

Bimonthly Economic Outlook

April 2021 Last updated on 04/04/2021



BFA

PRIVATE BANKING

INTERNATIONAL

- After some weakness in January, the PMI indices recovered in February, particularly in the case of advanced economies;
- The Dollar continues to gain ground in 2022, having even posted a high against the Euro at the beginning of March, as well as against the Pound;
- US and German sovereign debt yields continue to rise, having accelerated in recent weeks;
- The JP Morgan's emerging sovereign debt index fell sharply with the outbreak of the war between Russia and Ukraine;
- The Russian invasion is having quite significant consequences on the price of oil, natural gas and also on some food commodities, in particular wheat and sunflower oil.

ANGOLA

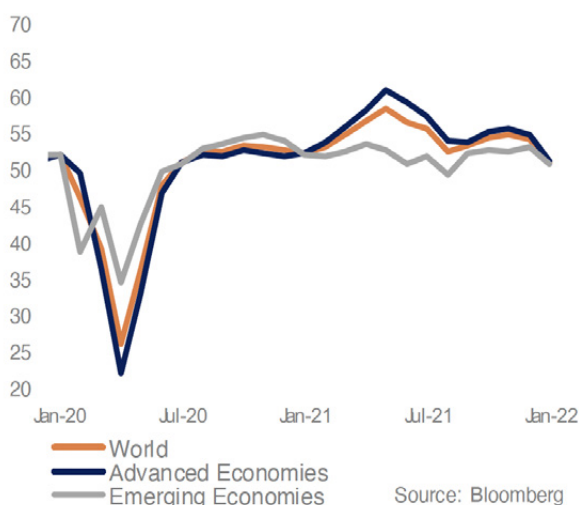
- In the 4th quarter of 2021, the Angolan economy expanded 2.2% compared to the same period of the previous year; it grew 0.7% in 2021, after 5 years of recession;
- In the first two months of 2022, oil production is increasing 3.6% yoy, according to data collected by OPEC;
- Net International Reserves ended Q1 2022 at USD 10.9 billion (Bn) representing an increase of USD 0.36Bn since the beginning of the year;
- National year-on-year inflation slowed slightly in February, the first drop after 11 months of growth;
- Since the beginning of the year, the Kwanza has already appreciated by around 22% against the Dollar, and 25% against the Euro, due to the significant impact of the increase in the price of oil.

INTERNATIONAL

ECONOMIC ENVIRONMENT

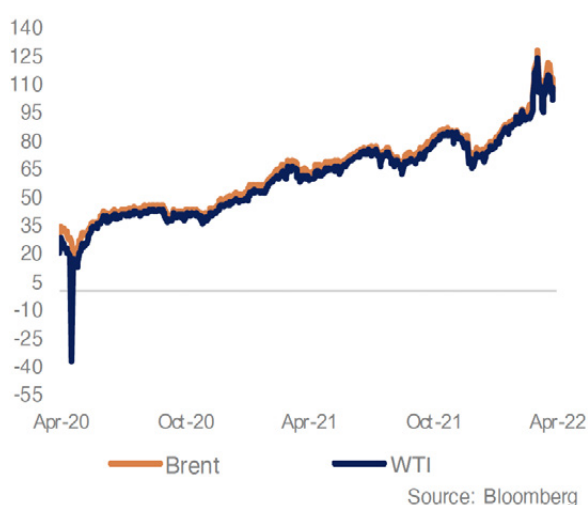
Markit PMI Index indicates a drop in world economic activity in January

Markit PMI Index



Average Brent price has been above USD 100 since February

USD



- In February, Markit's PMI indices point to a further acceleration of activity, after the January data showed some weakness, although still in expansion territory. On the side of advanced economies, the indicator has been more volatile, and also more positive, compared to emerging economies, where values have not exceeded 52 points.
- The IMF estimates that the global economy in 2021 likely 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%.
- Since the beginning of the conflict between Russia and Ukraine, prices in the oil market have increased significantly; in recent weeks, they have fluctuated at levels above USD 100. At the OPEC+ meeting held in early April, the cartel decided to maintain plans to increase oil production by 432,000 barrels per day in May.

For 2022, the IMF expects a 4,4% increase in world economy

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

Source: FMI

INTERNATIONAL

FOREX

Since the beginning of the year, the Dollar is gaining ground against the Euro

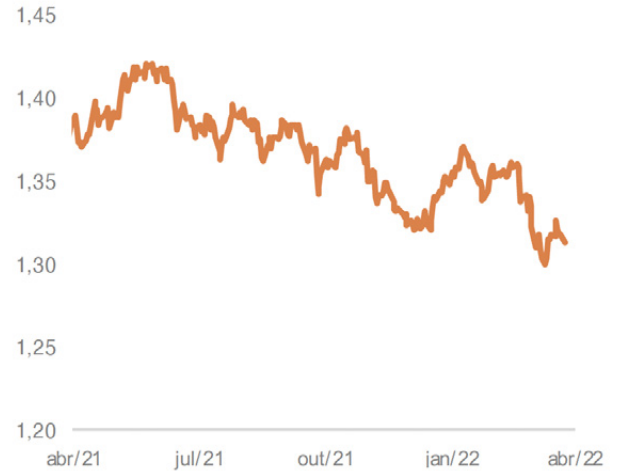
EUR/USD



Source: Bloomberg

Pound registered losses in recent months and is now at the lowest value of the last year

