

Angola Weekly | 19/06

Market Information

The Kwanza continued to lose value last week, reaching the lowest value ever - on Friday, the currency exchanged for USD/AOA 727.7.

Compared to the same period of 2022, the Angolan currency lost 40.4% of its value until this Friday. Against the Euro, the Kwanza also recorded lows, trading for EURO/AOA 797.2. Despite the initial impact of the correction of an imbalance, at this point we think that the movement mainly reflects the negative sentiment in the market – those who sell foreign exchange will prefer to wait for the best price, and those who buy foreign exchange want to anticipate as much as possible, a mechanism that only exacerbates the trend. In economic terms, it is expected that the current depreciation will generate a significant impact on inflation, and therefore on domestic demand. In particular, due to the vertiginous movement seen in the foreign exchange market, the impact of the depreciation on prices should be immediate, with high monthly inflation expected in the next month. If the movement were more gradual, our expectation is that the effects of this depreciation on prices would only occur 2 to 3 months later. In this sense, we should review our forecasts for inflation and economic growth this year.

Inflation accelerated to 0.95% in May already, the highest rate in recent months. In year-on-year terms, it accelerated to 10.6%. It is quite possible that it will end the year higher than we had anticipated, despite the efforts of the BNA, which has already started to tighten monetary policy. In the case of economic growth, the first 2 quarters should have seen an increase in non-oil activity and a drop in oil activity - in the 2nd half of the year, non-oil activity should surely slow down a lot, and a year-on-year drop in the 3rd cannot be ruled out quarter of this year. At the same time, the fall in interest rates should be reversed - this movement is already observed in LUIBOR, whose overnight rate rose again this week, by 2.76pp, being accompanied by the remaining maturities, which affect interest rates on credit to the economy. In the same sense, the yield on 1-year Treasury Bills also rose, from 10.5% to 12.0%, and this movement could also be reflected in other maturities.

According to data obtained by OPEC, oil production in Angola was 1.15 million barrels of oil (mbd) in May, a year-on-year drop of 2.6%. This is a recovery compared to March and April, when production was, respectively, 0.98 mbd and 1.09 mbd. Taking the first 5 months of the year, the drop compared to 2022 is 6.5%, which is consistent with our forecast of a drop in oil GDP of the same magnitude.

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	7/15/2022
Moody's	B3	Positive	10/20/2022
Standard & Poor's	B-	Stable	2/4/2022

Monetary and Forex data*

	6/16/2023	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	14.82%	0.34%	4.82%	-0.36%
USD/AOA	727.7	10.16%	44.47%	67.67%
AOA/USD	0.00137	-9.23%	-30.78%	-40.36%
EUR/AOA	797.2	12.06%	48.34%	75.75%
EUR/USD	1.094	1.75%	2.17%	3.68%
USD/ZAR	18.2	-3.04%	6.75%	13.61%

*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.

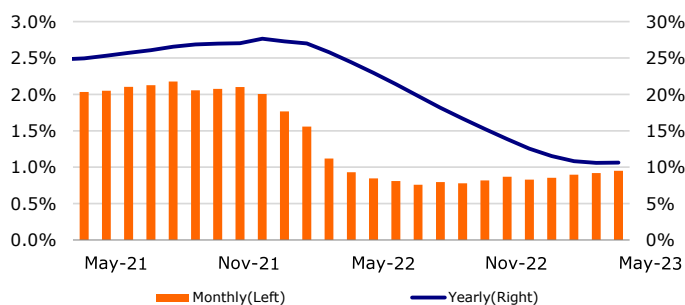
Weekly domestic debt securities auctions

Term	Yield	Offer	Demand	Allocated
BT (364 days)*	19.3%	20,223	20,223	20,223
BT (364 days)	12.0%	10,000	1,500	500
OT AOA (3 years)*	19.3%	13,659	13,659	13,659
OT AOA (5 years)	16.0%	5,000	3,212	3,212
OT AOA (10 years)	17.0%	25,000	20,000	20,000

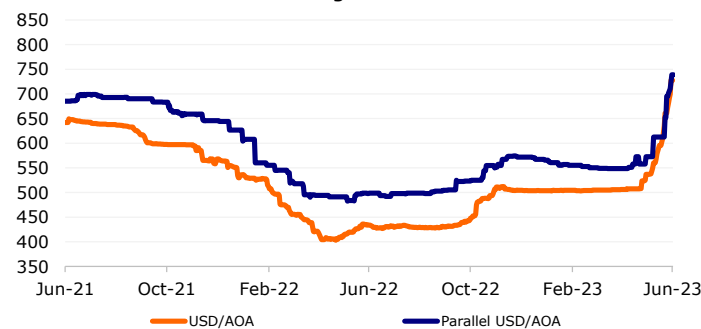
* Securities with a residual maturity of 23 days

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

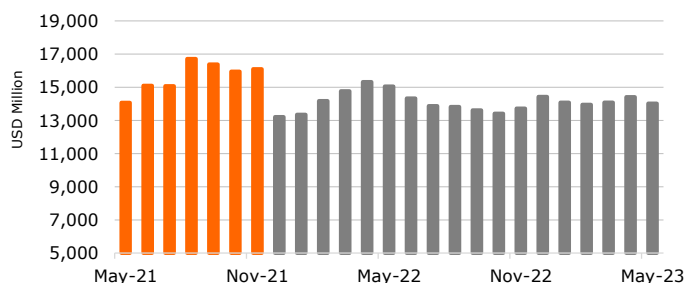
Inflation



Exchange Rate



International Reserves



Oil Price (Brent) and Eurobond 2025

