

Bimonthly Economic Outlook

February 2021 Last updated on 02/07/2022



BFA

PRIVATE BANKING

INTERNATIONAL

- **Advanced and emerging economies continue to expand with PMI indexes above 50 points;**
- **In 2021, the Dollar gained ground against the Euro; among emerging economies, the Rand - which lost 8% in 2021 - stands out;**
- **US and German debt yields began to rise in anticipation of interest rate hikes this year;**
- **The J.P. Morgan emerging sovereign debt index has seen some stability, after a sharp break during 2021;**
- **The outlook for the oil market points to a moderation in prices this year, assuming a deflation of tensions between Russia and Ukraine and a positive outcome for the nuclear deal with Iran.**

ANGOLA

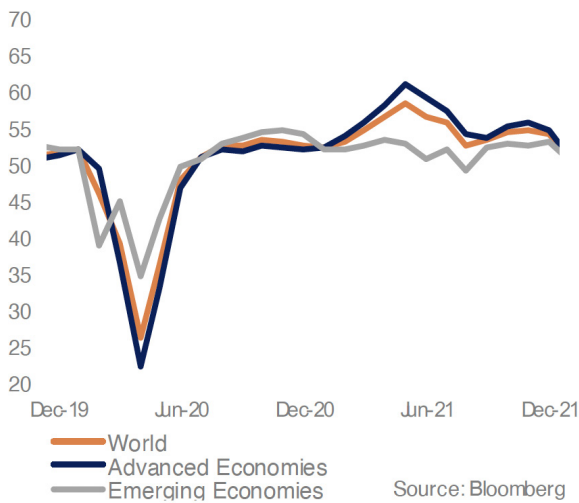
- **In the 3rd Quarter of 2021, the Angolan economy expanded by 0.8% year-on-year, a growth after 9 consecutive quarters of year-on-year decline;**
- **In 2021, Angolan oil production was 1.118 million barrels per day (mbd), a drop of 11.4% compared to 2020;**
- **Net International Reserves ended 2021 at USD 9.94 billion (MM) representing an increase of 13.4% since the beginning of the year (USD +1.18 billion);**
- **National year-on-year inflation closed 2021 just above 27%, representing the 9th consecutive month of increase;**
- **In 2021, the Angolan currency appreciated by around 17.1% against the Dollar and 26.7% against the Euro to USD/AOA 554.98 and EUR/AOA 629.01 respectively.**

INTERNATIONAL

ECONOMIC ENVIRONMENT

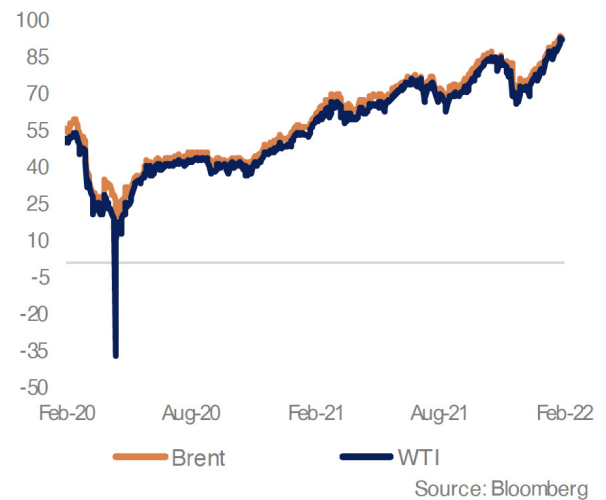
Advanced economies had a slight drop while emerging economies rose

Markit PMI Index



Brent recorded significant increases and is now above USD 92

USD



- **Markit's PMI indexes recorded a mixed evolution in 2021; after registering the maximum of the year in May, the indicator has been decreasing, having closed the year with 54.7 points.** On the side of advanced economies, the peak of growth was reached in May and the indicator has decelerated since then. On the emerging economies side, the aggregate indicator has been rising throughout the year, indicating a faster expansion at the end of 2021.
- **The IMF estimates that the global economy in 2021 will have expanded by 5.9%; for 2022, the fund revised its growth forecast downwards to 4.4% (-0.5 pp compared to the previous forecast).** On the emerging economies side, forecasts have been revised downwards with the fund now forecasting a 4.8% expansion in 2022 (vs. 5.1% previously); for 2021 it is estimated to have expanded by 6.5%.
- **In recent months, oil has maintained its upward trend, with Brent now trading above USD 90, 6-7 year highs.** At the OPEC+ meeting held in early February, the cartel decided to maintain plans to gradually increase oil production by 400,000 barrels per day for March.

