

## Angola Weekly | 17/07

### Market Information

**At the Monetary Policy Committee meeting held last Friday, July 14, the National Bank of Angola (BNA) decided to increase the interest rate on the Permanent Facility for Providing Liquidity to 17.50% (+50 bp).** The acceleration of inflation together with the reduction of export earnings and the depreciation of the Kwanza were the main factors for the apparently slight tightening of monetary policy. In fact, even if this reference rate is only now being changed, the rates offered by the BNA in repo operations already suffered very relevant increases between the end of May and the beginning of June: the way in which this increase was translated into a monetary policy more restrictive is quite visible in the rise of LUIBOR rates, which in the overnight term increased by around 10 percentage points to more than 18%. The trajectory of the inflation-exchange rate pair is a decisive factor for defining the instruments for conducting monetary policy, given that the exchange rate is one of the main determinants of inflation in Angola, with high pass-through effects justified by the high dependence on imports for consumption. Year-on-year inflation accelerated to 11.23%, (+0.6p.p) compared to May, signaling its second consecutive month of increases after registering the lowest levels since August 2015 in the first quarter of this year. With data from the INE, monthly inflation stood at 1.41%, with the categories "Transport", "Health" and "Clothing and Footwear" registering the highest variations in the National Consumer Price Index, with 2.71%, 2.08% and 1.53%, respectively. Our expectation was, even so, of a higher value, so we do not rule out that the impact of the depreciation could be observed with the same force or greater in the records of monthly inflation in the coming months.

**Angola and the Democratic Republic of Congo (DRC) reached an agreement on the terms for oil exploration in the Zone of Common Interest (ZIC).** Negotiations on the exploitation of hydrocarbons in the ZIC lasted about 20 years, and it is now defined that the income that would belong to the concessionaire of the country that holds the zone will be divided equally between Angola and the DRC - both countries claimed rights over the ZIC. In addition to the 10% interests of Sonangol and Sonahydroc, a public company in the DRC, of 10% each, the remaining participants in the Block will be those in Block 14, which is currently operated by Chevron.

**The Government has approved a series of emergency measures taking into account the recent worsening of economic conditions.** Among other measures, we highlight the following: VAT on food goods will be reduced from 14% to 7% from January 2024; the possibility of paying VAT on imported equipment in installments is given; there will be exemption from payment of Property Tax on property sales below AOA 40 million; an Exporter's One Stop Shop will be created; Visits of up to 30 days by CPLP citizens and G20 countries will be visa-free.

### 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-	Stable	6/26/2023
Moody's	B3	Positive	10/20/2022
Standard & Poor's	B-	Stable	2/4/2022

### Monetary and Forex data\*

	7/15/2023	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	18.53%	0.35%	8.53%	2.03%
USD/AOA	823.7	0.01%	63.53%	90.40%
AOA/USD	0.00121	-0.01%	-38.85%	-47.48%
EUR/AOA	924.8	2.94%	72.07%	113.76%
EUR/USD	1.123	2.38%	4.89%	12.08%
USD/ZAR	18.1	-4.02%	6.28%	5.52%

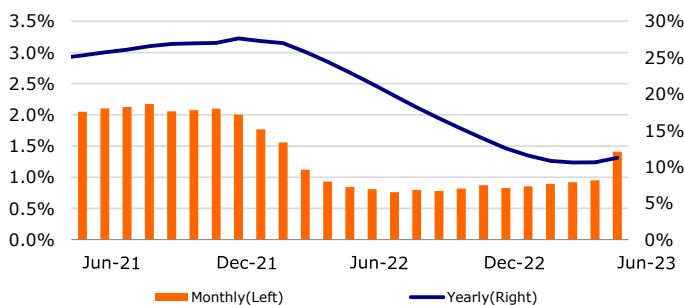
\*Change of USD/AOA (or EUR/AOA) shows the appreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

### Weekly domestic debt securities auctions

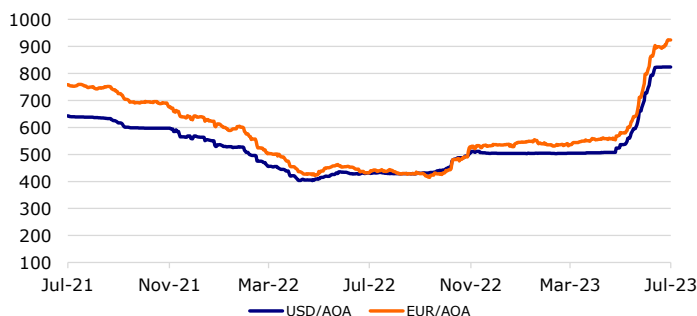
Term	Yield	Offer	Demand	Allocated
BT (364 days)	12.2%	5,000	1,355	1,355
OT AOA (4 years)	15.0%	5,000	4,428	4,428
OT AOA (5 years)	16.0%	2,000	1,000	1,000
OT AOA (5 years)	16.0%	5,000	5,000	5,941
OT AOA (5 years)	16.0%	4,829	4,800	4,800
OT USD (3 years)	4.5%	1	1	1

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

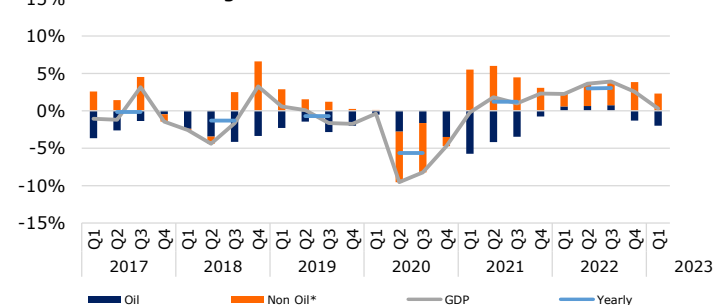
**Inflation**



**Official exchange rate**



**YoY change of GDP and sector contributions**



\* Proxy: GDP subtracted from oil GDP

**Oil Price (Brent) and Eurobond 2025**

