

FLASH NOTE

Nº 04.2026 | 21 March 2026

Falling inflation, BNA eases monetary policy again BNA changes instruments for conducting monetary policy

A. DESCRIPTION

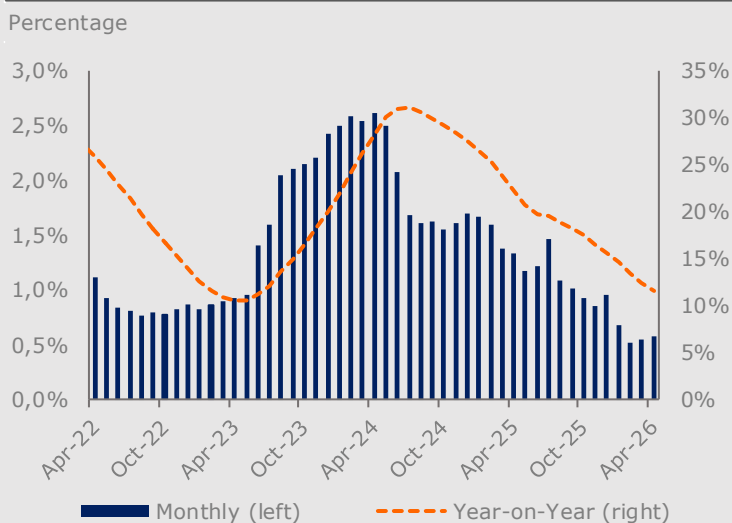
1| At the last meeting of the Monetary Policy Committee (MPC), held between 13 and 14 May, the Central Bank of Angola (BNA) decided to change the main monetary policy rates. The interest rates were reduced by 50 basis points (bps), with the basic interest rate (BNA rate) rising to 17.0%, and the Marginal Lending and Deposit Facilities reduced to 18.0% and 16.0%, respectively.

2| Year-on-year inflation in April stood at 11.58%, maintaining the deceleration trend, despite slight monthly increases that have been seen in recent months. According to INE, in monthly terms, the National Consumer Price Index (CPI) recorded a change of 0.58%, representing the second consecutive acceleration of monthly inflation compared to the previous month. The highest changes were recorded in the classes of "Food and Non-Alcoholic Beverages" (+0.74%), "Housing, Water, Electricity and Fuels" (+0.73%) and "Alcoholic Beverages and Tobacco" (+0.66%).

B. ANALYSIS

1| The consistent deceleration of inflation supported a new decision to ease monetary policy. At the last meeting, the MPC made a further cut in the key interest rates due to the gains observed in the path of inflation, as well as the favorable outlook for price developments in the short term. In fact, national year-on-year inflation has been on a downward trajectory since the end of 2024, reaching 11.58% in April, the lowest level since June 2023. In this context, the BNA's outlook is for the slowdown process to continue in the short term, with the expectation of greater macroeconomic stability, creating additional room for the continuation of the gradual adjustment of monetary conditions. If the trend continues in the coming months, year-on-year inflation will be around 8.4% at the end of the current year: if this scenario materializes, it will be the first time in many years that Angola may record single-digit inflation - recalling that, in the case of Luanda, the last time was in June 2015.

Year-on-year inflation in the month of April reaches its lowest value since June 2023



Source: INE

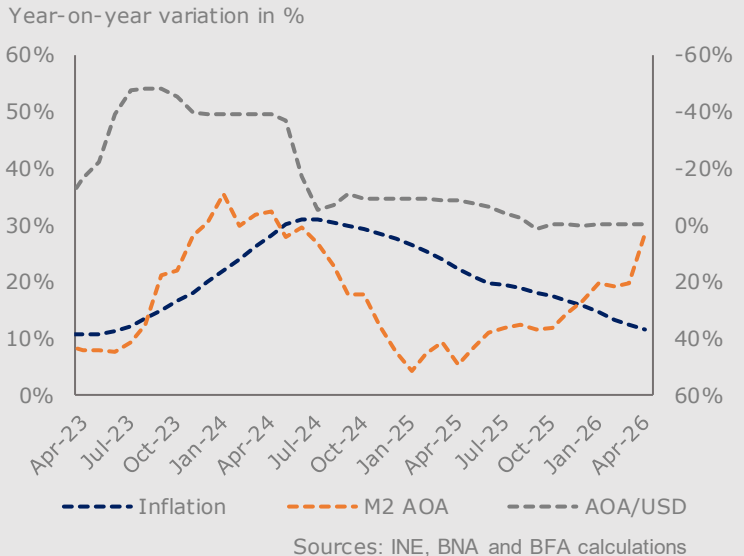
2| The dynamics of monetary aggregates reinforce the reading of a macroeconomic environment less pressured by inflation. Since the beginning of the year, the monetary base in local currency (M0) has registered an average year-on-year growth of only 2.5%, signaling a contained monetary expansion compatible with a framework of greater price stability. At the same time, the

monetary aggregate M2 (the most comprehensive indicator of liquidity available in the economy) showed a year-on-year average expansion of 21.8%: discounting the effect of inflation, the aggregate recorded a real growth of 7.8%. On the other hand, the demand for liquidity from the banking sector remains high, and between January and April, the average volume of liquidity exchange operations in the interbank market amounted to AOA 1.3 trillion (t), representing an increase of approximately 19.8% compared to the same period of the previous year.

