Economic Research Unit
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao

# FLASH NOTE

**Nº 06.2026 | 16 June 2026**

## BNA sets interest rates at the lowest level in five years

**We revised down our inflation forecast and anticipate further rate cuts for the year**

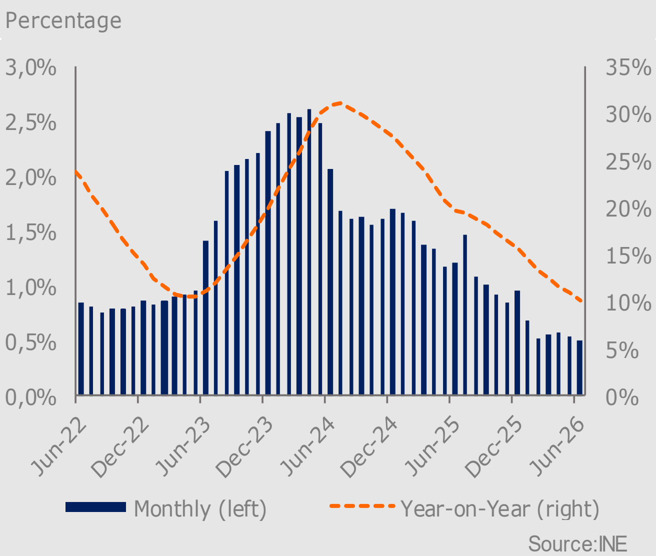
### A. DESCRIPTION

**1| On June 13 and 14, 2026, the Monetary Policy Committee (MPC) of the Central Bank of Angola (BNA) met and decided to reduce all interest rates by 125 basis points (bp).** With this decision, BNA Rate fell from 17.00% to 15.75%, the rate of the Marginal Lending Facility (MLF) was adjusted from 18.00% to 16.75%, and the rate of the Deposit Facility (DF) decreased from 16.00% to 14.75%. The measure was taken in response to the consistent slowdown in year-on-year inflation, which in June stood at 10.1%, representing a drop of 0.7 percentage points (pp) compared to the 10.8% recorded in the previous month.

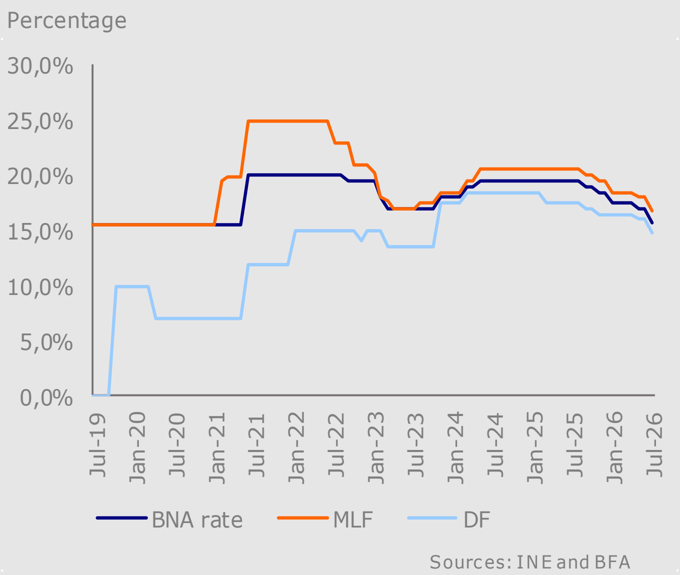
### B. ANALYSIS

**1| The Central Bank of Angola has reduced interest rates on three occasions since the beginning of the year, accumulating a total cut of 275bp.** The most recent decision was supported by the continued slowdown in inflation, which in June fell to 10.1%, the lowest level since the start of the national inflation series. This performance is particularly relevant as it occurs in an international context marked by renewed increases in commodity prices, especially food products, following geopolitical tensions in the Middle East. Despite this less favorable external environment, Angola has remained relatively immune to these shocks, revealing a limited transmission of international price increases to the domestic economy. This evolution also helps explain why the BNA chose to keep interest rates unchanged at the March meeting, waiting for greater confirmation of the downward inflation trend before resuming the monetary easing cycle.

**Year-on-year inflation in June reaches the lowest value in the statistical series**




**CPM sets interest rates at their lowest level in five years**



**Economic Research Unit**
Contact: +244 222 696 462
E-mail: dfi.gee@bfa.ao

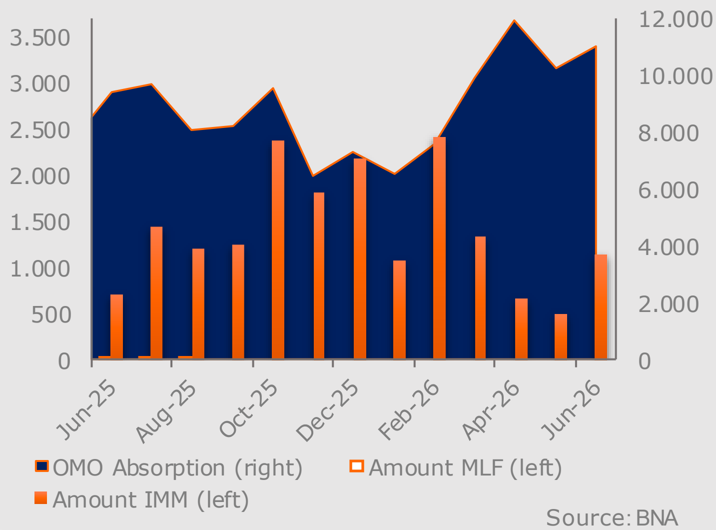
The macroeconomic outlook continues to point to a disinflation process. Maintaining the current trend of monthly CPI variation, year-on-year inflation could fall to around 9.1% as early as next month, dropping below double digits for the first time on record, and continuing to decline gradually throughout the year. This trajectory is supported by several factors. First, the exchange rate has remained stable since the end of 2024, significantly reducing pass-through effects on domestic prices. Second, increased availability of foreign currency has allowed for an expansion of imports of goods and services, strengthening supply in the domestic market. At the same time, domestic production continues to grow, increasing the availability of locally produced goods. Furthermore, Angola has not absorbed recent international shocks in commodity prices, particularly food, positioning itself counter to the trend observed in many economies where inflationary pressures persist. This reality is also corroborated by domestic price developments, with some economic operators reporting that prices remain relatively stable compared to the same period last year, still rising but at a substantially slower pace.

In this context, we do not identify inflationary pressures strong enough to reverse the current disinflation trend. **Consequently, we have revised down our inflation projections. The forecast for average annual inflation was reduced from 12.6% to 10.2%, while the estimate for year-end inflation fell from 11.2% to 7.8%.** If this scenario materializes, Angola could record the lowest inflation levels since the start of the current statistical series in 2015. This outlook also reinforces expectations of continued interest rate cuts by the monetary authority. **Thus, based on a modified version of the Taylor Rule, we anticipate further reductions at the September and November meetings, bringing the BNA Rate to around 13.5% by year-end, while MLF may settle near 14.5% and DP around 12.5%.**

**2| At present, the overnight Luibor stands at 12.0%, remaining outside the monetary policy corridor - below DF rate of 14.75% and well below MLF rate of 16.75%.** No transactions have been conducted through MLF operations since November last year, reflecting both the high cost associated with this operation and the comfortable liquidity position of the banking system, confirming that it continues to serve effectively as the upper bound of the monetary policy corridor. By contrast, the DF has failed to operate as an effective floor for market interest rates, as Luibor has remained persistently below the remuneration offered by the facility. This has weakened incentives for interbank liquidity trading, leading banks with excess liquidity to place funds with the Central Bank rather than transact in the Interbank Money Market (IMM). The difference is evident in transaction volumes: while the DP has averaged around AOA 5.4 trillion (t) per month, activity in the IMM has averaged only about AOA 1.2t. This indicates that recourse to the central bank has been substantially greater than interbank trading, reducing the dynamism of the interbank market, which under normal conditions should play a more active role in price discovery and serve as the main reference for Luibor.

**Luibor below FAL reduces the dynamism of the interbank market**

Volume in AOA Billions




Source: BNA

The evolution of M2, both in nominal and real terms, also reinforces the view that liquidity conditions remain comfortable. Although the monetary aggregate continued to expand in nominal terms (+26.4% YoY in May), real M2 growth was more moderate (+14.0% YoY), suggesting that part of the monetary expansion still reflects price developments rather than a purely effective increase in liquidity available to the economy. Nevertheless, real M2 growth remains robust, signaling that monetary conditions continue to be accommodative. Against this backdrop, interest rates across the economy have continued to decline. In June, BNA reduced Open Market Operation (OMO) rates by 200bp across all maturities, while the overnight Luibor has fallen by 670bp since the beginning of the year. This easing has been gradually transmitted to other market interest rates. The average lending rate to the economy declined to 22.0%, down 170bp compared with the end of 2025, with mortgage lending rates recording an even larger decline of 240bp, to 22.2%. In the secondary government securities market, yields have also continued to decline, particularly for maturities of four years or longer, reflecting market expectations of a continued monetary policy easing cycle.

In this environment of ample liquidity, lower financing costs and declining inflation, private sector credit has continued to expand, growing by 14.5% year-on-year in nominal terms and 3.7% in real terms in May. We therefore expect these increasingly accommodative financial conditions to continue supporting investment and private consumption, contributing to 3.3% economic growth in 2026, driven primarily by the non-oil sector, which is expected to benefit from greater macroeconomic stability, lower interest rates and improved financing conditions.

## C. CONCLUSION

**1| In summary, monetary and macroeconomic indicators continue to point to an environment supportive of further monetary policy easing.** The ongoing disinflation process, ample banking system liquidity, declining interest rates, and improving financing conditions underpin a positive near-term outlook for the Angolan economy. Against this backdrop, we expect BNA to continue lowering its policy rates, while economic activity is projected to remain robust, driven primarily by the non-oil sector, which is expected to benefit from increasingly accommodative financial conditions.