In 2021, global economy is expected to grow 4,4%

GDP change	2020	2021	2022
Global	-3,1	5,9	4,4
Developed Economies	-4,5	5,0	3,9
USA	-3,4	5,6	4,0
Eurozone	-6,4	5,2	3,9
Germany	-4,6	2,7	3,8
Emerging Economies	-2,0	6,5	4,8
China	2,3	8,1	4,8
South Africa	-6,4	4,6	1,9

Source: FMI

INTERNATIONAL

FOREX

Last year, the Dollar gained ground against the Euro

EUR/USD



Source: Bloomberg

After having registered a period of growth at the end of 2021, the Pound fell again

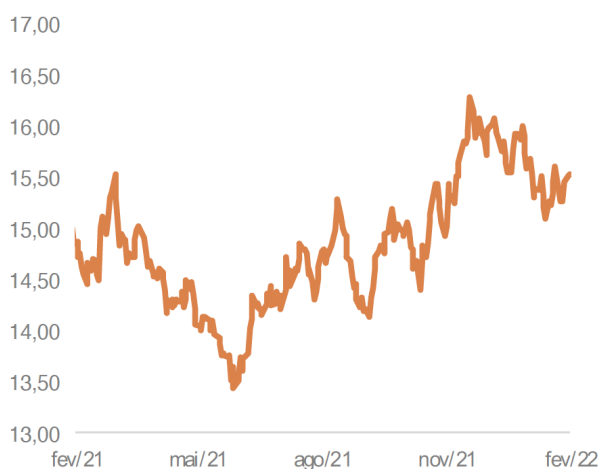
GBP/USD



Fonte: Bloomberg

In recent months the Rand has been volatile and is now close to November levels

USD/ZAR



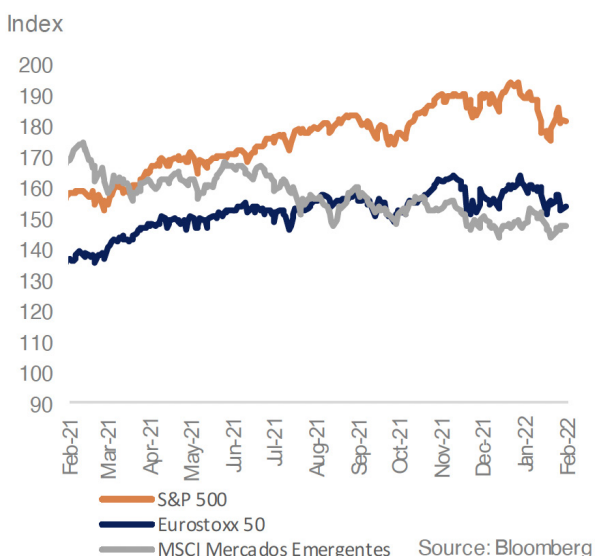
Source: Bloomberg

- In 2021, the Euro recorded a fall against the dollar throughout the year, having depreciated by around 7.4%. This drop is due to several factors, including the restrictive measures due to Covid-19 that were implemented throughout the year, the tensions between Russia and Ukraine.
- Last year, Pound had a varied behavior; registered a maximum of 3 years in April, however it had a decreasing trend in the second half of the year. The pound closed 2021 having depreciated just over 1% against the Dollar. In 2022, the Libra has been registering slight gains.
- Last year, the Rand lost more than 8% of its value against the dollar. Since the beginning of 2022, the South African currency has been gaining ground.

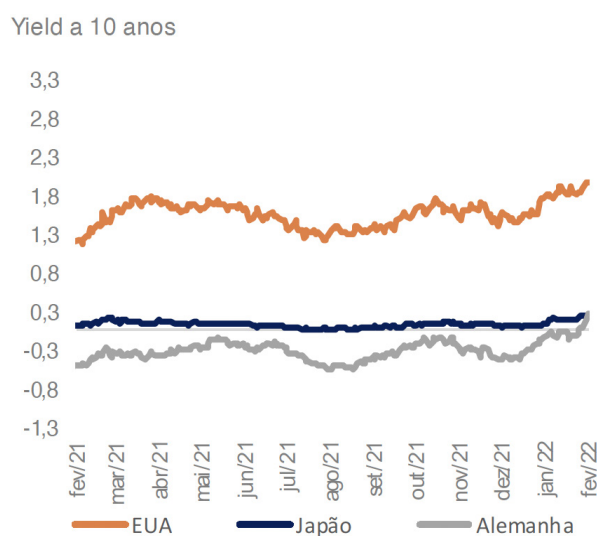
INTERNATIONAL

EQUITIES AND DEBT

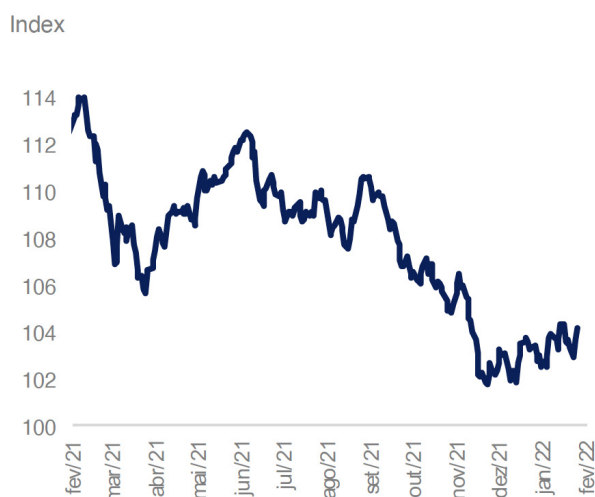
Markets recorded a fall in the first weeks of January



