

ANGOLA OVERVIEW

ECONOMIC OUTLOOK
FOR 2016



AREA
1 246 700 KM²

POPULATION²
25.8 MILLION INHABITANTS

POPULATION DENSITY²
20.7 INHABITANTS/KM²

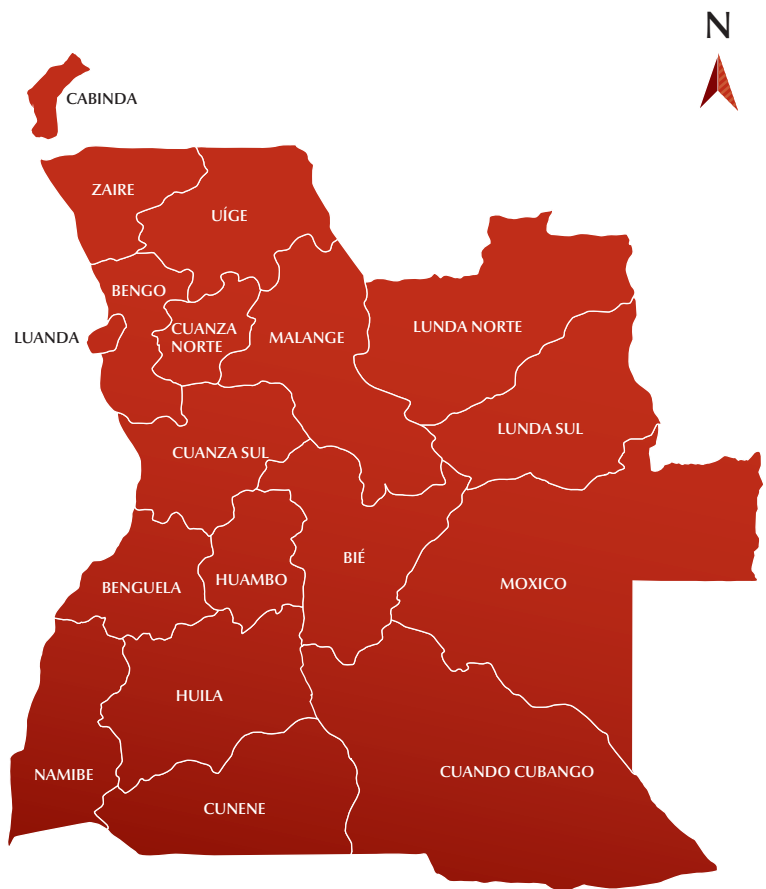
CAPITAL²
LUANDA - 6.9 MILLION INHABITANTS

MAJOR CITIES²
HUÍLA (2.5 MILLION INHABITANTS)
BENGUELA (2.2 MILLION)
HUAMBO (2.0 MILLION)
CUANZA SUL (1.9 MILLION)
UÍGE (1.5 MILLION)
BIÉ (1.5 MILLION)

CURRENCY
ANGOLAN KWANZA (AOA)
1 EUR = 184.45 AOA
(BANCO DE ANGOLA - APRIL 2016)
1 USD = 165.06 AOA
(BANCO DE ANGOLA - APRIL 2016)

Characteristics and Main Economic Data¹

OFFICIAL NAME:
Republic of Angola



COUNTRY RISK: General risk: CCC
Political risk: B
(AAA = lower risk; D = higher risk)

CREDIT RISK³: 5
(1 = lower risk; 7 = higher risk)

DEGREE OF OPENNESS AND SIZE IN RELATION TO THE MARKET

EXP. + IMP. / GDP = 76.0% (2011)

IMP. / GDP = 37.5% (2011)

IMP. / WORLD IMP. = 0.12% (2011)¹

¹ The Economist Intelligence Unit (EIU) (January 2016), World Trade Organization (WTO), Banco de Portugal, AICEP and the World Bank.

² Angolan National Institute of Statistics - General Census of the Population and Housing of 2014.

³ Country file - Angola. AICEP (March 2016).