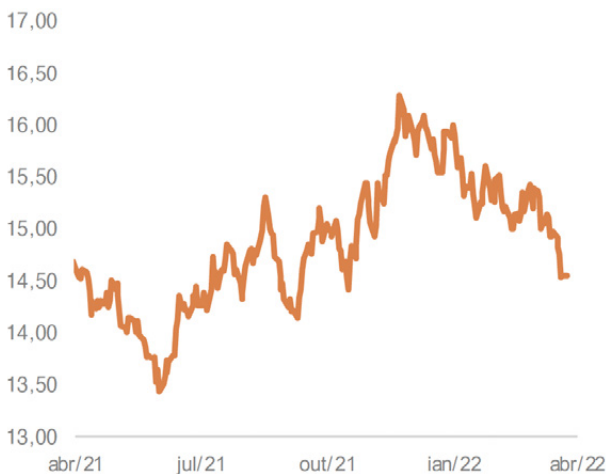
GBP/USD



Fonte: Bloomberg

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

USD/ZAR



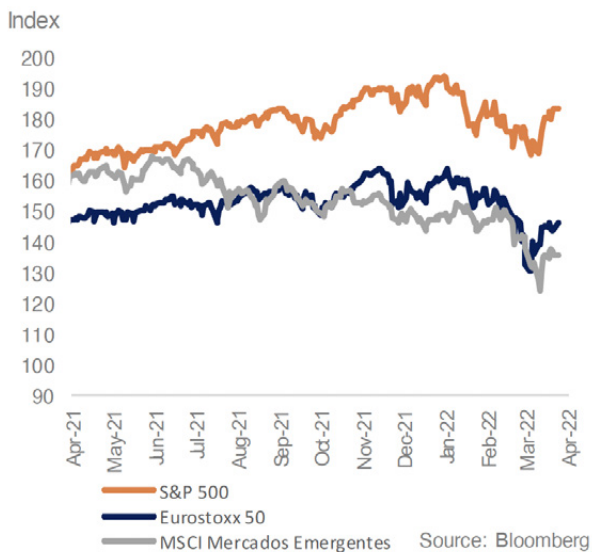
Source: Bloomberg

- At the beginning of 2022, the Euro continues its downward trend, despite some volatility due to the beginning of the conflict between Russia and Ukraine. The EUR/USD pair has been trading around 1.10, having reached close to 1.085 in early March, lows since May 2020.
- Likewise, the Pound also continues on a downward trend, also registering some volatility due to the conflict in Eastern Europe. Also in early March, lows were recorded, in this case close to 1.30 GBP/USD, near the levels recorded in November 2020.
- In the opposite direction, the Rand continues to gain value against the Dollar, in a very significant way in recent days. USD/ZAR trades close to 14.5, highs since October last year.

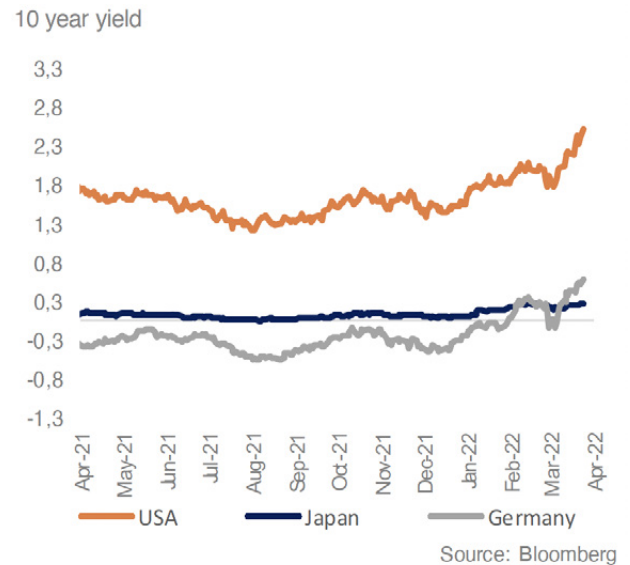
INTERNATIONAL

EQUITIES AND DEBT

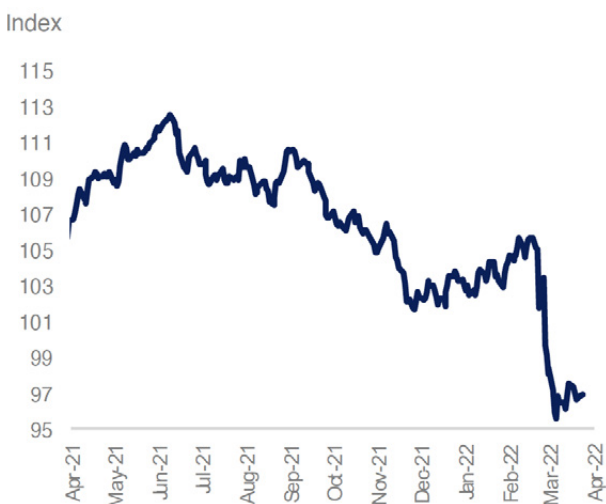
Markets recorded a fall in the last few months having recovered at the end of March