Yield on US debt rising supported by Biden's public spending plans



Emerging bonds rose slightly in recent monthst



Fonte: Bloomberg

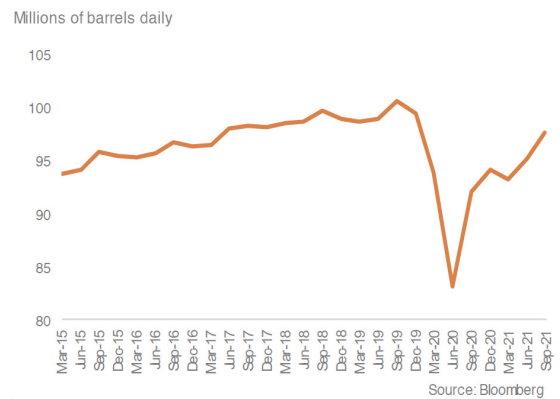
- Last year, equity markets in the United States and Europe recorded an increase, thus being above pre-pandemic values; on the side of emerging markets, there was an annual drop in its MSCI index. Since the beginning of 2022, international markets have suffered drops due to fears of rising inflation.
- The US and German debt yields have registered an upward trend in recent months; Japan's debt but at a very light pace. For 2022, the Federal Reserve is expected to announce 2-3 interest rate hikes, which could lead to a drop in yields.
- In recent months, the J.P. Morgan emerging sovereign debt index has seen slight growth, although very lightly taking into account descents during 2021.

INTERNATIONAL

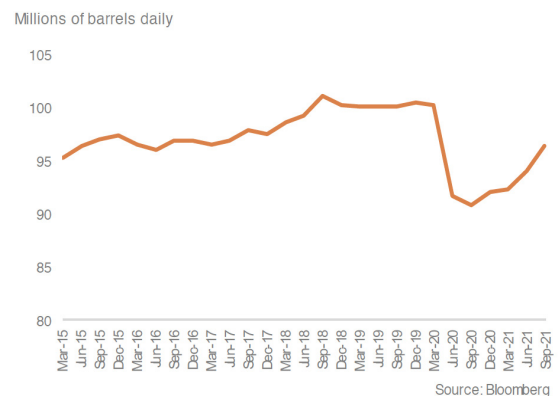
HIGHLIGHT: OUTLOOK FOR THE OIL MARKET IN 2022

- **The oil market has been on the rise since the beginning of the year; looking at Brent, a benchmark for Angolan exports, the commodity trades above USD 80 since the first days of 2022, above USD 85 since mid-January, and above USD 90 since the end of the month.**
- **On the demand side, the scenario is not as negative as before: although in most developed countries, consumption is still close to 5-10% below the period before the pandemic, the case is different in other geographies. In the Chinese economy, on the contrary, the change caused in consumption patterns – from services to goods – boosted the demand for oil, through greater industrial production.** In the world economy, demand is quite close to pre-Covid-19 levels; It remains to be seen whether there will be a new, lower consumption trend, with an increase in the proportion of workers working remotely, or whether there is still a significantly lower demand for oil. On the other hand, the emergence of a new variant with a more serious impact than Omicron cannot be completely ruled out.
- **In the case of production, this is expected to grow gradually during 2022. On the one hand, cuts in OPEC quotas are expected to be gradually withdrawn by September 2022;** this factor should contribute to a fall in prices throughout the year; however, the decrease in unused production capacity, together with the failure to meet production quotas in decline by several countries (Angola, Nigeria, Russia, among others), may somehow surprise the market, providing some support for prices to do not go down very significantly. On the other hand, there is also another productive sector with increases: the production of shale oil in the US is again increasing consistently, albeit more slowly than at other times, mainly due to a great discipline in the use of capital by the listed companies. A breach of this discipline exercised until now would surely lead to a decrease in prices, possibly significantly, although never persistently below USD 60. Another factor to take into account is the re-entry into force of the nuclear agreement between the USA and Iran, which is currently assumed to be uncertain by the markets: a confirmation of the same in the 1st quarter should lead to some drop in prices; however, the impact of a break in negotiations could be more significant in an increase in the price of Brent. Finally, we have the most pressing issue of geopolitical tensions between Russia and Ukraine: an outbreak of conflict involving one of the world's largest producers would certainly lead to a very significant impact, with relevant peaks possibly above USD 100, with Russian production likely to be sanctioned; on the other hand, a deflation of current tensions should lead to a drop of a few Dollars in the current price.

