

Angola Weekly | 21/08

Market Information

Year-on-year inflation in July accelerated to 12.11% (+0.88pp compared to May), making it the third consecutive month of increases. According to the National Institute of Statistics (INE), the classes "Health" with 2.05%, "Food and non-alcoholic beverages" with 1.91% and "Miscellaneous goods and services" with 1.86%, recorded the biggest price increases. It should be noted that inflation in "Health" and "Clothing and Footwear" are the ones that have grown the most, and in the last 12 months the prices of these goods have increased by close to 24% to 22%, respectively. Inflation in Luanda, which is the largest market, grew by 2.18%, 0.58pp above the national level; according to our analysis of historical inflation, the high differential between national inflation and inflation in Luanda will not remain permanently and national inflation will approach inflation in the capital. Overall, our expectation was for higher monthly inflation, however, we believe that prices will continue to rise as there are still strong inflationary trends, especially on the exchange rate side.

Interbank money market (IMM) interest rates are falling significantly after reaching their very recent year's peak on the 20th of July. Luibor Overnight, which signals the degree of liquidity in the market, is now close to 11%, which represents a drop of around 702 basis points (bp). The remaining maturities also fell by 702 bp, with emphasis on the 3-month and 12-month Luibor, which are close to 13.75% and 15.10%, respectively. The reduction in Luibor is justified by high levels of liquidity in the IMM caused by multiple maturities of State debt securities, as well as the easing of the custody fee and some slowdown in transactions on the foreign exchange market.

Oil barrel prices ended the week slightly lower after trading mixed throughout the week. Brent, which serves as a benchmark for Angolan exports, ended the week close to USD 84.75 per barrel, down by approximately USD 1.47. West Intermediate Rates (WTI), traded in New York, fell USD 0.86 and ended at USD 81.17. Chinese economic figures continue to move the price of black gold, but the market is expected to continue to support prices above USD 80 until the end of the year.

The consultancy firm Capital Economics lowered the growth forecast for the Angolan economy, anticipating an expansion of 1.3%, followed by stagnation in 2024. will push inflation above 25% yoy by the end of the year and harm the country's ability to finance itself on the international market. On public debt risk, last week the financial rating agency Standard & Poor's maintained the 'rating' at B- with a Stable outlook.

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*

	19/08/2023	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	12.00%	-3.80%	2.00%	-4.50%
USD/AOA	825.0	0.00%	63.79%	91.93%
AOA/USD	0.00121	0.00%	-38.95%	-47.90%
EUR/AOA	896.0	-0.97%	66.71%	105.93%
EUR/USD	1.087	-0.69%	1.57%	7.79%
USD/ZAR	19.0	0.25%	11.50%	12.65%

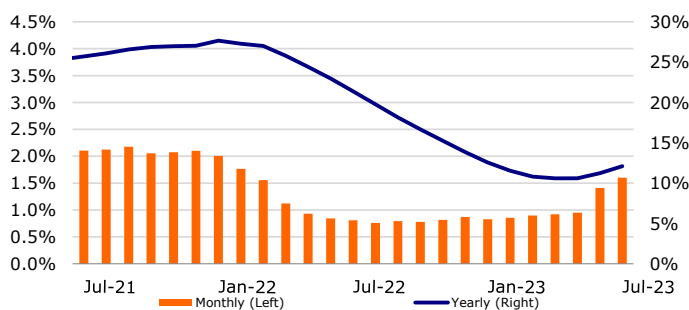
*Change of USD/AOA (or EUR/AOA) shows the appreciation of the USD (or EUR) against the Kwanzas; the change of AOA/USD shows the appreciation/depreciation of the Kwanzas against the USD.

Weekly domestic debt securities auctions

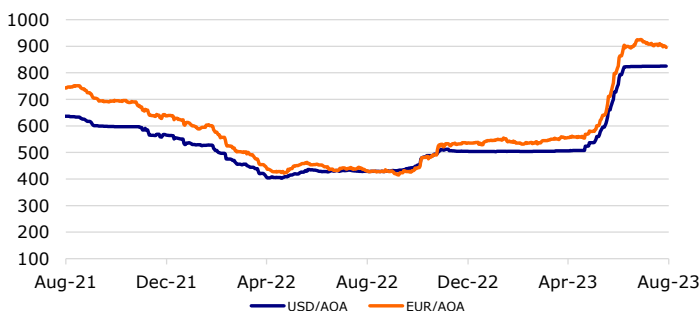
Term	Yield	Offer	Demand	Allocated
BT (91 days)	10.5%	10,000	3,200	3,200
BT (91 days)	10.5%	5,000	14,200	13,700
BT (182 days)	11.5%	20,000	18,600	18,600
BT (182 days)	11.5%	21,000	21,000	21,000
BT (364 days)	12.2%	43,803	802	802
OT AOA (6 years)	16.3%	5,000	7,654	7,654

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

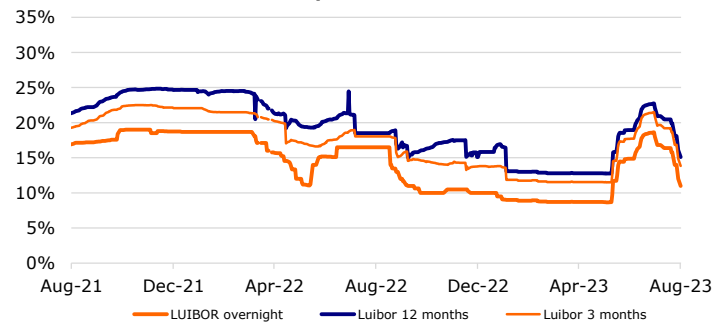
Inflation



Official exchange rate



Interbank Money Market Interest Rates



Oil Price (Brent) and Eurobond 2025

