

Market Information

Last week, the price of diesel increased by 48% to AOA 200 per liter, compared to the previous AOA 135, as communicated by the regulating agency for oil products (IGDP). The measure is part of the Government's strategy to gradually remove fuel subsidies by 2025, which began last year with the increase in the price of gasoline by 87.5% to AOA 300 per liter. We understand that the communication of the partial removal of the diesel subsidy comes as another ingredient to influence inflation, which in March had already slowed down slightly in monthly terms, a movement that could now be interrupted, albeit temporarily. In this sense, we will revise upwards our perspective on the evolution of inflation until the end of the year, which we initially expected to see fall in the 2nd half of 2024, in year-on-year terms. However, it is a measure that can alleviate public finances, reducing the total cost of fuel subsidies, which is still very significant - according to the Ministry of Finance, expenses with fuel subsidies totaled AOA 938.6 billion in Q42023, which amounts to an increase of 102% compared to the same quarter last year; The depreciation that occurred in 2023 made the price of fuel in Angola lower, when converted into Dollars, leading to greater subsidization.

The Treasury managed to issue 4 and 6-year bonds with rates at 15% and 16%, respectively, a drop of 900 basis points that could signal a change in the environment of high interest rates in the primary and secondary market. At that time, treasury bill rates at all maturities are above the 4 and 6-year OTNRs, which causes a downward movement along the primary market yield curve. Last week the Treasury issued AOA 39.8MM, after having been unable to raise financing for close to two weeks, despite the opening of auctions. Note the intention of the Ministry of Finance to reduce the interest rates at which it issues debt. Despite the gradual improvement in the Government's treasury, which gives it greater negotiating power in rates, we believe that this movement may not be definitive, taking rates to an intermediate point between last week's levels and the yields in force until then. According to BODIVA, particularly in this issue, the Treasury offered 15% of the value issued back in currency to debt buyers, which reinforces the exceptional nature of this issue. At the same time, the rates offered by the BNA for 6 and 12 months are around 17-18%, and current levels of inflation will also lead investors to be more resistant to this level of rates.

According to ANPG, total oil production in March was 34.9 million barrels per day (mbd), which corresponds to a daily average of 1.13 mbd. When evaluated on a quarterly basis, oil production grew 0.7% QoQ and +7.5% YoY in Q12024. Associated gas production, which in March stood at 2.7 million cubic feet, also grew in Q1, with both indicators signaling year-on-year growth in the oil sector in Q12024.

Macroeconomic Forecasts

| Indicator | 2023* | 2024** | 2025** |
|-------------------------|-------|--------|--------|
| GDP change (%) | 0.9 | 2.1 | 3.2 |
| Average Inflation (%) | 13.6 | 21.7 | 15.7 |
| Current Account (% GDP) | 4.5 | 7.9 | 8.1 |

*INE; BFA **Forecast

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*

| | 26/04/2024 | 7 days (%) | Change | |
|------------|------------|------------|---------|---------------|
| | | | YTD (%) | 12 months (%) |
| LUIBOR O/N | 21.86% | -1.59% | 17.32% | 13.16% |
| USD/AOA | 834.1 | 0.15% | 0.63% | 64.38% |
| AOA/USD | 0.00120 | -0.15% | -0.63% | -39.16% |
| EUR/AOA | 893.7 | 0.61% | -2.43% | 60.02% |
| EUR/USD | 1.069 | 0.35% | -3.13% | -3.04% |
| USD/ZAR | 18.81 | -1.54% | 2.44% | 2.77% |

*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 |
|-------------------|-------|--------|--------|-----------|
| OT AOA (3 years) | 15.0% | 5,000 | 16,000 | 16,000 |
| OT AOA (5 years) | 16.0% | 5,000 | 4,300 | 4,300 |
| OT AOA (10 years) | 23.0% | 22,000 | 19,555 | 19,555 |

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