Demand is gradually recovering to pre-pandemic levels



Supply is growing gradually, but should already exceed demand in the 2nd half of this year

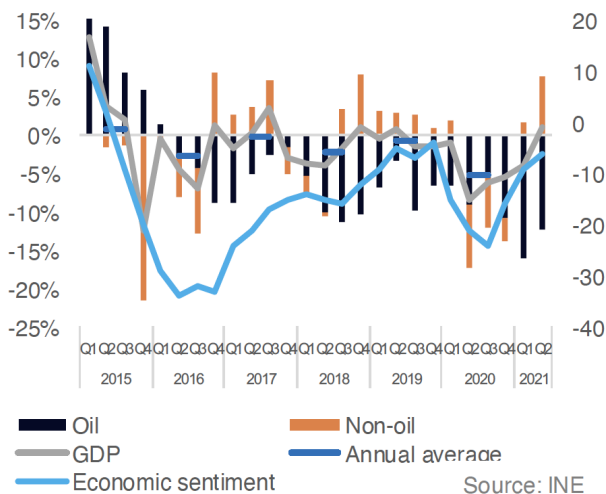


ANGOLA

REAL ECONOMY

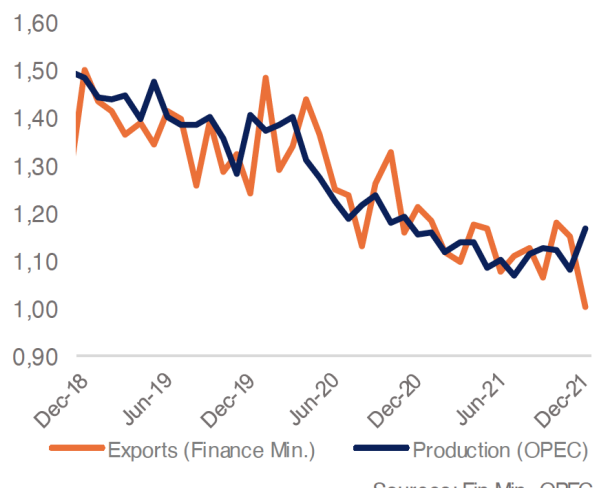
Non-oil economy will have accelerated in Q2 2021 while oil economy declined

Yoy change; index



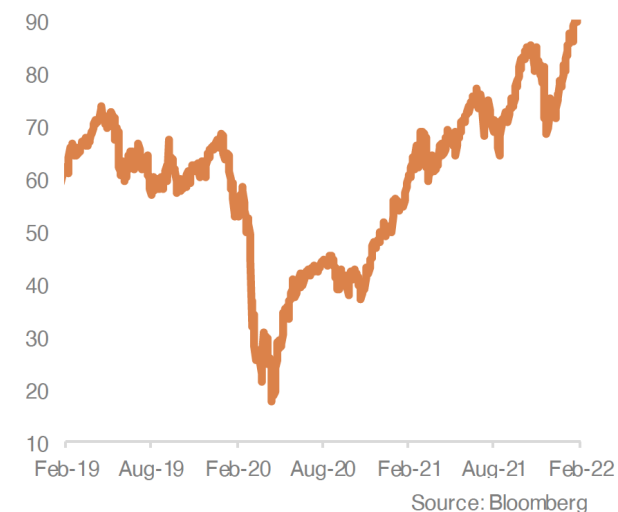
In 2021, oil exports averaged 1.12 mbd (-13% yoy)

Million barrels per day



Oil continues to grow above USD 90

USD



- In the 3rd Quarter of 2021, the Angolan economy expanded by 0.8% year-on-year, a growth after 9 consecutive quarters of year-on-year decline. This is the 1st expansion of the economy since the 1st quarter of 2019. The oil economy continued to decline, having registered a year-on-year contraction of 11.1% (a slower pace than in the previous quarter) while the non-oil economy recorded growth 6.3% year-on-year.

- In 2021, Angolan oil production was 1.118 million barrels per day (mbd), a drop of 11.4% compared to 2020. According to data reported by Angola to OPEC, in December average daily production stood at 1, 15 mbd, an increase of 0.4% over the same period last year. Export data published by the Ministry of Finance indicates an average daily export of 1,121 mbd for 2021, a drop of 13.2% compared to 2020.

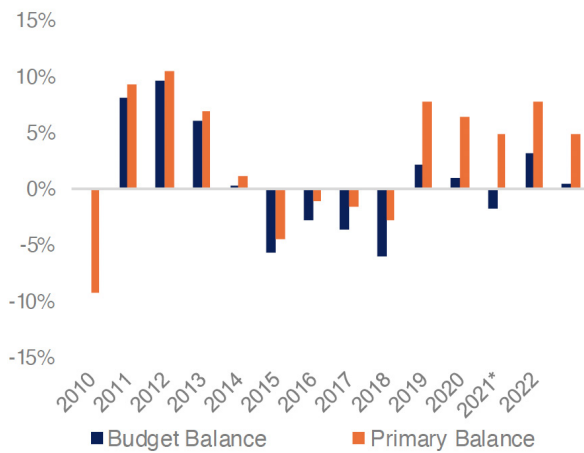
- In recent months Brent has maintained its upward trend and is currently quoted above USD 90, the highest value in the last 6-7 years.

