**	2024**
GDP change (%)	3.0	1.2	5.9
Average Inflation (%)	21.7	10.7	14.1
Current Account (% GDP)	12.5	3.7	4.3

*Inflation - INE; GDP & Current account - BFA forecast
**Forecasts

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B-	Positive	15/07/2022
Moody's	B3	Positive	20/10/2022
Standard & Poor's	B-	Stable	04/02/2022

Monetary and ForEx data*

	02/06/2023	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	11.72%	3.06%	1.72%	0.67%
USD/AOA	595.4	6.25%	18.20%	39.61%
AOA/USD	0.00168	-5.88%	-15.40%	-28.37%
EUR/AOA	640.6	6.54%	19.20%	40.36%
EUR/USD	1.071	-0.14%	0.03%	-0.36%
USD/ZAR	19.5	-0.63%	14.62%	26.27%

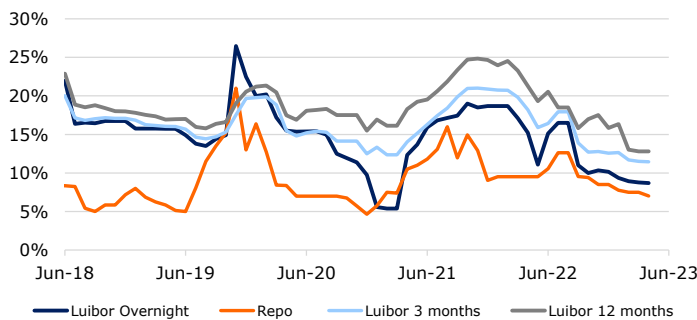
*Change of USD/AOA (or EUR/AOA) shows the appreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Weekly domestic debt securities auctions

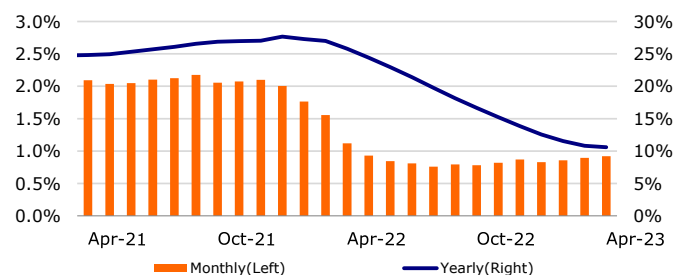
Term	Yield	Offer	Demand	Allocated
BT (364 days)	10.5%	5,000	14,758	5,500
OT AOA (4 years)	15.0%	12,000	3,000	3,000
OT AOA (5 years)	16.0%	10,000	1,000	1,000
OT AOA (6 years)	16.3%	12,000	4,500	4,500
OT AOA (10 years)	17.0%	10,000	8,922	8,922
OT USD (8 years)	6.0%	1	0	0

BT are treasury Bills, OT are Treasury Bonds; Note: amounts (except for yield) are in million Kwanza. OT USD (Dollar Treasury Bonds) are shown in million Dollars

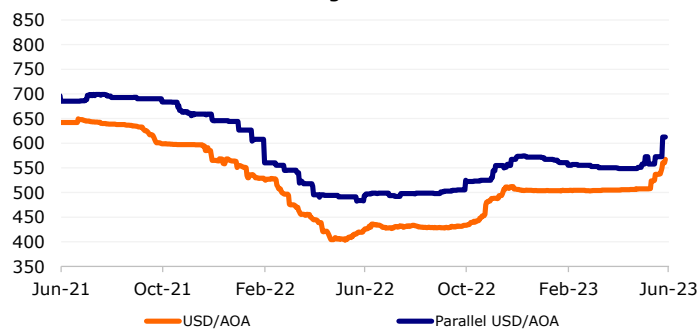
REPOs and LUIBOR rate



Inflation



Exchange Rate



Oil Price (Brent) and Eurobond 2025