German and US debt yields have increased significantly since early March



Emerging bonds have fallen sharply since the conflict between Ukraine and Russia



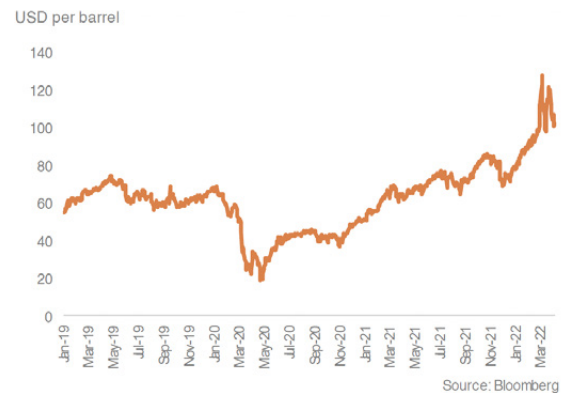
- **Equity markets lost significant value in early 2022, in anticipation and with the confirmation of the conflict between Ukraine and Russia.** In the case of European and emerging market shares, the lows are from more than 1 year ago, during 2020; meanwhile, there was a significant recovery, with the various indices still somewhat affected.
- **The American and German debt yields have registered an upward trend in recent months, a trend that accelerated from March onwards; Japan's debt also followed the same trend, but at a very light pace.** For 2022, the Federal Reserve is expected to announce 2-3 interest rate hikes, which should confirm and intensify the rise in yields.
- **In response to the conflict between Russia and Ukraine, emerging market debt has been trading at significantly lower levels, close to May 2020 lows.** In particular, many emerging countries are expected to suffer from higher commodity prices. energy and agricultural sectors, which are expected to register significant increases.

INTERNATIONAL

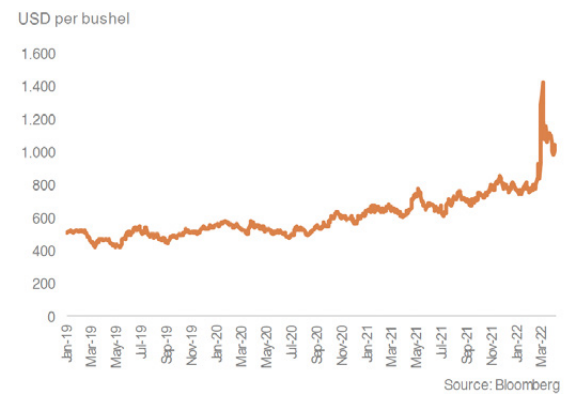
HIGHLIGHT: CONSEQUENCES OF WAR IN UKRAINE FOR THE WORLD ECONOMY

- In February we described how the outbreak of a conflict between Ukraine and Russia could push oil market prices “possibly above USD 100, with Russian production likely to be sanctioned”.** In the meantime, the conflict was effectively confirmed: on 24 February, Russian troops invaded Ukraine, provoking a reaction from the USA, the European Union, and other countries, which revealed several sanctions packages with increasing severity, as the conflict developed. There is no prospect of a quick resolution of the situation, despite several rounds of negotiations to reach an end to the clashes.
- The sanctions have not, so far, directly affected the Russian gas and oil trade, which would imply a scenario of prices persistently above USD 100 for a period possibly longer than 6 months.** However, these types of restrictions are still on the table, most likely due to two factors: on the one hand, the surprising resistance of Ukrainian forces has made the issue pressing and worthy of plenty of media attention in “Western” audiences, which puts pressure on decision-makers in this sense; on the other hand, the most recent revelations of possible massacres of civilians, among other war crimes by Russian forces, will give new impetus to an increase in sanctions. At the same time, due to other restrictions, which make trade with Russia more costly and complex, as well as pressure from public opinion, many companies have voluntarily decided not to buy Russian oil. This has resulted in the accumulation of unsold Russian oil, which should lead to a decrease in the country's production. A sign of this fact is the discount at which the best-known Russian type of crude, Urals, is being sold at, USD 32 less than Brent. Thus, even without formal sanctions, Brent prices have only been momentarily below USD 100 since February 28th, and are now trading in a band between USD 100-115.
- On the other hand, both Russia and Ukraine are important grain exporters, so the sanctions (in the case of Russia) and the production and distribution difficulties resulting from the war (in the case of Ukraine) should lead to food price increases in several countries.** The paradigmatic example is wheat – Russia and Ukraine together account for 29% of world exports, although a much smaller percentage of world production, as there are many countries with significant domestic production. In the case of this good, the price, which normally trades below USD 1000 per bushel, is now trading around USD 1000-1050, having reached highs of USD 1425 in early March. Other goods that may experience significant price increases are maize and sunflower oil.