ANGOLA

INTERNAL & EXTERNAL EQUILIBRIUM

Primary balance will have closed 2021 at around 7.7% of GDP

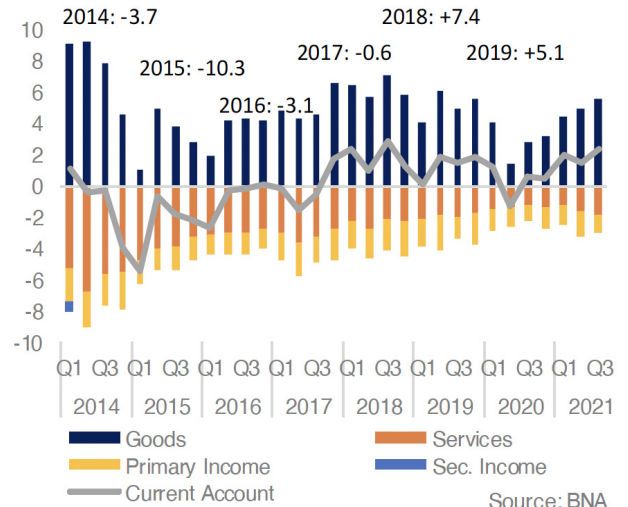
Percentage of GDP



Sources: MinFin, BFA calc.

In 3Q 2021, the current account recorded a surplus of USD 2.29 billion

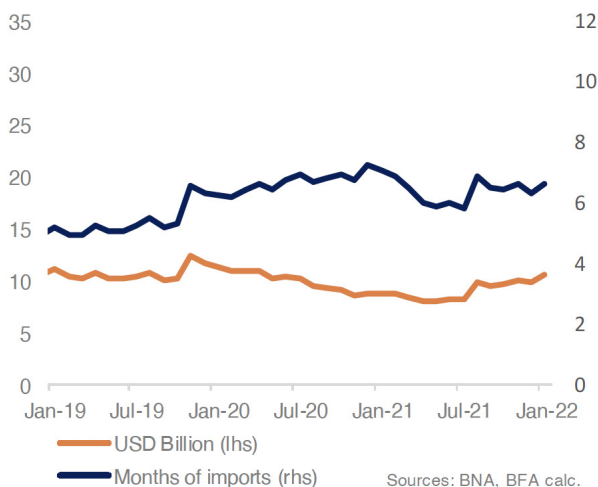
USD Billion



Source: BNA

In 2021, Net International Reserves closed the year at 9.8 billion (USD +1.4Bn yoy)

USD Billion; months of imports



Sources: BNA, BFA calc.

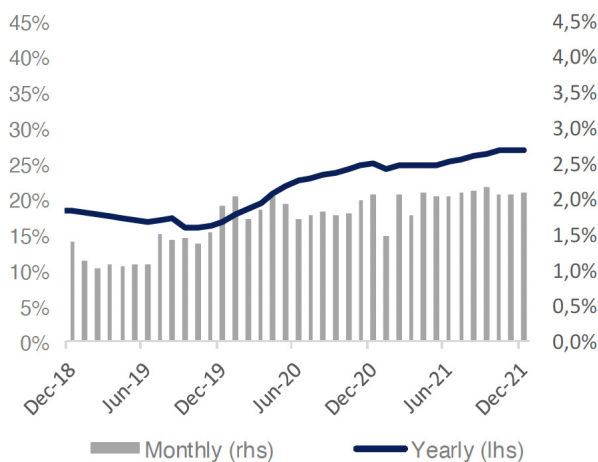
- In the 3rd quarter of 2021, the Current Account recorded a surplus of USD 2.3 billion, four times more than in the same period last year.** In terms of exports, in 3Q2021 Angola exported the equivalent of USD 8.7 billion, an increase of 68% over the same period last year. On the side of oil exports, there was an increase of 62% compared to 3Q2020, as a result of the increase in prices in international markets. Gas exports registered a year-on-year increase of 250% to USD 0.8 billion and an all-time high. On the non-oil exports side, the Diamond sector significantly to 517 million (vs USD 97 in 3Q 2020). The other sectors registered a year-on-year decrease of around 19% to USD 30.5 million. In 3Q2021, imports of goods increased by 37% yoy, from USD 2.4 billion to USD 3.2 billion. Imports of capital goods were the ones that grew the most (+45% yoy), reaching USD 897 million.
- Net International Reserves (NIR) ended 2021 at USD 9.94 billion (MM) representing an increase of 13.4% since the beginning of the year (USD +1.18 billion).** Based on preliminary data from the BNA, the January 2022 NIR stood at USD 10.6 Billion.

