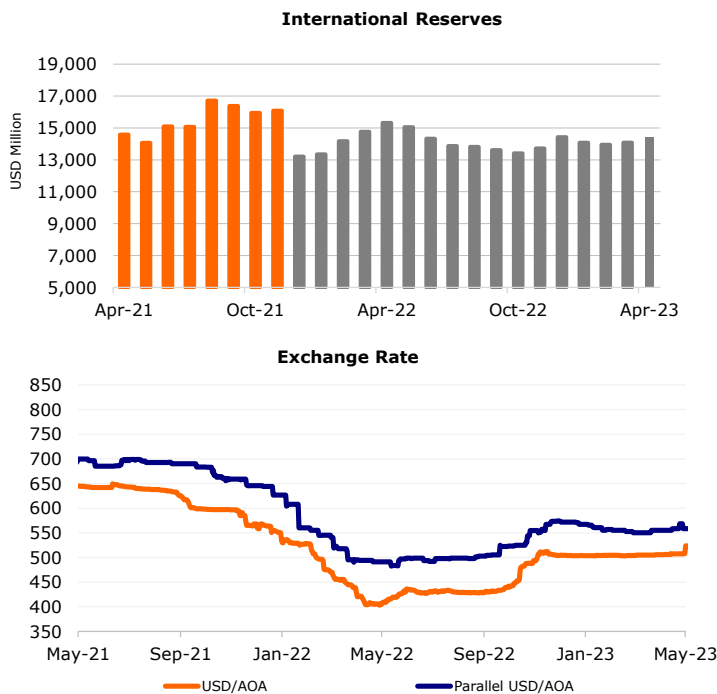


## Angola Weekly | 15/05

### Market Information

**The Kwanza depreciated 3.1% last Friday, breaking a period of apparent stability, due to the fall in the amounts of currency made available to the market.** The Angolan currency has been under pressure for some time now, which is already visible in some movements in the parallel market, with the spread widening in the exchange of Dollars, but also of Euros. In fact, on the one hand, the inflow of foreign exchange into the country has been lower, mainly due to the decrease in export earnings; looking only at Q1 2023, exports of goods amounted to USD 8.3 billion, an 11.1% drop compared to USD 9.4Bn in Q4 2022; on the side of imports of goods, the drop in the same period was 10.7%, to USD 4.1Bn, which would not point to the current imbalance. However, despite the inflow of foreign exchange into the economy having decreased by close to 11%, the sale of foreign exchange to the private economy likely dropped by a much larger amount, especially given the decrease in the provision of foreign exchange by the Treasury, which generally provides more than 25% of foreign currency to the market. On the other hand, with the recent further fall in the price of oil, foreign exchange inflows in April and May likely decreased with greater intensity, adding another factor of imbalance in the market. **Our expectation is that the Kwanza will stabilize at a level closer to USD/AOA 540-550 at the end of the year.** Even so, some volatility as the market adjusts cannot be ruled out, due to the particular characteristics of the Angolan foreign exchange market: a few sellers concentrate most of the foreign exchange provision, with the largest provider, the Treasury, sometimes being little predictable in the amounts and frequencies to be sold; absence of instruments such as forwards or speculative investors, which would allow anchoring future expectations for the value of the Kwanza, in the short and medium term.

**Year-on-year inflation in April stood at 10.6%, a fall of just 0.2 percentage points (pp) compared to March, signaling the fifteenth consecutive month of decline.** Monthly inflation remained at 0.9% for the 3rd consecutive month. The numbers are in line with our expectations: monthly inflation should gradually rise, settling in a range between 0.8-1.2% (with the exception of December, with higher monthly inflation), which points to a maintenance of year-on-year inflation at around 10% until the middle of Q3 2023, accelerating afterwards to levels around 12%. The acceleration will be caused, on the one hand, by the effects of the current exchange rate depreciation in progress (these effects should be felt from August/September), and on the other hand, due to the stabilization of food prices worldwide, which previously had been in decline, in the last semester. **Even so, we note that current inflation is at the lowest level of the last 8 years, which supports the drop in interest rates.**



### Macroeconomic Forecasts

Indicator	2022*	2023**	2024**
GDP change (%)	3.0	1.2	5.9
Average Inflation (%)	21.7	10.7	14.1
Current Account (% GDP)	12.5	3.7	4.3

\*Inflation - INE; GDP & Current account - BFA forecast  
\*\*Forecasts

### Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B-	Positive	7/15/2022
Moody's	B3	Positive	10/20/2022
Standard & Poor's	B-	Stable	2/4/2022

### Monetary and ForEx data\*

	5/12/2023	7 days (p.p./%)	Change	
			YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	8.70%	0.00%	-1.30%	-4.64%
USD/AOA	523.6	3.17%	3.94%	28.80%
AOA/USD	0.00191	-3.08%	-3.80%	-22.36%
EUR/AOA	568.6	1.95%	5.81%	34.65%
EUR/USD	1.085	-1.54%	1.35%	4.52%
USD/ZAR	19.3	5.07%	13.52%	20.20%

\*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.

### Weekly domestic debt securities auctions

Term	Yield	Offer	Demand	Allocated
OT AOA (10 years)	17.0%	2,000	1,004	1,004
OT AOA (8 years)	16.6%	10,000	1,300	1,300
OT AOA (7 years)	16.3%	10,000	20	20
OT AOA (6 years)	16.3%	3,000	2,100	2,100
OT AOA (5 years)	16.0%	15,254	15,254	15,254
OT AOA (4 years)	15.0%	2,000	10,993	10,993

BT are treasury Bills, OT are Treasury Bonds; Note: amounts (except for yield) are in million Kwanza. OT USD (Dollar Treasury Bonds) are shown in million Dollars