Brent price was clearly impacted by the start of the conflict and the varying possibility of sanctions



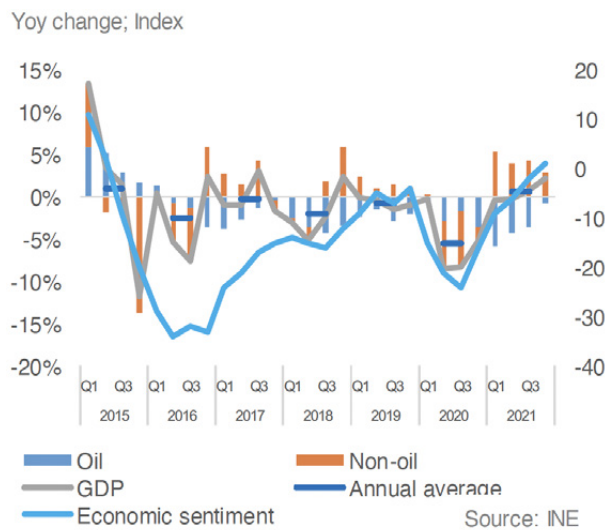
Wheat prices saw an impressive rise, still trading well above normal despite some moderation in last weeks



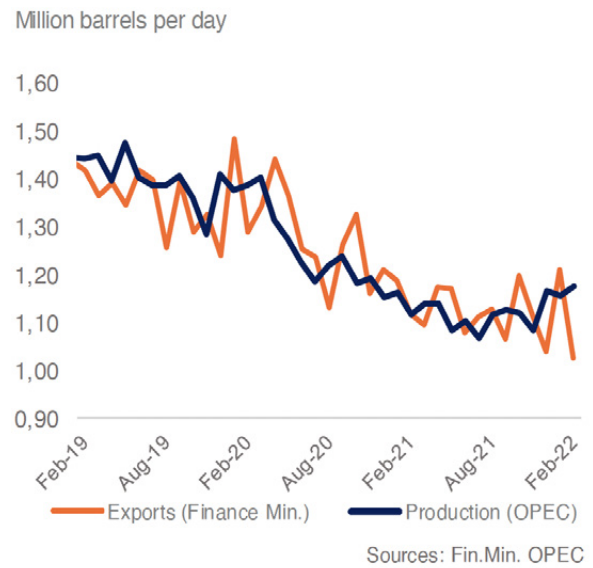
ANGOLA

REAL ECONOMY

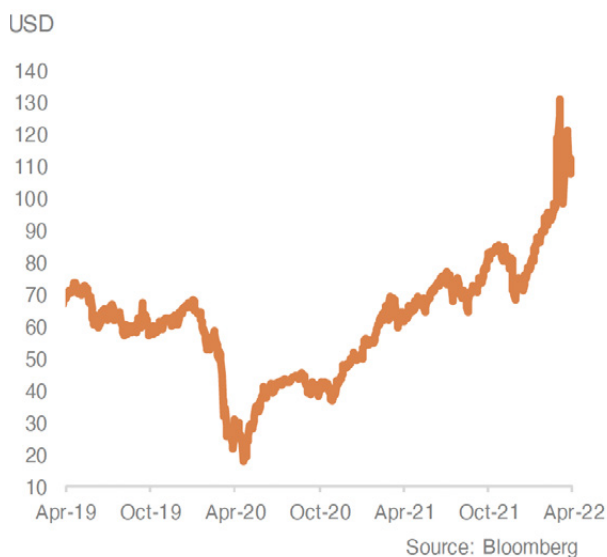
In 2021, angolan economy grew 0,7%



In the first two months of 2022, average oil exports fell by 2,9% yoy



Since the beginning of the year, average Angola Brent price is USD 97



- In the last quarter of 2021, the Angolan economy expanded by 2.2% year-on-year, the highest value since the last quarter of 2018 - for the entire year, the Angolan GDP grew by 0.7% (expansion after 5 years of recession). On the oil economy side, it registered a year-on-year drop of 2.8% in Q4 2021 and for the entire year, oil GDP fell by 11.5%. Regarding the non-oil economy, our calculations point to an 4.1% expansion in Q4 2021 and for the entire year a growth of 6.1% compared to 2020. In Q4 2021, the Economic Climate Index returned to the ground positive for the first time since 2Q2015.

- In the first two months of 2022, average national oil production stood at 1.18 million barrels a day, a year-on-year increase of 3.6%. According to data reported by Angola to OPEC, in February average daily production stood at 1.16 mbd, an increase of 1.8% over the same period last year. Data provided by the Ministry of Finance indicate that in the first 2 months of 2022, Angola had an average daily export of 1.12 mbd, a drop of 2.9% compared to the same period last year.

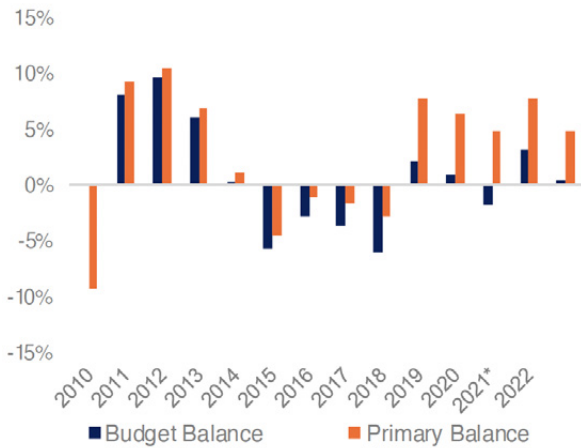
- Since the beginning of the conflict between Russia and Ukraine, Brent has registered a significant increase, averaging USD 112.

