

Bloomberg Invest: Focus on Africa

In Conversation with a Newsmaker (virtual): An economic outlook for the oil rich nation of Angola

Henrique Almeida: Minister Daves de Sousa, thank you for joining us today for this virtual interview. I know financial market is an area you're familiar with, so I'd like to start by asking you if you think the timing is right for Banco BAI, Angola's biggest bank, to list shares in the Luanda stock exchange next month.

Minister Vera Daves de Sousa: Thank you for the question. Well, it is a good question because we live moments of uncertainty and probably with less liquidity available for investing in some types of assets, but our experience shows that even under difficult moments, we can manage to moving forward implementing our programs. Looking back to the past two years and nine months when the privatization program started, we had COVID, we had financial and economic crisis, and despite that, we managed to sell 84 assets from our privatization program. It's quite remarkable considering the challenges of the circumstances.

We are optimistic about this IPO. The local investors probably would be the first to put themselves on the pole position to participate, but the international investors that already know the market, the opportunity, and the challenges, probably they will also follow with closely, and at the end of the day, maybe make an offer. Yes, we think we can manage to move forward despite all the circumstances that we are living with.

Henrique: I know other listings are on the way, but what investors are really thinking about is when Angola will carry out the IPO of state-owned oil company Sonangol and Endiama. When will that be, Minister?

Minister de Sousa: That's the one million dollar question. Well, we want to move on when we feel that we don't want to move and realize that the market is still uncomfortable or suspicious about any new information that the company didn't disclose as better as possible. We want to go with a balance sheet as transparent as possible with all the assets recovery issues, completely solve the trials and the lawsuits. We still have a complex moment within Sonangol. Endiama, a little bit less, but both company are under a very complex restructuring program. When it finished, we hope that one year and a half when it's finished, we will feel more comfortable to go through a due diligence and after that to move on selling minority parts of those companies.

Henrique: There is no fixed date yet for the IPO Sonangol, is there? Not yet?

Minister de Sousa: Not a fixed date. We are working for 12 to 18 months perspective goal but depends on how far we will move under the process that are ongoing regarding some assets that Sonangol are privatizing, some assets that Sonangol are recovering, and also the registry of some assets that is already recovered but need to be within the books of Sonangol.

Henrique: Moving on, I'd like to ask you a question about the current international setting. The EU has indicated that it plans to step up corporation with African countries to increase the supply of oil and gas to the Euro region. Is this something

Angola is ready to do, and if so, has Angola held talks with EU about boosting energy supplies?

Minister de Sousa: We have the political will and we have the openness to do it. We still work with EU in so many fronts that work in one more, it's completely unreasonable, but we need to do a lot of homework to be ready to address that needs. What I mean by that? Because we are coming from a scenario where our oil production were falling, so we were motivating the oil companies to do more investments. We revise our law on marginal fields, we revise our fiscal framework for whom are investing on that sector, and we are seeing the first signs of this coming, but it'll take time.

The investment starts moving now and we will see in two to five years, the results of the investments that are happening now. So, yes, we want to do it. Yes, we are preparing ourselves to do it, but it will take time for us to be able to address in the expectations that will come from the EU if we compare to our actual production capacity.

Henrique: For now, high crude prices has added extra revenue for Angola's coffers. How do you plan to use that extra revenue, Minister?

Minister de Sousa: First of all, we want to rebuild our treasury reserves. We want to be ready to address future challenges. We don't want to revive the experience that we live with COVID, so we build our treasury reserves. We want to be less aggressive on the financing side, so go less for financing, external and internal, and especially internal if we consider the potential of crowding out because we are totally committed with diversification of our economy. For that to happen, we need to give to the commercial banks space for them to finance the private sector.

If we go less to the internal market, we will see more from the liquidity of the system going to the private sector, so it's something that we also want to address. Use less space from our financing needs and compensate with these extra revenues that will come. Also, some projects that used to be there to be finished with more than 80% of physical execution is something that we also want to address. Close it and put it at disposal of the population because it's costly to make them finish for so many years.

Henrique: You don't want to take many risks, but how do you see oil prices? They're trading at above a hundred dollars per barrel, do you expect oil prices to remain at that level for some time?

Minister de Sousa: Well, we need to consider that the circumstances that putting the price at that level are geopolitical, are not structural. We want to be conservative because we know that if the geopolitical tension is solved, then we start in a new era of more peaceful moments. Probably we will see the price dropping, so that's why we want to be as conservative as possible to be ready to not take advantage of that windfall, so \$59 per barrel per barrel is the price that we are ready to work with because we prepare our 2022 budget with that price. Anything above this, we intend to use in the terms that I just mentioned.

Henrique: Minister, I'll wrap this up with the last question, and I wanted to ask you about your economic forecasts. Angola has been benefiting from high oil prices and also diversifying its economy. I know you have a projection of 2.4% growth for this year. Are you revising that forecast, and just finally, do you plan to issue more Eurobonds this year? You were the second country to do so in Africa this year. Are you planning to issue more Eurobonds this year? Thank you.

Minister de Sousa: Regarding the GDP, yes. At the end of March projections, we are seeing our GDP growing slightly more than 2.4%. 2.7 is what we are expecting, considering the same oil production that we have in our budget, 1.14 million barrels per day, and a hundred dollars per barrel, considering that price of reference. 2.7 instead of 2.4, let's see what's happened. Regarding the Eurobond market, we are studying now at the ESG framework. We are studying that possibility.

We are in a very early stage, so we didn't decide yet when we want to move on, but yes, this is something that we are looking at, ESG and also a possible opportunity for going further with liability management operations. That's the two windows that we are exploring.

Henrique: Minister Vera Daves de Sousa, thank you for joining us today.

Minister de Sousa: Thank you. My pleasure.

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