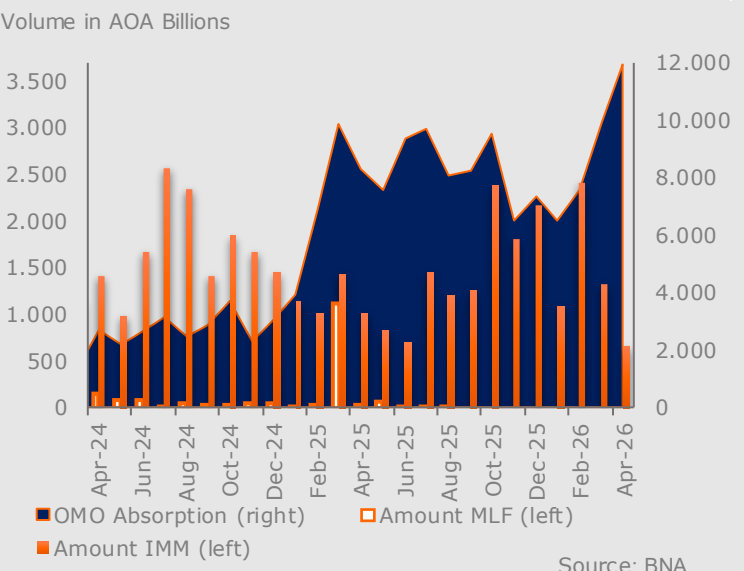
This behavior was particularly influenced by the significant maturity of government bonds, in addition to the reduction in the Mandatory Reserve Coefficient that contributed to a greater availability of liquidity in the financial system. At the same time, there is a moderation in the BNA's performance in terms of liquidity absorption: Open Market Operations (OMOs), one of the main monetary management instruments used by the central bank, recorded an average volume of around AOA 2.7t between January-April, reflecting a year-on-year reduction of 6.4%. This movement suggests the adoption of a less restrictive stance of drying up liquidity when compared to previous periods.

As a consequence of this increase in liquidity, interest rates in the interbank money market have been gradually decreasing. Luibor Overnight has been experiencing progressive declines since the beginning of the year, accumulating a reduction of around 629bps ytd: it is important to mention that part of this reduction occurred abruptly last Wednesday, when the O/N went from 16.7% to 12.5%, that is, -428bps. Longer maturities, although showing greater rigidity in the adjustment process, also show a deceleration path: maturities of 6, 9 and 12 months are currently around 17.6%, 18.6% and 19.6%, respectively, and may still register further declines as they follow the adjustment of the shorter maturity.

M2 accelerates at the beginning of this year, but in a controlled manner



Liquidity swap transaction volume rises to AOA 5.4t from January to April



3| However, there are still warnings to be considered, including the increase in prices in the main economies with which Angola has trade relations, as well as the acceleration observed in the FAO price index in recent months. China, responsible for about 18.0% of Angolan imports, recorded inflation of 1.8% in April, reflecting pressures associated with rising transport and energy costs, as well as persistent constraints in global supply chains. At the same time, the FAO price index averaged 130.7 points in the same period, representing an increase of 1.6% compared to March and marking the

third consecutive monthly increase. This evolution results from persistent fluctuations in international commodity markets, strongly conditioned by geopolitical factors and global logistical constraints.

The short-term outlook points to the maintenance of pressures on international prices, mainly due to the continuation of constraints in the global transport, distribution and production chains. **In this context, the risk of external inflation being transmitted through the import channel increases, given the country's high dependence on food, raw materials, industrial equipment and intermediate products from abroad. Therefore, although there is room for further interest rate cuts, the BNA should continue to act cautiously, balancing domestic gains in the fight against inflation with growing risks from abroad.**

C. CONCLUSION

1| The year-on-year inflation maintains a downward trajectory and is expected to continue to do so, even in the face of possible one-off accelerations in monthly inflation, thus creating room for continued gradual monetary policy easing. The short-term forecast is quite favorable and if the trend continues, the year-on-year inflation could be below double digits, which has not occurred since 2015. As a result, we believe that further cuts will be made, with the BNA rate being able to end the year at 16.0%. However, the current external environment presents risks that may compromise additional gains, and caution is needed in the conduct of monetary policy in order to balance internal gains and the possible transmission of external shocks.

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