

Angola Weekly | 20/04

Market Information

The Angolan economy declined for the fourth year in a row in 2019, having dropped 0.9% last year, according to INE figures. In the 4th quarter, GDP decreased 0.8% yoy, a slightly lesser reduction compared to the 1.2% fall in Q3 - the GDP figures for the remaining quarters of 2019 were revised, showing a darker picture than previously estimated. The drop in 2018 was also revised, and GDP is now estimated to have tumbled by 2.0% in that year, compared to the 1.2% previously calculated. Between 2015 and 2019, GDP declined 5.5% on a cumulative basis. The economy is expected to continue declining this year, due to the effects of the drastic reduction in oil revenues, to about half in comparison with 2019. **The IMF forecast, updated last week, points to a recession of 1.4%, and our expectation is of a more severe scenario.** The Fund also expects an annual inflation of 20.7% this year, as well as a current account deficit of 6.7% of GDP. For the world economy, the Fund points to a fall of 3% in GDP.

Yearly inflation rose to 19.6% in March, the 5th consecutive month of increase and the highest value since May 2018. Between February and March, prices rose 1.85%, an increase of 13 b.p. above that recorded in February (1.72%). Our expectation is that monthly inflation will continue to record high figure, passing the 2% barrier in the coming months, pressured by the Kwanza's loss of value.

According to data collected independently by OPEC, Angola produced around 1.40 million barrels per day (mbd) in March (-3.1% yoy). In the first three months of 2020, oil production averaged 1.39 mbd, a 3.9% year-on-year decrease. It will be important to monitor the progress of production in the face of the new production reduction agreement, to which Angola is also a signatory - the production share for Angola is 1.18mbd; according to news reports by Reuters, the deal has not yet affected the cargo allocations of the June program. **On international markets, Brent is trading today at around USD 27, 3-4 USD below the levels of the previous week.** In fact, despite the agreement, there are still many concerns about the drop in demand due to Covid-19. In its April report, OPEC stated that it expects world consumption to reach 92.8 mbd this year, a drop of 6.9 mbd compared to 2019.

In the foreign exchange market, the Kwanza depreciated 0.3% against the Dollar and appreciated 0.18% against the Euro. In the parallel market, the Kwanza also depreciated, being traded at USD/AOA 670, according to Kinguila Hoje; thus, the gap between the reference rate and the parallel market is 15.91%, the lowest value since May 2014.

Market Information

Indicator	2019*	2020**	2021**
GDP change (%)	-0.6	0.5	1.5
Average Inflation (%)	17.5	22.8	16.8
Current Account (% GDP)	0.8	-1.3	-1.5

*GDP, Inflation - INE; Current Account - BNA with BFA calc.
** Average of forecasts from Bloomberg

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B-	Stable	09/03/20
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Stable	08/02/19

Monetary and ForEx data*

	17/04/20	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	17.54%	0.34	-11.28	1.81
USD/AOA	560.8	0.30%	16.29%	75.77%
AOA/USD	0.00178	-0.30%	-14.01%	-43.11%
EUR/AOA	607.4	-0.18%	12.32%	69.20%
EUR/USD	1.087	-0.66%	-3.10%	-3.25%
USD/ZAR	18.79	4.59%	34.19%	33.70%

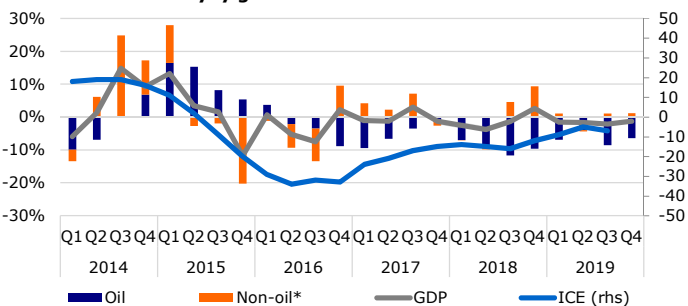
*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Auctions of Treasury bonds and bills last week

Maturity	Rate	Supply	Demand	Allocated
BT (3 months)	16.00%	5,000	8,198	8,198
BT (6 months)	16.50%	1,500	29	29
BT (12 months)	17.50%	4,713	653	312

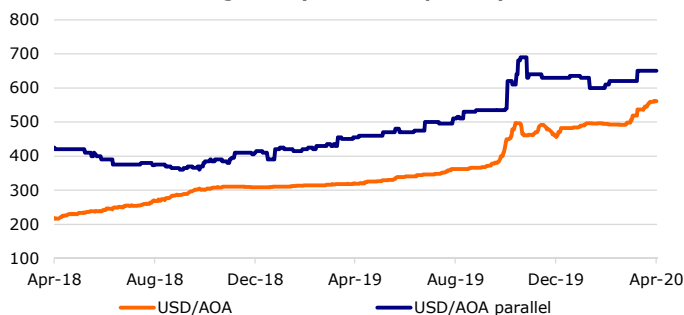
BT are treasury bills, OT are treasury bonds; Note: amounts (except for the rate) are in million Kwanza. USD OT in million Dollars * Bond linked to the exchange rate ** Bond linked to treasury bills

GDP yoy growth and economic sentiment

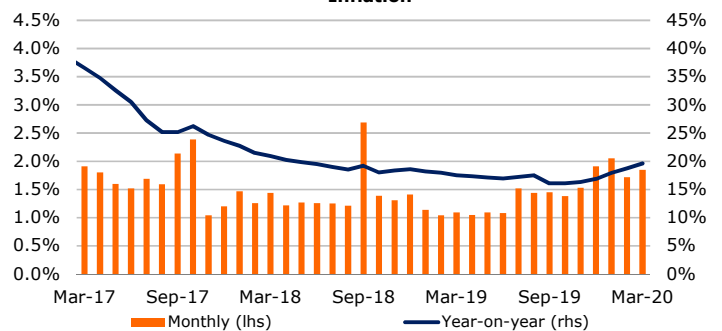


*Statistical error

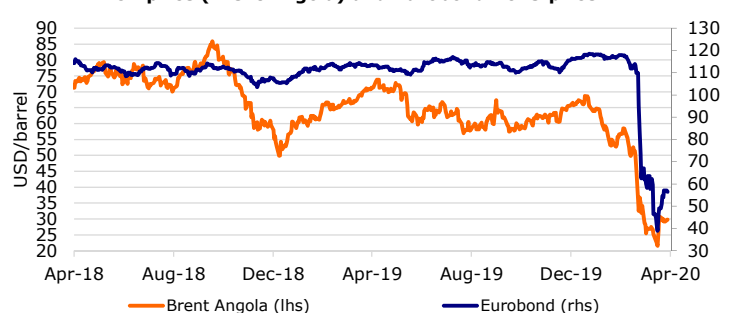
Exchange rate (Official and parallel)



Inflation



Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry, OPEC