

Angola Weekly | 12/11

Market Information

In the foreign exchange market, the Kwanza appreciated 7.7% against the USD last week, with the average exchange rate trading at 461 on Friday. This appreciation was due to a lower liquidity in the market, resulting from the increase in local currency deposit mandatory reserves, from 17% to 22%. This lack of liquidity was reflected in the interbank market, with the overnight LUIBOR rate rising to 18.50% today - an increase of 4.11 pp. since the beginning of October. **On the other hand, in the parallel market, the Kwanza depreciated to USD/AOA 690 last week;** with the liberalization of the banks' forex sell margins, the calculation of the gap should be made between the bank notes sell rate in retail banks and the parallel market: assuming BFA USD rates, the gap is now close to 35%. The exchange rate is expected to remain volatile in the near future - our forecast is that the equilibrium exchange rate by the end-of-2019 will be in the range of USD/AOA 490-510. See our Flash Note at www.bfa.ao for a more detailed analysis.

In October, the State issued a total of AOA 6.97 billion in domestic securities. This value corresponds to AOA 3.8 billion in 6-month treasury bills (BTs), AOA 0.7 billion in 1-year BTs and AOA 2.5 billion in local currency treasury bonds (OTs). For November, the Executive expects to issue AOA 20 billion in BTs and AOA 40 billion in local currency OTs. **Issues of USD 8 million in Dollar-denominated OTs (2 and 3 year maturities) are also scheduled.**

The Executive approved a USD 580 million loan with the Dutch ING Bank, for the construction of electric power infrastructures in the Eastern provinces of Angola. In the previous week, a USD 700 million loan had been agreed between the African Development Bank (ADB) and the Executive, to be disbursed until 2021, a first tranche of USD 165 million has been released; the funding will support the diversification and stabilization of the economy.

The oil block auction for the Benguela (Block 10) and Namibe (Blocks 11, 12, 13, 27, 28, 29, 41, 42, and 43) basins ends today. According to the original schedule, the winning firms are to be announced in the 17th of January, followed by a negotiation phase with the winners.

The Minister of Finance replaced the Boards of IGAPE, BODIVA and RECREDIT; former BODIVA CEO Patrício Vilar was named to head the institution that will lead the privatization process - IGAPE, Patrício Vilar; Valter Barros was moved from IGAPE to RECREDIT; Ottoniel dos Santos, a previous board member at the securities commission, will lead the Angolan exchange BODIVA.

Market Information

Indicator	2018*	2019**	2020**
GDP change (%)	-1.2	-0.1	2.0
Average Inflation (%)	19.6	17.0	15.0
Current Account (% GDP)	7.0	0.8	-0.3

*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	Negative	12/07/19
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Negative	08/02/19

Monetary and ForEx data*

	08/11/19	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	17.45%	2.54	0.70	0.70
USD/AOA	461.1	-7.17%	49.42%	48.71%
AOA/USD	0.00217	7.73%	-33.07%	-32.75%
EUR/AOA	509.4	-8.02%	44.31%	43.08%
EUR/USD	1.105	-1.07%	-3.66%	-2.78%
USD/ZAR	14.77	-1.75%	2.98%	4.52%

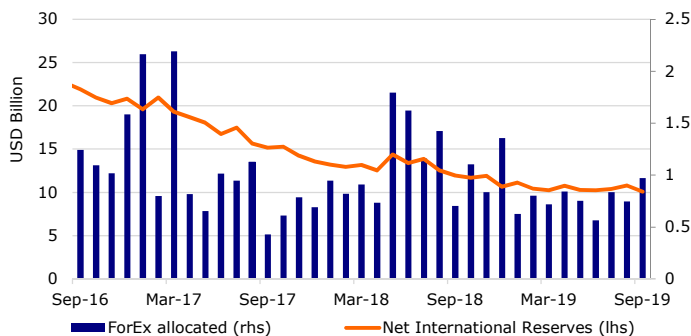
*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Auctions of Treasury bonds and bills last week

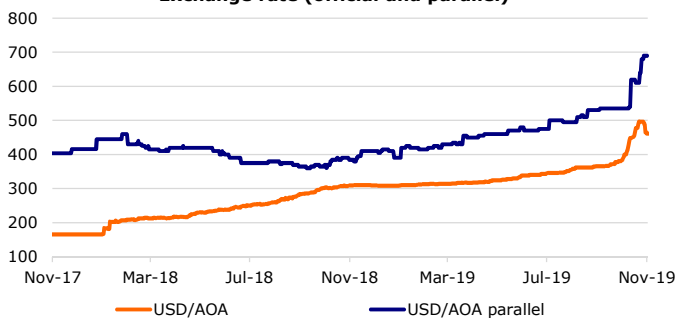
Maturity	Rate	Supply	Demand	Allocated
BT (6 months)	12.00%	10,000	2	2
BT (1 year)	14.68%	10,000	1	1

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

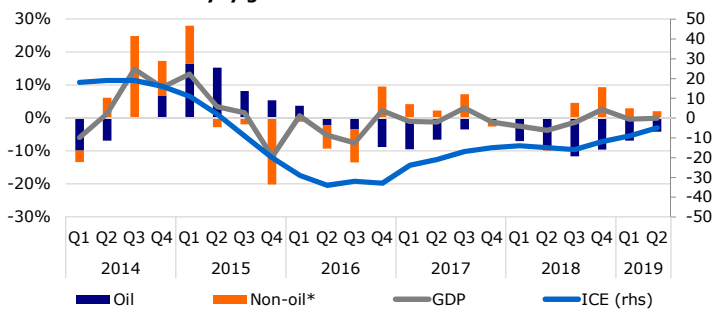
ForEx allocation and International Reserves



Exchange rate (official and parallel)



GDP yoy growth and economic sentiment



*Statistical proxy

Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry