

Angola Weekly | 18/12

Market Information

Year-on-year inflation in November was 18.2%, marking the seventh consecutive month of increase. According to the recent release of INE data, monthly inflation continues its upward trend at 2.2%, about 0.1 percentage point (pp) above the previous month. Among the classes with the highest change, "Health" stands out with 2.7%, "Food and non-alcoholic beverages" with 2.6%, and "Miscellaneous goods and services" with 2.5%; in contrast, in the case of "Transport" and "Education", the monthly increase in prices was milder, settling at 0.94% and 0.01% respectively. It is important to note that prices in Luanda province had a greater increase: they rose 3.0% (the largest increase since September 2016); thus, annual inflation rose to 23.0%, the highest record since June 2022. Inflation in the other provinces continues to behave; the 2nd province with the highest monthly inflation is Huíla, with 1.8%. The interval between Luanda's annual inflation and national inflation is around 4.8pp, an increase of 1pp compared to October. In our view, inflation is expected to continue to rise in the coming months; in December for seasonal reasons, with the usual price rise currently, but also due to a contagion effect of Luanda's inflation to that of the rest of the country.

Interbank money market (IMM) interest rates are rising at a slow pace, with the market still liquid, despite the increase in the reserve requirement ratio and interest rates in the latest Monetary Policy Committee (MPC). The overnight LUIBOR rate ended the week at 5.74%, an increase of 101 basis points (bps) since the last MPC meeting. However, if we look at the other maturities, in the same time horizon, we can see that there has been a mixed movement: the 9-month and 12-month rates recorded increases of close to 14.58% (+67bps) and 15.74% (+76bps), respectively; On the other hand, 1- and 6-month-olds fell by an average of 112bps and 110bps, respectively. We note that the BNA has already started to raise the rates for the sale of securities with a repurchase agreement and, in this sense, this factor has put pressure on, on the one hand, the interest rates on debt securities to increase and, on the other hand, for the MMI rates to also increase. Therefore, we expect the upward movement in MMI rates to intensify as the central bank tightens liquidity.

The Federal Reserve Board and the Governing Council of the European Central Bank met last week. Both committees chose not to change the course of monetary policy, which is currently restrictive. The FED remains focused on achieving 2% inflation as well as the optimal level of unemployment in the long run, in support of this target, the committee decided to keep federal funds rates between 5.25%-5.50%. But it signaled a consistent scenario with 3 rate cuts as early as next year, slightly more than the market expected; while the ECB said tighter financing conditions are cooling demand, which helps bring down inflation.

Macroeconomic Forecasts

Indicator	2022*	2023**	2024**
GDP change (%)	3.0	-1.4	4.3
Average Inflation (%)	21.7	15.6	21.7
Current Account (% GDP)	12.0	-1.7	2.8

*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*

	15/12/2023	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	5.74%	0.25%	-4.26%	-4.26%
USD/AOA	828.8	0.00%	64.54%	64.32%
AOA/USD	0.00121	0.00%	-39.23%	-39.14%
EUR/AOA	907.0	1.59%	68.77%	69.03%
EUR/USD	1.087	1.03%	1.58%	2.31%
USD/ZAR	18.68	-1.44%	9.66%	6.78%

*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%	10,171	10,171	10,171
BT (182 days)	11.1%	5,000	500	500
BT (364 days)	18.0%	10,000	20,000	20,000
BT (364 days)	12.2%	27,471	27,471	27,471
OT AOA (6 years)	16.3%	18,000	18,000	18,000
OT AOA (8 years)	16.6%	12,000	12,000	12,000

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