ANGOLA

INFLATION & FOREX

Year-on-year inflation closed 2021 just above 27%

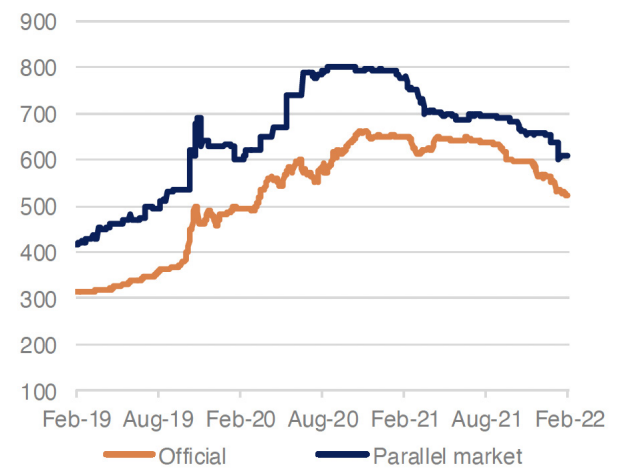
yearly change; monthly change



Source: INE

In 2021, the Kwanza appreciated just over 17% against the Dollar; In 2022 Kwanza has already appreciated 6.26%

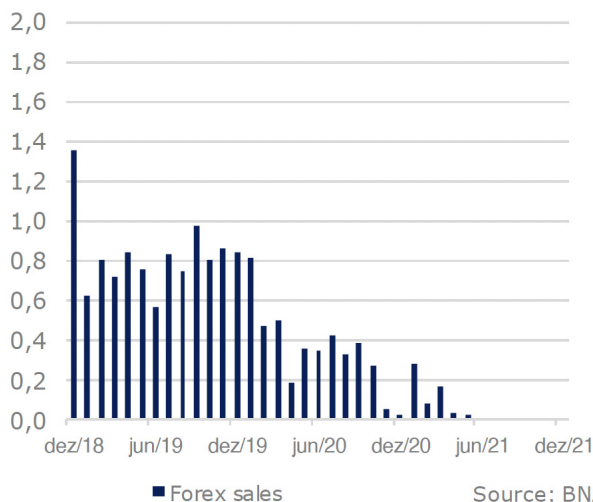
USD/AOA



Sources: BNA, Kinguila Hoje

In 2021, the BNA sold USD 610 million to commercial banks (-85% yoy)

USD Billion



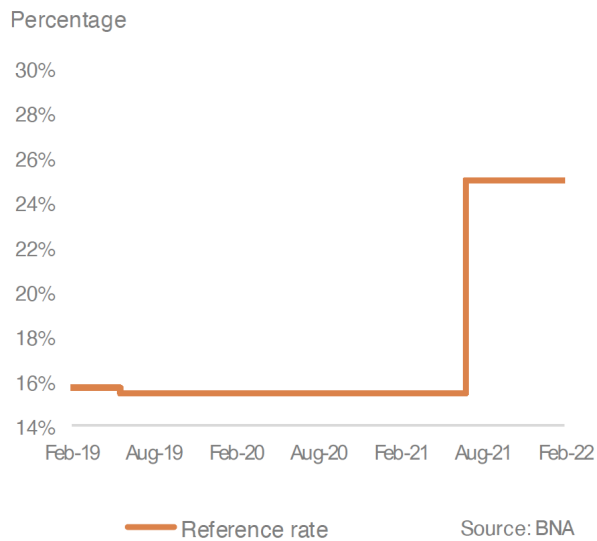
Source: BNA

- **National year-on-year inflation closed 2021 just above 27%, representing the 9th consecutive month of increase.** At the Monetary Policy Committee held at the end of January, the BNA informed that it expects average annual inflation for 2022 to be around 18%.
- **In 2021, the Angolan currency appreciated by around 17.1% against the Dollar and 26.7% against the Euro to USD/AOA 554.98 and EUR/AOA 629.01 respectively.** Since the beginning of the year, the Kwanza has appreciated 6.26% against the Dollar to USD/AOA 522.3 and 6.64% against the Euro to EUR/AOA 589.8. On the informal market side, the Kwanza closed 2021 trading around USD/AOA 676.7, with the range being close to 22%. Since the beginning of 2022 the gap has narrowed to 16.6% and is now trading close to USD/AOA 609.2.
- **In 2021, the BNA sold around USD 610 million in foreign currency to commercial banks, a drop of 85% compared to the same period last year.** In the last months of the year, the BNA did not sell to the bank.

