

Angola Weekly | 1/07

Market Information

According to data from the Angolan central bank (BNA), Net International Reserves (RIL) stood at USD 10.3 billion in May, a decrease of USD 508 million compared to April. This is the second lowest figure in recent years. Compared to December 2018, reserves fell by USD 354 million, a monthly average drop of USD 71 million; in the same period of 2018, the monthly average decrease was USD 162 million. In comparison with the same month of 2018, reserves dropped 28.5%.

In the first half of 2019, the Kwanza depreciated 9.3% against the dollar. Although it is still a significant loss of value, the depreciation is much less pronounced than the one occurred in the same period in 2018 (-33.43%). If we extrapolate the same rate of depreciation for the rest of the year, the Angolan currency will end 2019 around USD/AOA 375 (it is trading today at 340.3). On the other hand, the rate of depreciation was slightly more pronounced in the informal market; the Kwanza lost 13.7% against the US dollar in the first six months of the year. This larger rate of depreciation explains the widening gap between the two markets, now at 39.6% - it stood at a low of 21% in October 2018.

The implementation of the VAT was officially postponed to October 1, last week at a meeting of the Council of Ministers. Among several decisions taken, after evaluation with a technical group from the private sector, the Government decided to lower the tax rate for the taxpayers of the transitional regime; that is, firms with a turnover lower than USD 250,000 will be subject to a simplified taxation of 3% of turnover (previously 7%). In 2021, VAT will be applied to all firms.

Last week, the creation of the Angolan Deposit Guarantee Fund (FGD) was formalized, with initial funds of AOA 13.8 billion, equivalent to USD 40 million - coming from contributions from the system's banks. The FGD guarantees the protection of deposits up to AOA 12.5 million per depositor (USD 36,700) in the event of bankruptcy of a bank.

The Government will allocate USD 2 billion from the Sovereign Wealth Fund to finance the Integrated Municipal Intervention Plan (PIIM). The financing focuses on municipalities, particularly in the development of basic infrastructure (light, water, sanitation and transportation), health and education, on projects to be concluded in the next year and a half.

Market Information

Indicator	2018*	2019**	2020**
GDP change (%)	-1.7	1.8	2.4
Average Inflation (%)	19.6	15	14.6
Current Account (% GDP)	7.0	1.4	0.8

*GDP - IMF forecast; Inflation - INE; Current Account - BNA with BFA calc.
** 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*

	28/06/19	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	15.00%	-0.03	-1.75	-6.61
USD/AOA	340.3	0.00%	10.26%	38.78%
AOA/USD	0.00294	0.00%	-9.31%	-27.94%
EUR/AOA	387.3	1.72%	9.73%	35.82%
EUR/USD	1.137	1.55%	-0.87%	-2.88%
USD/ZAR	14.35	-1.17%	0.04%	5.98%

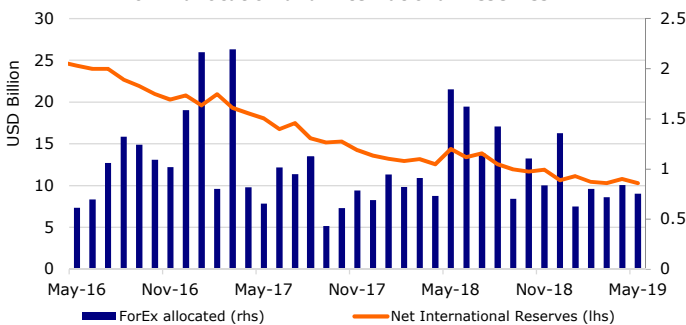
*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Auctions of Treasury bonds and bills last week

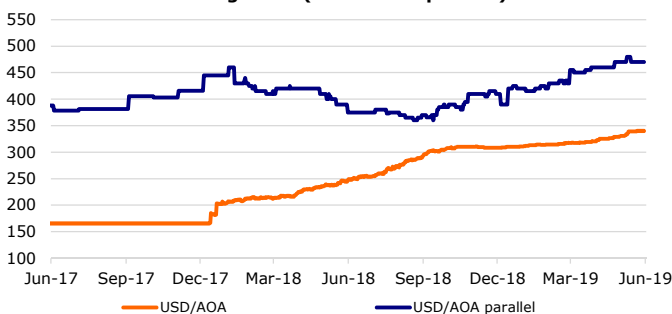
Maturity	Rate	Supply	Demand	Allocated
BT (1 Year)	15.19%	38,931	115	115

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

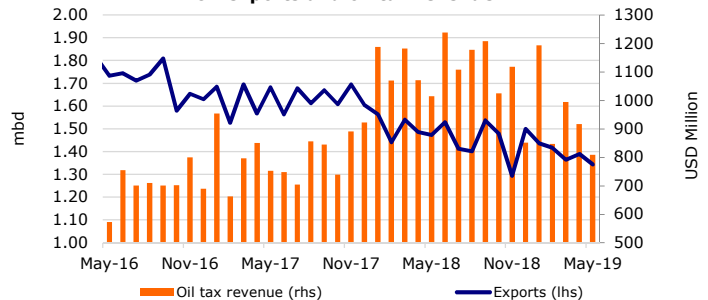
ForEx allocation and International Reserves



Exchange rate (official and parallel)

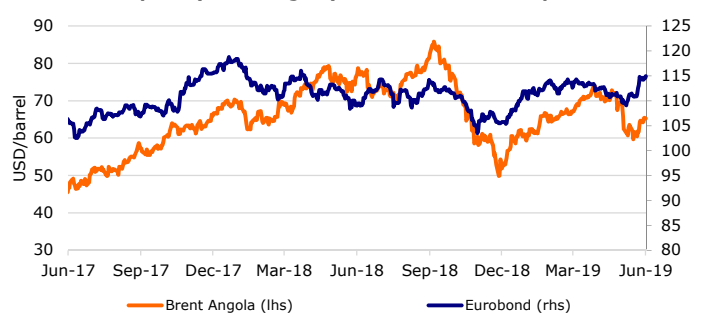


Oil exports and oil tax revenue*



*Including Sonangol revenue

Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry