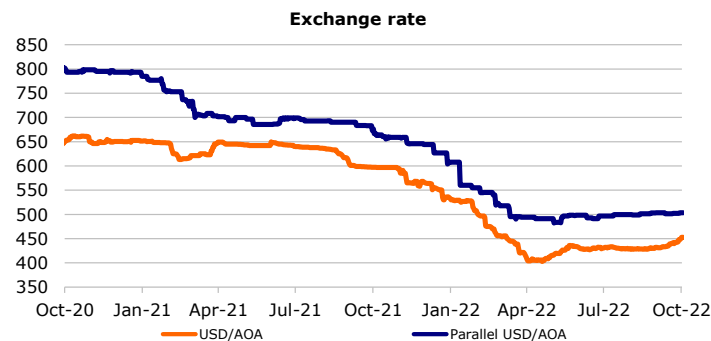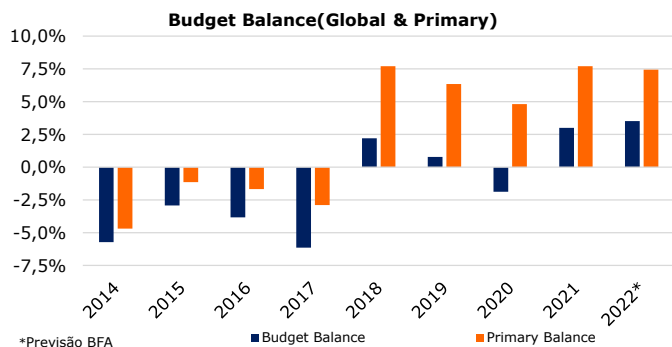# Angola Weekly | 24/10

Market Information

In the 1st half of 2022, Angola had a surplus in public accounts of AOA 1.1 billion, between 3-4% of GDP, according to our estimate. Budget revenues have already reached 54% of what was stipulated in the OGE, and our expectation is that it will exceed 20% by the end of the year, mainly due to the effect of the oil price on oil tax revenues. The expenditure executed was 45% of the budgeted – we expect it to be approximately 5% higher at the end of the year, resulting in a budget surplus of between 3.3-3.8% of GDP.

Moody's improved the outlook of Angola's rating from Stable to Positive last week. According to the published note, the basis for this change was the prospect of robust economic growth and significant fiscal revenue growth, mainly supported by the rise in oil prices that still persists in international markets. Moody's expects the debt/GDP ratio to reach 51% by the end of 2022, up from 78% in 2021, and thinks it could reach levels below 40% of GDP by 2025. At the same time, the budget surplus will average 2.5% of GDP between 2022-2025. Moody's forecasts economic growth of 3% this year, accelerating to 4.2% on average over the period 2023-2026. For the oil sector, oil production is expected to increase to 1.25 million barrels per day (mbpd) in 2023, compared to the 1.18 mbpd forecast in 2022. Inflation is expected to continue to fall towards single-digit values in 2025. Despite the change in outlook, Moody's maintained the B3 rating, due to Angola's still high vulnerability to oil shocks and weak institutional capacity. **On the other hand, the consultancy Fitch Solutions has improved its growth estimate for Angola in 2022 from 3.5% to 4%.** According to the consultancy's note, the upward revision is based on a combination of lower inflation and better monetary conditions, in addition to gains in the oil sector. For 2023, a slowdown to 1.8% is expected, essentially due to headwinds in the national oil sector.

In the foreign exchange market, the Kwanza devalued this week by 2.3% against the Dollar and 2.7% against the Euro, closing at USD/AOA 452.7 and EUR/AOA 443.1. After a few months of stability, the Kwanza begins to show a new trend of losing strength against the Dollar. Considering the scenario of an inverse relationship between the exchange rate of the Kwanza and the price of oil, with the performance of the Angolan currency very dependent on Brent, together with the market forecast that the price of Brent should fall in the near future, we expect that this exchange rate trajectory continues in the coming months and in 2023, although gradually.

Macroeconomic Forecasts

Indicator	2021*	2022**	2023**
GDP change (%)	0,7	4,6	2,4
Average Inflation (%)	25,8	21,2	12,2
Current Account (% GDP)	10,5	9,0	3,3

*GDP and inflation - INE; Current account - BFA forecast
**Forecasts

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B-	Positive	15/07/2022
Moody's	B3	Positive	20/10/2022
Standard & Poor's	B-	Stable	04/02/2022

Monetary and ForEx data*

	21/10/2022	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	10,00%	0,00	-8,68	-8,96
USD/AOA	452,7	2,30%	-18,43%	-24,18%
AOA/USD	0,00221	-2,25%	22,60%	31,89%
EUR/AOA	443,1	2,71%	-29,55%	-36,24%
EUR/USD	0,986	1,44%	-13,26%	-15,15%
USD/ZAR	18,1	-1,47%	13,50%	23,15%

*Change of USD/AOA (or EUR/AOA) shows the appreciation 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 (12 months)	13,0%	11 500	22 030	12 432
BT (3 months)	10,0%	20 000	12 180	1 300
OT AOA (4 years)	17,2%	5 000	6 528	6 528
OT AOA (6 years)	19,5%	11 960	16 039	16 039
OT AOA (10 years)	21,0%	19 000	13 277	13 277
OT USD (7 years)	5,7%	1,00	0,10	0,10

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

Budget Balance(Global & Primary)

*Previsão BFA
■ Budget Balance   ■ Primary Balance

Reference rate and LUIBOR

── LUIBOR overnight   ── Reference rate

Exchange rate

── USD/AOA   ── Parallel USD/AOA

Oil price (Brent) and Eurobond 2025

── Brent Angola (left)   ── Eurobond (right)