Angola Weekly| April 12

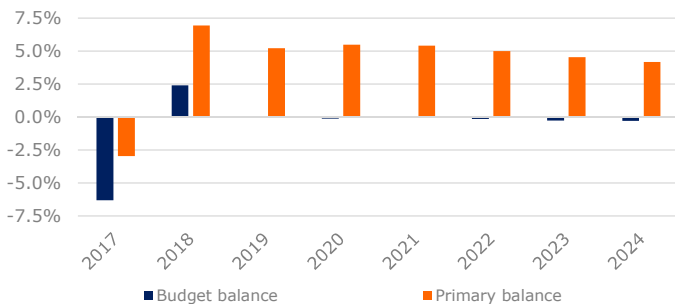Banco de Fomento Angola
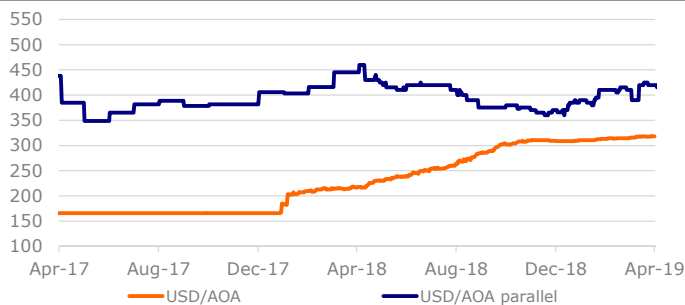www.bfa.ao| Email: bfa@bfa.ao

Market Information

The IMF April 2019 WEO saw lower forecasts for Angola's economic growth in 2019, from 3.1% to 0.4%, in line with the Angolan Executive's own revision. For the period from 2019 through 2023, average GDP growth should be 2.4% (3.4% prev.). In particular, GDP should amount to USD 110 billion (bn) in 2023, considerably under the USD 129 bn previously forecast. This amounts to a similar GDP as in 2011, 12 years before, which represents a sharp drop from the 2014 high at USD 146 bn. Regarding inflation, the outlook is slightly worse, with the Fund anticipating an average of 17.5% in 2019 (15.8% prev.); this should drop to 11.1% in 2020 (10.9% prev.), converging to 6% from 2022 onwards. The outlook also mentions a 2.4% of GDP budget surplus estimated for 2018, much better than the Governments' latest estimate (0.6%), a sign of a firm commitment to fiscal consolidation. However, the IMF estimates gross debt to have stood at 88% of GDP last year. In 2019, a surplus of 0.1% is forecasted, while debt should rise to 90.5%. Finally, the Fund now expects a 1.3% surplus in the current account for 2018 (-2.1% prev.). In 2019, the institution predicts a 3.8% deficit (-1.9% prev.); our own expectation is more optimistic for both years, regarding the current account.

In March, the central bank allocated USD 718 million in forex to retail banks, -20.9% yoy. In Q1 2019, the amount totalled USD 2.1 bn (-19.8% yoy). This drop has been felt by the market, as the gap between the official and parallel market exchange rates has widened. Net International Reserves ended March at USD 10.3 bn, USD 150 million lower than in February, but slightly higher than the IMF March target (USD 10.1 bn); NIR must increase to USD 11.25 bn to meet the end-year requirement of the programme. **March reserves cover only 4 months of imports, according to our calculations (6.2 months if gross reserves are used)**. In other matters, according to new BNA regulation, banks must lend 2% of their assets (until end-2019) towards the production of basic staple basket products, at a maximum financing cost of 7.5% - the 12-month LUIBOR now stands at 17.12%. Nevertheless, banks can explain their non-compliance with the target, and no sanctions are proposed, as of now.

Macroeconomic Forecasts

Indicator	2018*	2019**	2020**
GDP change (%)	-1.7	2.3	2.7
Average Inflation (%)	19.6	16.4	14.7
Current Account (% GDP)	1.3	0.3	0.6

*IMF forecasts
** Average of forecasts from Bloomberg

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B	Stable	25/04/18
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Negative	08/02/19

Monetary and ForEx data

|	12/04/19	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	15.76%	0.00	-0.99	-4.36
USD/AOA	318.11	0.15%	3.08%	46.81%
AOA/USD	0.0031	-0.15%	-2.99%	-31.88%
EUR/AOA	359.76	0.73%	1.91%	34.01%
EUR/USD	1.13	0.86%	-1.34%	-8.23%
USD/ZAR	13.97	-0.87%	-2.62%	15.83%

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

Weekly auctions of Treasury bonds and bills

Maturity	Rate	Supply	Demand	Allocated
BT (3 months)	13.16%	18,024	6,080	2,000
BT (6 months)	16.70%	19,395	11,725	7,955
BT (12 months)	18.55%	29,343	14,269	11,000

BT are treasury bills, OT are treasury bonds; Note: amounts (except for the rate) are in million Kwanza. USD OT in million Dollars * Bond linked to the exchange rate ** Bond linked to treasury bills

Public accounts - IMF forecasts

ForEx allocated and Net International Reserves

Exchange rate (official and parallel)
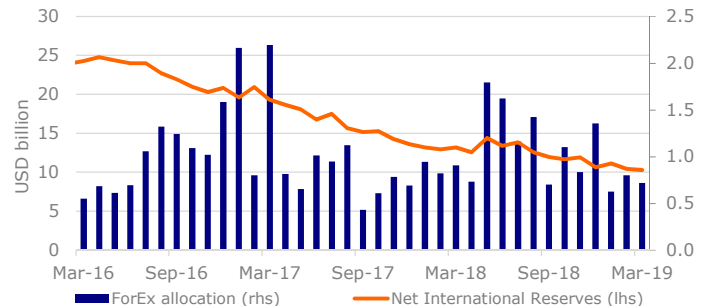
Oil price (Brent Angola) and Eurobond 2025 price

Sources: Bloomberg, BNA, INE, Finance Ministry