ANGOLA

INTERNAL & EXTERNAL EQUILIBRIUM

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

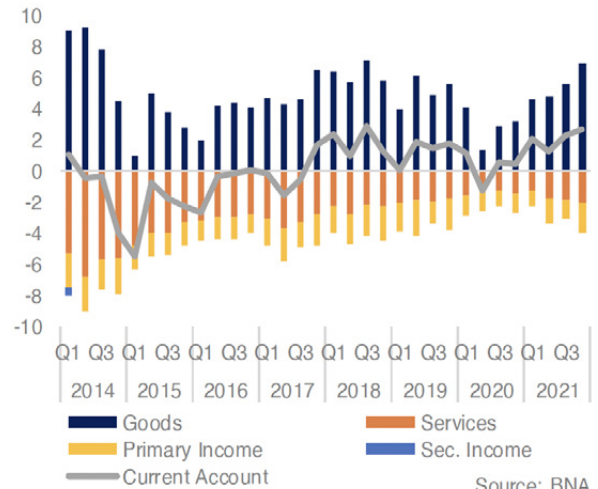
Percentage of GDP



Sources: MinFin, BFA calc.

In 2021, Current Account balance was USD 8,4 billion (vs 0,87 Bn in 2020)

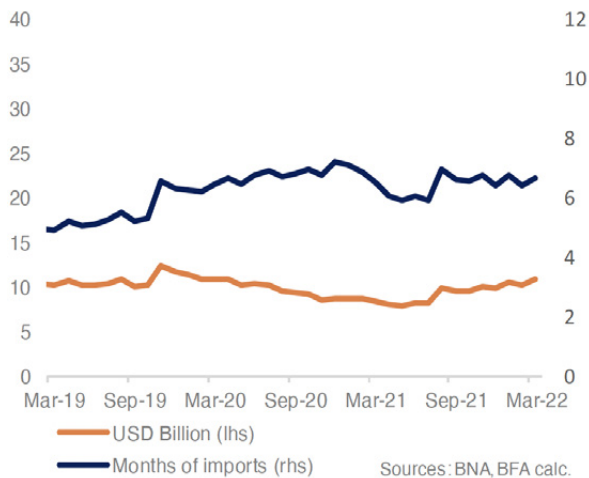
USD Billion



Source: BNA

Net International Reserves ended the first quarter with USD 10,9 Bn (USD +2,5 Bn yoy)

USD Billion; months of imports



Sources: BNA, BFA calc.

- **In 2021, the Current Account recorded a surplus of USD 8.4 billion (Bn), nine times more than in 2020 (USD 872 million).** In the last quarter of 2021, the current account surplus was USD 2.7Bn, an increase of 2.25Bn compared to the same period last year. In terms of exports, in Q4 2021 Angola exported the equivalent of USD 10 billion, an increase of 74% compared to the same period last year. Regarding oil exports, there was an increase of 90% compared to Q4 2020, as a result of the increase in prices in international markets. Gas exports registered a year-on-year increase of 446% to USD 1.68 billion, an all-time high. In terms of non-oil exports, the Diamond sector recorded a drop, with Angola exporting the equivalent of USD 396 million in the last quarter, a year-on-year drop of 26%. The other sectors registered a year-on-year decrease of around 74% to USD 51.9 million. In 4Q2021, imports of goods increased by 19.8% yoy, from USD 2.6Bn to USD 3.1Bn. Imports of consumer goods registered the highest growth (+29.7% yoy), standing at USD 2.1Bn.

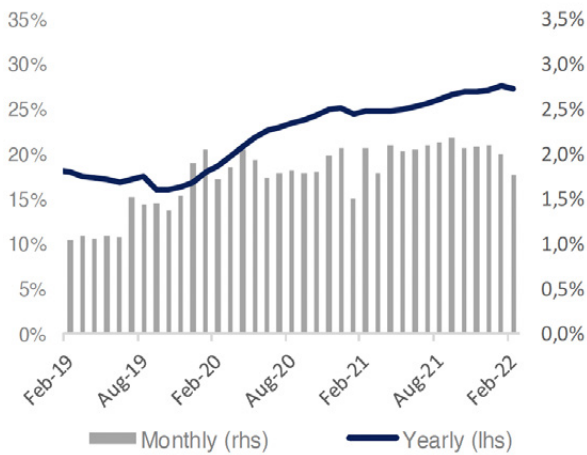
- Net International Reserves closed Q1 2022 at USD 10.9Bn representing an increase of 0.36 MM since the beginning of the year.