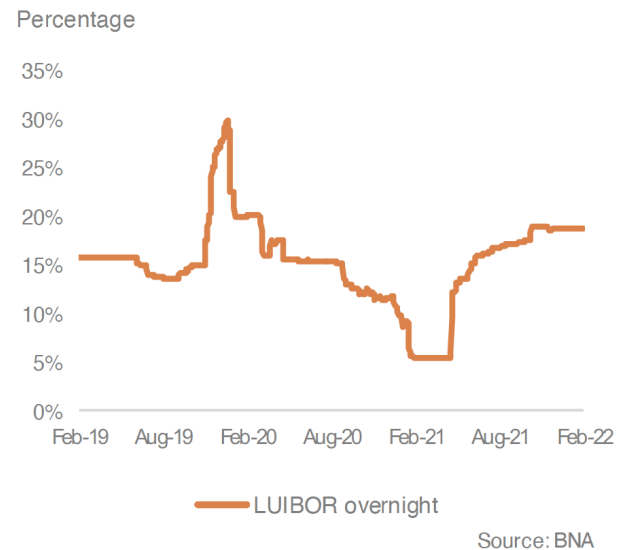
ANGOLA

INTEREST RATES

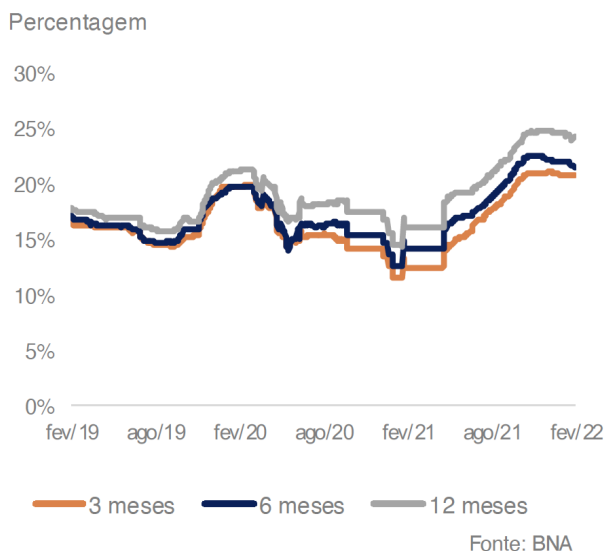
At the end of January, the BNA decided to keep the reference rate unchanged at 25%



Since the beginning of the year, Luibor O/N has been stable



After increasing throughout the year, LUIBOR's other rates have been falling since December

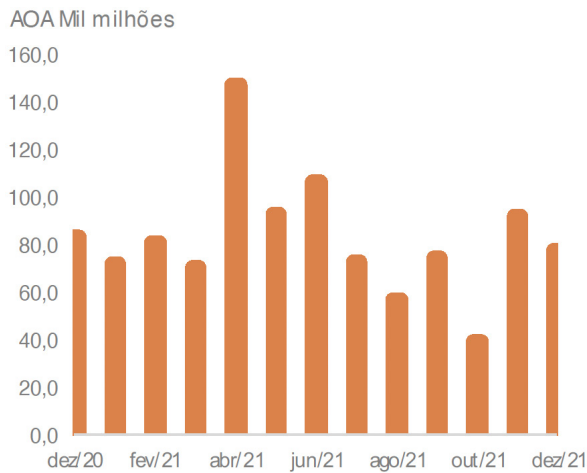


- **At the last meeting of the Monetary Policy Committee held at the end of January, the BNA decided to keep the various monetary policy instruments unchanged.** The Central Bank considers that it is necessary to observe the impacts of recent measures in terms of tax relief on widely consumed foodstuffs, the prospect of a reduction in the prices of food commodities at the international level, as well as the recent behavior of the price of a barrel of oil in the markets international. The BNA also decided to renew the support program for the real sector of the economy.
- **In the second half of 2021, LUIBOR Overnight has been recording significant growth, having closed the year at 18.68%, remaining that way to date.** For longer rates, there was an increase until the end of December, however since then rates have fallen, with emphasis on the 3-month Luibor, which fell by 0.27 pp to 20.73%.

ANGOLA

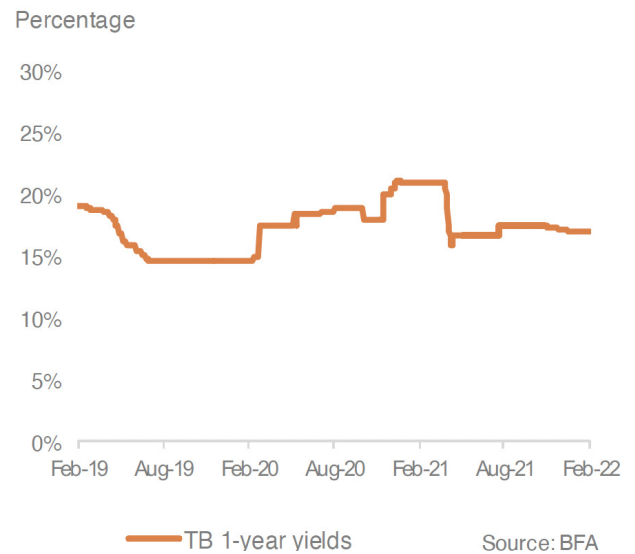
FINANCIAL MARKETS

Between 2021, AOA 976.8 billion in public debt were traded (-17.7% yoy)



