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FLASH NOTE

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BNA reinforces monetary easing cycle

Disinflation creates room for more liquidity, credit expansion, and economic growth

A. DESCRIPTION

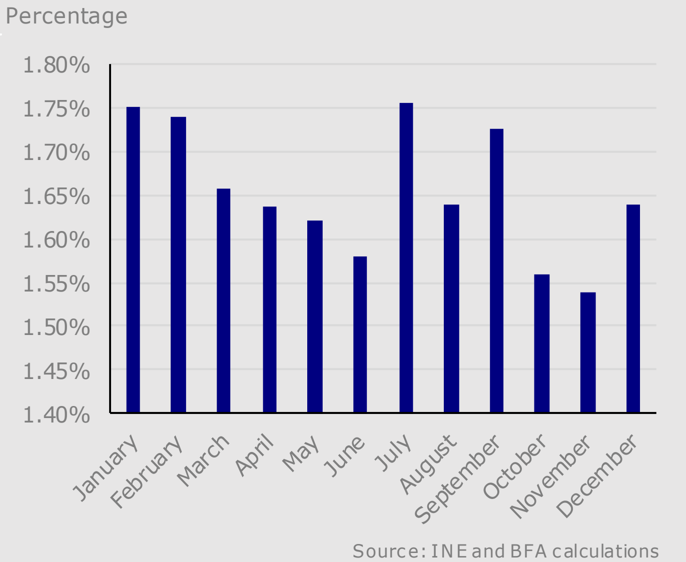
1| The Monetary Policy Committee (MPC) of the Central Bank of Angola (BNA) met on 14 and 15 September 2026 and decided to reduce its key policy interest rates by 100 basis points (bps). The BNA Rate was cut from 15.75% to 14.75%, while the rates on the Marginal Lending Facility (MLF) and the Deposit Facility (DF) were reduced from 16.75% to 15.75% and from 14.75% to 13.75%, respectively.

2| In addition, MPC decided to reduce the reserve requirement ratio (RR) in local currency from 17.5% to 16.5%. This decision further reinforces the easing of monetary conditions amid the continuation of the disinflation process and improving prospects for economic activity.

B. ANALYSIS

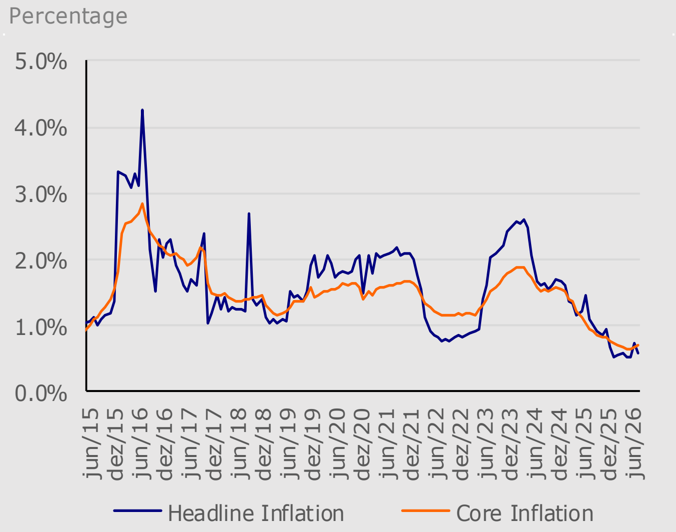
1| Inflation developments remain the main factor supporting the easing of monetary policy. Although monthly inflation accelerated from 0.52% in June to 0.74% in July, this movement did not alter the broader disinflation trend. As we anticipated in our Weekly Information Note of 10 August[1], the acceleration observed in July was largely seasonal in nature, as monthly inflation tends to increase between June and July before slowing again in August and recording a slight acceleration in September. Subsequent price developments reinforce this assessment. In August, monthly inflation declined to 0.59%, while year-on-year

Inflation tends to accelerate in the third quarter



Source: INE and BFA calculations

Disinflation remains intact despite headline inflation volatility



Source: INE and BFA calculations

[1] www.bfa.ao/media/8814/10th-of-august.pdf

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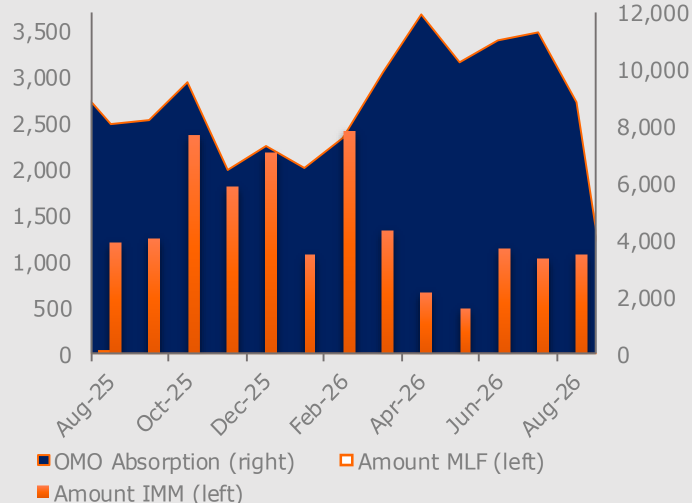
inflation continued to fall, reaching 8.78%. Furthermore, core inflation maintained its downward trajectory despite the acceleration observed in the headline index, suggesting the absence of underlying inflationary pressures. As a result, the temporary increase in monthly inflation in July provided the Central Bank with additional room to continue lowering interest rates. As shown in the first chart on the left, we expect monthly inflation to accelerate in September, in line with the seasonal pattern observed in recent years. Nevertheless, in the absence of a significant deterioration in core inflation or other sources of price pressure, this acceleration should be viewed as temporary and does not necessarily imply a reversal of the current disinflationary trend.

2| In the money market, August data suggest some reduction in the system's excess liquidity, although monetary conditions remained accommodative. The volume placed in DF declined from AOA 6.30 trillion (t) in July to AOA 5.08t in August, while liquidity absorption through Open Market Operations (OMO) fell from AOA 3.99t to AOA 2.71t. In contrast, the volume traded in the Interbank Money Market increased slightly, from AOA 1.03t to AOA 1.07t. The decline in the amounts absorbed by BNA points to some normalizations of excess liquidity. Nevertheless, the still elevated level of resources placed in absorption facilities suggests that the banking system continues to operate under conditions of ample liquidity, with no immediate signs of funding constraints. Monetary aggregate developments reinforce this assessment. Broad money (M2) in local currency maintained robust year-on-year growth of 23.9% in August. Against this backdrop, MPC's decision to reduce RR by 100 basis points can be interpreted as an additional monetary easing measure. According to our estimates, the change should release around AOA 132.4 billion into the banking system, potentially strengthening banks' capacity to extend credit. Although this measure does not explain the liquidity developments observed in August, as it was only announced in September, it is expected to further improve liquidity conditions and support the transmission of monetary easing in the coming months, complementing the impact of lower policy interest rates.

Liquidity in the money market decreased slightly in August

Volume in AOA Billions



Source: BNA

C. CONCLUSION

1| The Central Bank's decision reinforces the current monetary easing cycle, supported by the steady decline in inflation and the absence of significant underlying inflationary pressures. In our view, BNA may further reduce interest rates at its November meeting, seeking to take advantage of the room created by the disinflation process to provide additional monetary stimulus and support economic activity. Until then, we expect the reduction in the RR to increase the amount of liquidity available within the banking system. Combined with lower policy rates, this measure should support a gradual expansion of credit to the economy, particularly to the non-oil sector, strengthening private investment and providing further support to economic growth over the coming quarters.

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