ANGOLA

INFLATION & FOREX

After 11 months of increasing inflation, yoy inflation fell in February

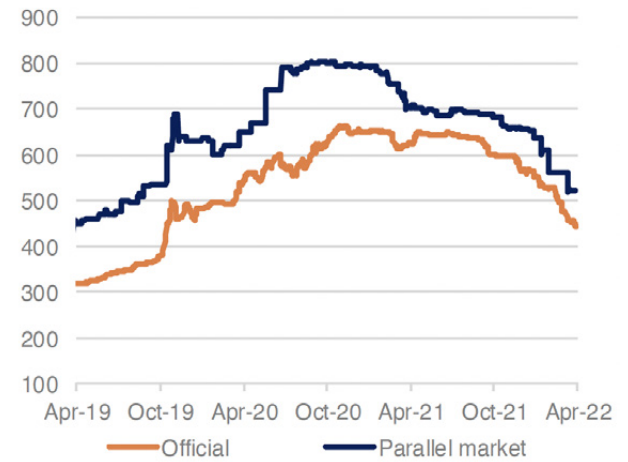
yearly change; monthly change



Source: INE

Since the beginning of the year, the Kwanza has already appreciated 21,8% against the Doll

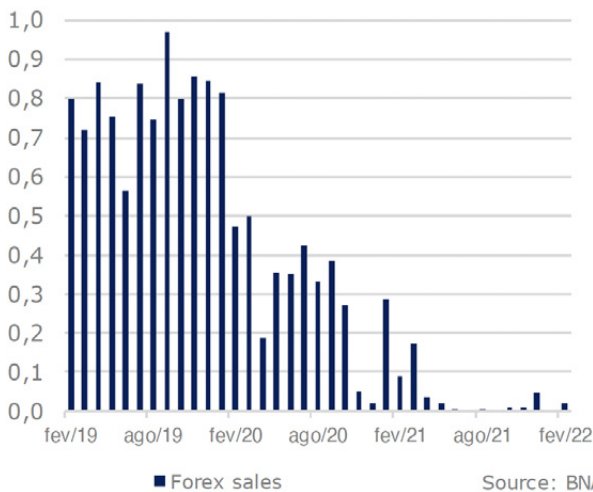
USD/AOA



Sources: BNA, Kinguila Hoje

BNA continues to sell foreign currency to retail banks at a reduced amount

USD Billion



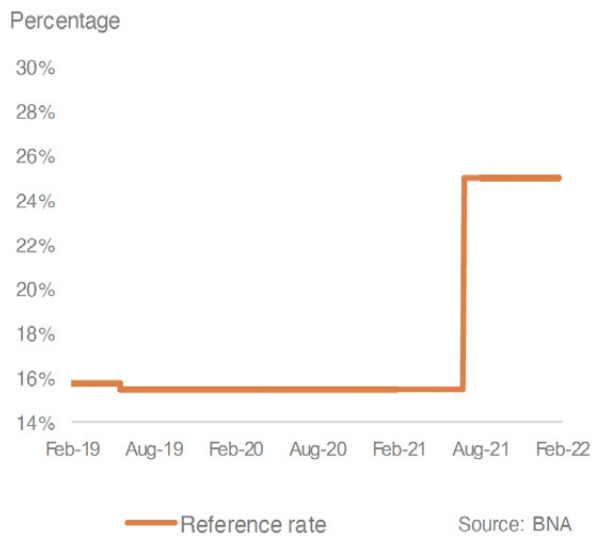
Source: BNA

- In February, national year-on-year inflation stood at 27.3%, the first fall after 11 months of growth. 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%.
- Since the beginning of the year, the Kwanza has appreciated around 21.8% against the Dollar and 25.3% against the Euro to USD/AOA 455.62 and EUR/AOA 501.9 respectively. Since the beginning of February, the Kwanza has appreciated 15.6% against the Dollar and 18.2% against the Euro. On the parallel market side, the Dollar is currently trading at around USD/AOA 521.2, with the rate interval being close to 15.7%.
- Between January and February, the BNA sold USD 21.3 million to commercial banks, a decrease of 75.5% compared to the same period last year.