Fonte: BODIVA

BT interest rates at 364 days closed 2021 at 16.99%



Source: BFA

2028 eurobond yield has declined in recent years



Fonte: Bloomberg

- According to BODIVA data, in 2021 around AOA 976.8 Billion in securities were traded, a drop of 17.7% compared to the same period last year. On average, AOA 81.4 Bn were traded per month (AOA 17.5 Bn below the 2020 average).
- In the last two months of the year, the rate on 6 and 12 month treasury bills registered rate declines in the primary market. The 6-month BT rate fell by more than 5pp, while the 12-month BT fell by slightly more than 0.5pp.
- The yields of the Angolan Eurobond maturing in 2028 closed 2021 just below 9.6% (0.33pp below the one recorded at the end of 2020).

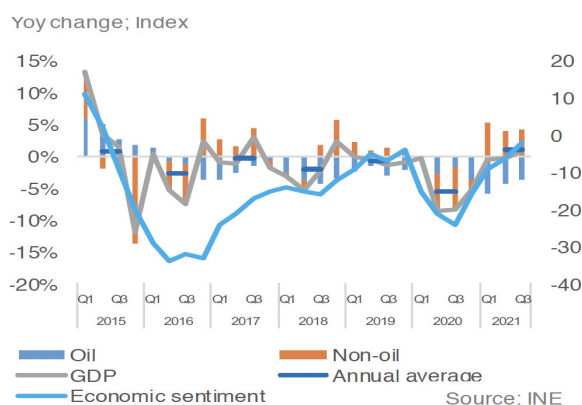
ANGOLA

HIGHLIGHT: OGE 2022 ALREADY UNDER WAY, 6TH IMF REVIEW APPROVED WITH RECOMMENDATIONS

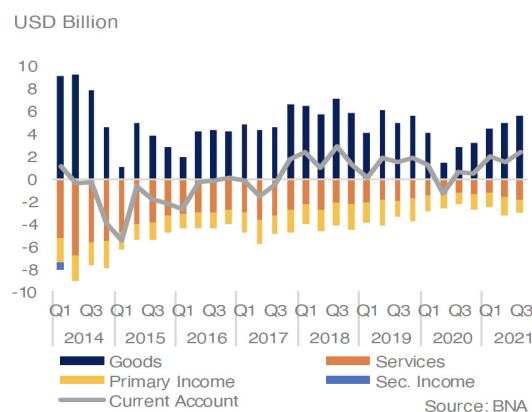
- The OGE for 2022 remains cautious, forecasting budget revenues of AOA 11.6 Trillion (Tn) and expenditures also budgeted at AOA 11.6Tn. Regarding revenues, an increase of AOA 1.16Tn is expected, corresponding to +11.1% compared to the expected execution for 2021. As a percentage of GDP, revenues are expected to rise slightly from 21.2% in the 2021 budget execution, to 21.3% in 2022. Oil tax revenues (including concessionaire rights) are expected to increase very slightly, from AOA 0.08Tn (+1.2% yoy). This evolution is due to a premise of the Brent price lower than last year's average (USD 59.0 in OGE 2022 against USD 67.1 in 2021); unlike in other years, oil production is expected to rise slightly, to 1.15 million barrels per day (mbd), compared to a production estimated at 1.13 mbd by the Executive. As for non-oil tax revenues, an increase of AOA 0.67Tn to AOA 4.6Tn is expected, as this is an increase of 17.3% compared to the execution planned by the Government for 2021 (+8.4 as a percentage of GDP), and on the expenditure side, an increase of 29.4% is expected compared to the execution planned for 2022, at about AOA 2.64Tn.

- To total the amount of USD 4.5 billion lent to the country, the IMF approved at the end of December 2021 the 6th and final evaluation of the Extended Financing Program, thus releasing the last tranche of USD 748 million. The Fund is confident in the recovery of the Angolan economy, thus expecting a very slight growth of the economy of 0.1% in 2021, accelerating to 2.9% in 2022. On the other hand, the institution foresees a budget surplus of 2.8% this year (versus 3.0% predicted by the Government), and 2.4% in 2022 (compared to 0.0% predicted by the Government); the IMF is more optimistic for 2022 compared to the Government, assuming a higher oil price of USD 78 against the Government's USD 59. As for the weight of debt in GDP, the IMF expects this ratio to reach 96% at the end of 2021, representing a decrease of 29% compared to the value recorded at the end of 2020 (135%). This institution also expects the public debt/GDP ratio to decrease rapidly, largely due to the policies adopted under the program, to reach 63% by the end of 2025.

Non-oil economy continues to grow while oil economy in decline



In 3Q 2021, the current account recorded a surplus of USD 2.29 billion





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