

Angola Weekly | 31/07

Market Information

The prices of a barrel of oil ended last week trading higher, reaching the highest values since mid-April. Brent, which serves as a benchmark for Angolan exports, peaked at USD 84.99 last Friday, gaining USD 3.92 more than the previous week. The WTI, traded in New York, had a similar behavior, ending the week high close to USD 80.58. The undersupplied market and evidence of growing demand have supported the recent gains in black gold: at the last meeting, in early June, the OPEC+ oil ministers had agreed that the production cuts that have been in effect since May would continue until the end of 2024. Meanwhile, Saudi Arabia started to cut production by more than 1 million barrels per day in July, a move that is expected to continue into August and perhaps extend into September. On the demand side, it is known that the numbers of Chinese imports are growing and that interest rate hikes by the main central banks are coming to an end, which increases the prospects for global growth and demand for oil. For now, the market expects oil prices to hit their biggest monthly gains in over a year, on expectations that Saudi Arabia will extend voluntary production cuts into September and tighten global supply.

The Angolan central bank (BNA) recently released the new rules for the application of the custody fee on the excess liquidity of Commercial Banks with the BNA. The free reserves of banking financial institutions that represent the surplus of mandatory reserves deposited at the BNA, for the purpose of paying the custody fee, are classified in levels 1 and 2, the first being exempt and the second subject to the custody fee. According to the previous legislation, banks could maintain a minimum surplus of AOA 3 billion (level 1) not subject to the custody fee, while amounts above (level 2) were subject to a fee that ranged from 0.1% to 0.2%, depending on the excess. As indicated by the Monetary Policy Committee, the new legislation makes it more flexible because it increases the minimum limit to AOA 4 billion and also sets 0.1% as the sole custody fee, regardless of the amount. At a time when the market is very tight in terms of liquidity and the current macroeconomic environment requires higher levels of financial intermediation, the easing of the custody fee is opportune.

The Federal Reserve (FED) and the European Central Bank (ECB) raised interest rates again last week. The FED raised interest rates by 25 basis points (bp), to a range of 5.25% to 5.50% per annum — marking the highest level of rates since 2001. The ECB decided to raise the three main interest rates directories by around 25bp, with the interest rate applicable to main refinancing operations thus rising to 4.25%, that applicable to the marginal lending facility to 4.5% and to the deposit facility to 3.75%.

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	26/06/2023
Moody's	B3	Positive	20/10/2022
Standard & Poor's	B-	Stable	04/02/2022

Monetary and Forex data*

	28/07/2023	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	16.82%	-1.20%	6.82%	0.32%
USD/AOA	824.6	0.00%	63.71%	90.60%
AOA/USD	0.00121	0.00%	-38.92%	-47.53%
EUR/AOA	907.7	-0.96%	68.89%	106.83%
EUR/USD	1.102	-0.97%	2.91%	8.03%
USD/ZAR	17.6	-1.83%	3.49%	6.96%

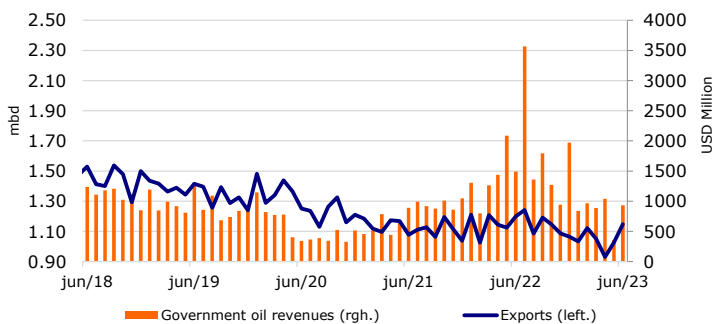
*Change of USD/AOA (or EUR/AOA) shows the appreciation of the USD (or EUR) against the Kwanzas; the change of AOA/USD shows the appreciation/depreciation of the Kwanzas against the USD.

Weekly domestic debt securities auctions

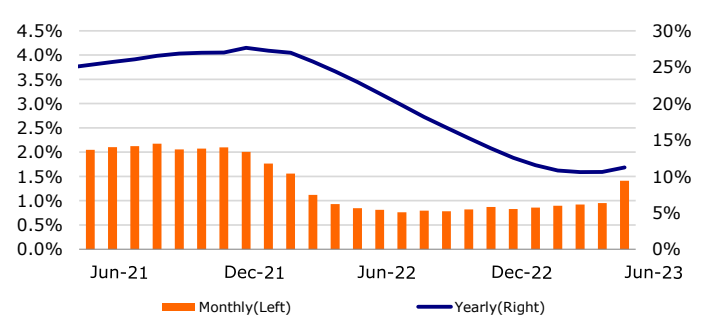
Term	Yield	Offer	Demand	Allocated
BT (364 days)	12.2%	5,000	6,634	5,528
OT AOA (4 years)	15.0%	15,000	10,000	10,000
OT AOA (5 years)	16.0%	15,000	4,657	4,657
OT AOA (10 years)	17.0%	362	360	360

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

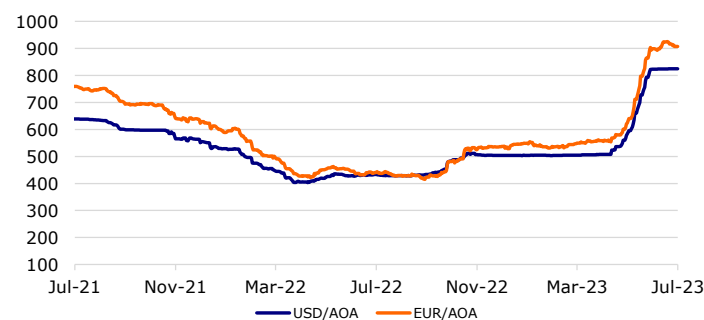
Oil exports and Tax revenues



Inflation



Official exchange rate



Oil Price (Brent) and Eurobond 2025