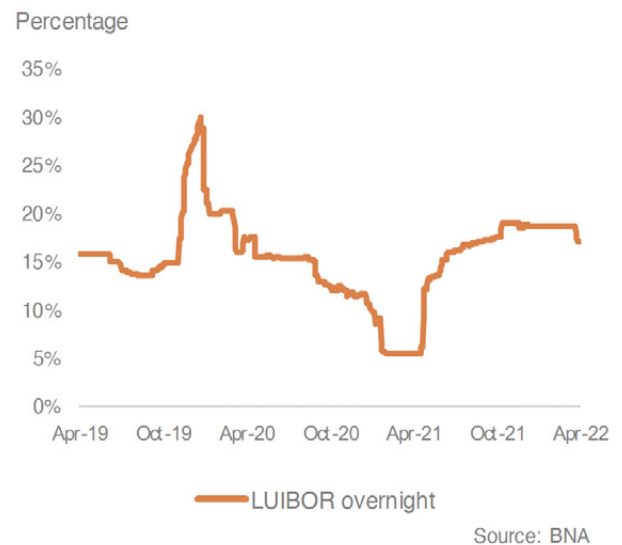
ANGOLA

INTEREST RATES

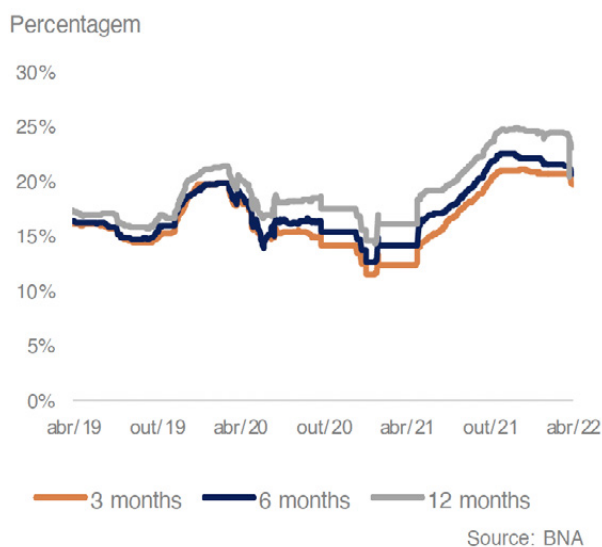
BNA kept the reference rate unchanged at 25%



After a period of stabilization, Luibor O/N fell in the end of March



After a period of stability, other LUIBOR rates have been falling since March

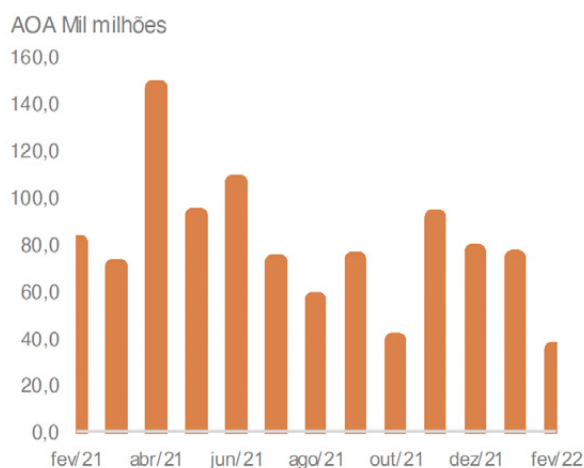


- **At the Monetary Policy Committee meeting held at the end of March, the BNA decided to keep the various monetary policy instruments unchanged:** keep the BNA rate and the Permanent Liquidity Lending Facility interest rate at 20% and 25%, respectively. The Central Bank maintained the 7-day Liquidity Absorption Facility Interest at 15% and the required reserve ratios at 22%. Additionally, the BNA decided to raise the foreign exchange position limit of commercial banks from 5% to 10%.
- **In 2022, LUIBOR Overnight recorded a period of stability in the first months of the year, having fallen by more than 1 percentage point at the end of March to 17.11%.** In the longer rates, there was also a period of stability in the first months of 2022; however, since then rates have fallen, with emphasis on the 12-month Luibor, which fell by 0.88 pp to 23.52%.

ANGOLA

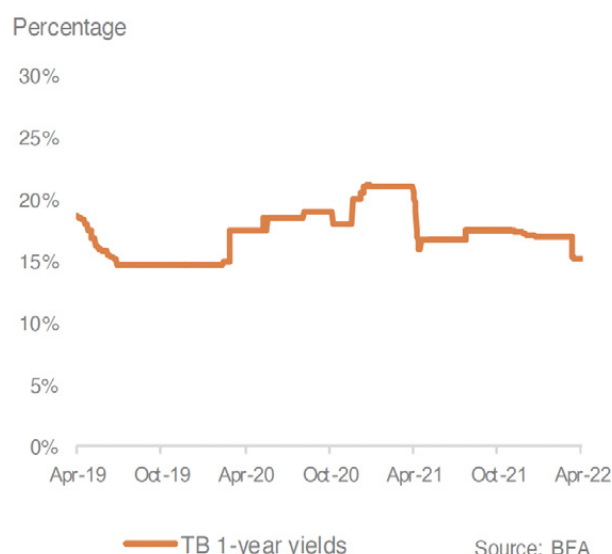
FINANCIAL MARKETS

Between January and February, around AOA 109.7 billion were traded (-27.7% yoy)



