

Angola Weekly | 22/11

Market Information

Angola annual inflation rose to 26.9% in October, posting the 7th consecutive month of increase and the highest value since July 2017. According to data from INE, between September and October, prices increased by 2.06%, with the prices of food and non-alcoholic beverages rising 2.44% - this is still a significant increase, but the lowest since January this year. In Luanda province, year-on-year inflation reached 30.4%, with a monthly price variation of 2.20%. In order to meet the BNA's expectation of year-end inflation of 27%, the monthly price variation must remain stable at October levels. Our expectation is that inflation will start to slow down, in sync with the deceleration of food inflation.

The Executive expects to issue Eurobonds again in 2022, according to Finance Minister Vera Daves de Sousa statements. The last issues, in 2019, were sold at yields of 8% (10 years) and 9.13% (30 years), with USD 1.75 billion (Bn) being issued in the shorter term and 1.25Bn in the longest. Currently, these issues show yields of 8.01% and 9.13% in the secondary market, respectively. Considering the evolution of interest rates in the international market, with the behavior of inflation hinting a possible rise, it will be interesting to observe the timing of the issue. If a 10-year issue took place today, we would expect it to result in a yield of between 8-8.5%, but this value could increase with a less favorable global interest rate environment.

From January through October 2021, imports of goods listed on PRODESI amounted to USD 1.24bn, representing a drop of 20.6% compared to the same period of the previous year. The decline signals some import substitution, mainly due to the significant reduction in imports of food products, by 25.2% yoy, while the class of non-food goods witnessed a moderate drop of 0.5%. Among the most imported goods are medicines (USD 190 million (M), +0.2% yoy), poultry (USD 173M, +9.9% yoy), rice (USD 177M, -38.4% yoy), soy oil (USD 116M, +42.6% yoy) and palm oil (USD 112M, -38.3% yoy). On the other hand, exports increased 38% yoy, from USD 40M to USD 55M, particularly for construction sector inputs, which saw their exports more than triple.

The Government hopes to present the "barrier-free" Customs Tariff Schedule for the African Continental Free Trade Area in December or January 2022. Angola is part of the group of 38 countries that have ratified the Free Trade Area agreement, which is already in force but which still lacks some logistical and legal instruments for its full functioning.

Macroeconomic Forecasts

Indicator	2020*	2021**	2022**
GDP change (%)	-5.4	1.3	2.9
Average Inflation (%)	22.3	26.0	22.7
Current Account (% GDP)	1.5	10.2	3.7

*Inflation, GDP - INE; Current Account - BNA;
**BFA forecasts

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	CCC	-	04/09/20
Moody's	B3	Stable	13/09/21
Standard & Poor's	CCC+	Stable	26/03/20

Monetary and ForEx data*

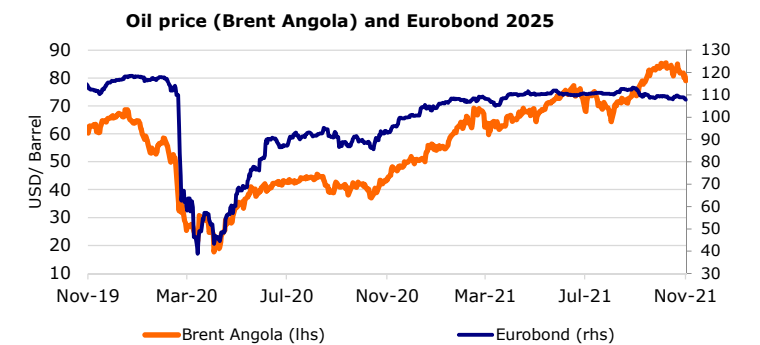
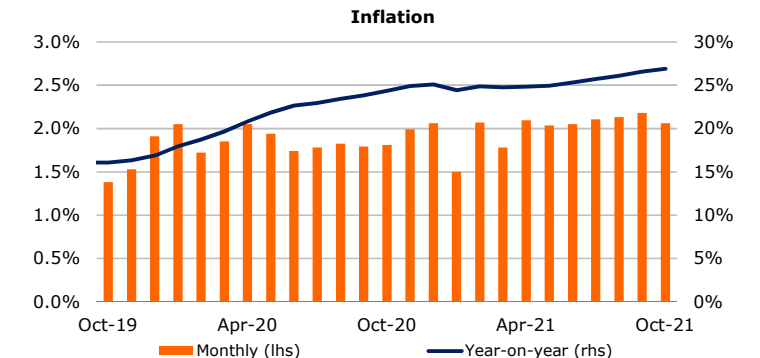
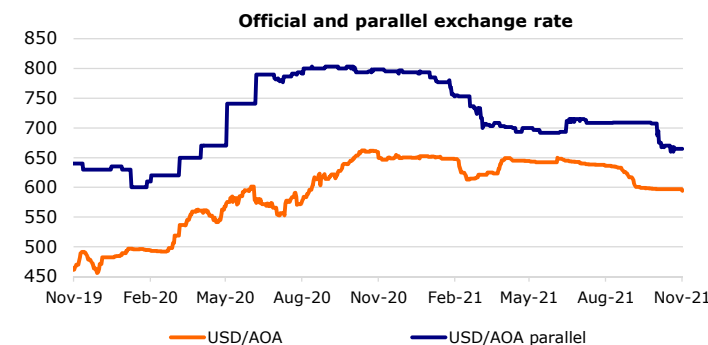
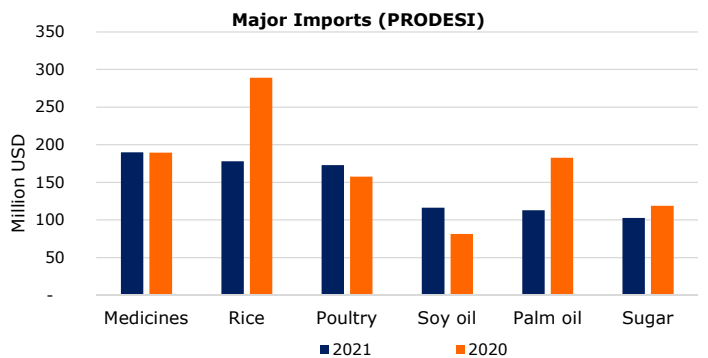
	19/11/21	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	18.96%	0.00	8.71	7.16
USD/AOA	594.2	-0.45%	-8.57%	-8.58%
AOA/USD	0.00168	0.45%	9.37%	9.39%
EUR/AOA	671.4	-2.72%	-15.73%	-12.74%
EUR/USD	1.131	-1.17%	-7.41%	-4.75%
USD/ZAR	15.70	2.41%	6.82%	1.84%

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

Auctions of Treasury bonds and bills last week

Maturity	Rate	Supply	Demand	Allocated
BT 12 months	17.4%	7,000	32,143	20,265
OT 1,5 years	23.7%	3,000	3,900	3,900
OT 2 years	24.5%	3,000	37,720	20,141
OT 3 years	24.7%	3,000	3,000	3,000
OT USD 2 years	3.7%	1.00	3.10	1.23
OT USD 5 years	5.9%	1.00	4.84	4.28

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



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