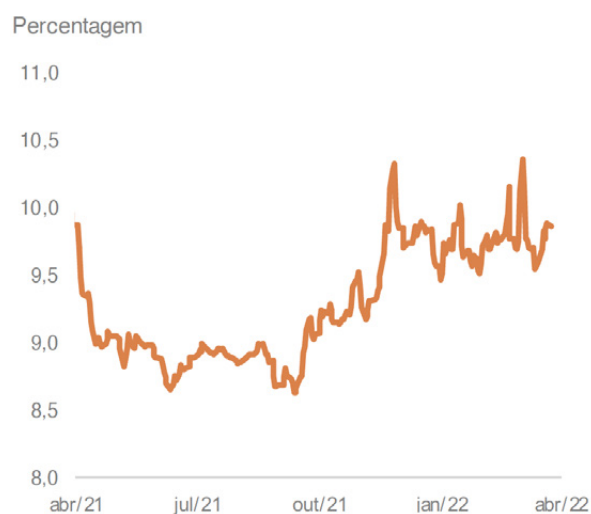
Fonte: BODIVA

BT interest rates at 364 days are being traded at 15.5%



Source: BFA

2028 eurobond yield recovered after the fall recorded in early March



Fonte: Bloomberg

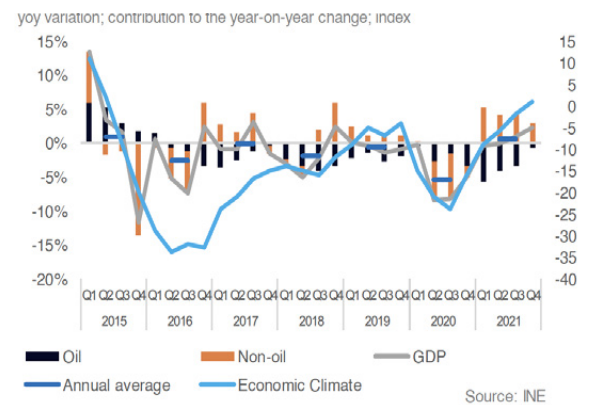
- BODIVA data indicate that in the first 2 months of 2022, around AOA 109.7Bn in securities were traded, a drop of 27.7% compared to the same period last year. On average, during this period, AOA 54.9Bn were traded per month (AOA 26.5Bn below the 2021 average).
- The Public Debt Management Unit started selling bonds and treasury bills in March. 364-day treasury bills were made available at a 15.25% rate, 1.74pp below the rate observed at the end of 2021. The 6-month BT rate fell by more than 5pp, while 12-month BTs recorded breaks slightly above 0.5pp.
- The yield of the Angolan Eurobond maturing in 2028 has registered a negative fluctuation in recent months and is now with a yield of 6.9% (-0.37pp compared to the end of 2021).

ANGOLA

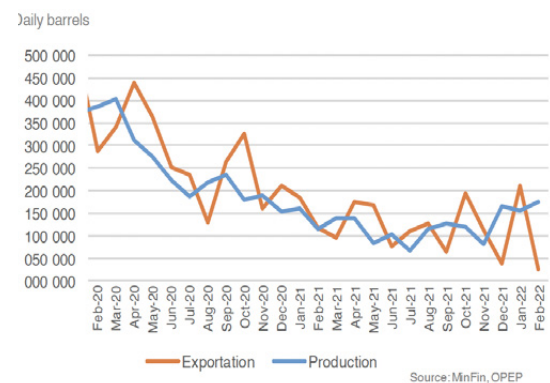
HIGHLIGHT: ANGOLAN ECONOMY GROWS AGAIN AFTER 5 YEARS IN RECESSION

- **In the 4th quarter of 2021, Angolan GDP grew 2.2% year-on-year – 2nd consecutive quarter of year-on-year increase and the highest value since Q4 2018.** The biggest increase was registered on the transport sector side with 39.4 % while the financial institutions and insurance sector recorded year-on-year losses slightly above 36%.¹
- **For the entirety of 2021, the Angolan economy recorded year-on-year growth of 0.6%, the first expansion after 5 years of recession between 2016 and 2020.**
- **The Angolan oil GDP continues to fall year-on-year, having registered a decrease in the Q4 2021 for the 23rd consecutive quarter.** During the period, the contraction was 2.8%, a considerably low figure when compared to the double-digit drop recorded in the previous 4 quarters. For the entire year, the Angolan oil economy fell by 11.5%, the highest value since the beginning of the statistical series and 4.7 percentage points above that recorded in 2020. This decrease in oil GDP continues to be the result of the natural decline of some oil wells and the lack of investment made in the year of the pandemic. According to data collected independently by OPEC, it is estimated that average national production has fallen by 11.4% compared to 2020 (from 1.26 mbd to 1.12 mbd). On the export side, MinFin data point to a year-on-year drop of 13.1% in 2021.
- **In Q4 2021, our calculations indicate that the Angolan non-oil economy will have increased by around 4.1%, representing an expansion for the 4th consecutive quarter.** For the full year, we estimate that non-oil GDP will have increased by 6% yoy after registering a 5% drop in 2020. Additionally, this represents the biggest increase since 2014.
- **The trade sector (2nd largest component of GDP) recorded year-on-year growth of 2.4% in Q4 2021 and contributed 0.4 pp to the period's growth rate.** For the entire year, the sector recorded growth of 13.4%, the 3rd highest. The Construction and Transport sectors (3rd and 4th largest components of Angolan GDP) were greatly affected by the pandemic in 2020, however, in the last quarter of 2021 they recorded growth of 5.3% and 39.4% respectively. For the entire year, the Transport sector expanded 28.9% while the construction sector registered a contraction of 6.7%. The agricultural sector continued to expand but at a slower pace, having grown by 3.4% yoy in Q4 2021. In 2021, agriculture recorded year-on-year growth of 5.1%.

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



Angolan oil production has fallen over time due to lack of investment and natural degradation of wells





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