OFFICIAL LANGUAGE
PORTUGUESE

OTHER LANGUAGES

UMBUNDU, KIMBUNDU,
KIKONGO, CHOKWE,
NHANCA, NGANGUELA, FIOTE,
KWANHAMA, MUHUMBI

RELIGION

CATHOLIC 41.1%
PROTESTANT 38%

INTERNET TLD

.AO

CALLING CODE

+244

TIME ZONE

GMT +1 HOUR

POLITICAL SYSTEM

PRESIDENTIAL REPUBLIC

Characteristics and Main Economic Data

PRESIDENT

José Eduardo dos Santos (since September 1979, re-elected in 2012)

VICE-PRESIDENT

Manuel Domingos Vicente (since September 2012)

DATE OF CURRENT CONSTITUTION

Approved by the President of the Republic on 2010

MAIN POLITICAL PARTY

MPLA - People's Movement for the Liberation of Angola

MAIN OPPOSITION PARTIES

UNITA - National Union for the Total Independence of Angola
CASA-CE - Broad Convergence for the Salvation of Angola - Electoral Coalition
PRS - Social Renewal Party
FNLA - National Front for the Liberation of Angola
ND - New Democracy

NEXT GENERAL ELECTIONS

End of 2016

NATIONAL PUBLIC HOLIDAYS 2016

DATE	HOLIDAY
1 January	International Day of Worldwide Fraternity
4 February	Armed Struggle for National Liberation
09 February	Carnival
8 March	International Women's Day
25 March	Good Friday
4 April	National Day of Peace and Reconciliation
1 May	International Workers' Day
17 September	Day of the Founder of the Nation and of the National Hero
02 November	Day of the Dead
25 December	Christmas Day and Family Day

Main Macroeconomic Indicators

GDP 2016
USD 90.1 BILLION

AVERAGE RATE OF INFLATION 2016
26.4%⁴

IMF GROWTH FORECAST 2016
2.5%

INDICATORS	UNIT	2016 (Estimate)	2017 (Forecast)	2018 (Forecast)
GDP at market prices ¹	USD BILLIONS	90.1	100	112.5
GDP per capita	USD	3 820	3 955	4 101
Real growth in GDP	% Change	1.1	3.5	3.8
Public sector balance	% GDP	-6.5	-3.9	-2.6
Real growth in GDP	% GDP	64.9	65.7	N/A
Exports of goods ¹	10 USD	31.8	43	54.4
Exports of goods ²	% Change	3.9	0.1	0.2
Imports of goods ¹	10 USD	20	23.6	28.1
Imports of goods ²	% Change	1.5	9.9	2.7
Current account balance	%GDP	-8.8	-5.8	-3.9
Rate of inflation (average)	%	14.7	10.1	8.9

Source: EIU; Banco de Portugal; IMF.

Notes: (1) Current prices.
(2) Constant prices.

Angola and the World

Until 2012, Angola had enjoyed considerable increases in trade, but over recent years, it has witnessed a fall in these values. Nevertheless, in the period 2010-2014, Angolan export sales developed positively. In terms of ranking, in 2013, the country recorded its best position in both imports and exports – 49th place among exporters and 71st place among importers.

When it comes to the main products exported by Angola, the information made available by the ITC for 2014 reveals the central importance of energy products for the Angolan economy (98.2% of total exports). This leaves the country's balance of trade very vulnerable to fluctuations in the price of oil in the international markets.

MAIN EXPORTS	% OF THE TOTAL	MAIN EXPORTS	% OF THE TOTAL
Mineral fuels and oils	98.2	Machines and mechanical equipment	15.2
Polys, and precious stones and metals	1.3	Motor vehicles and other land vehicles	8.2
Cast iron, iron and steel products	0.1	Electrical machines and equipment	8
Machines and mechanical equipment	0.1	Ships, boats and floating structures	7.4
Fish, crustaceans and molluscs	0.1	Cast iron, iron and steel products	6.4

Source: International Trade Centre.

⁴ Câmara do Comércio e Indústria Portugal-Angola (April 2016)

MAIN EXPORT

MINERAL FUELS AND OILS
98.2% OF THE TOTAL

MAIN IMPORT

MECHANICAL MACHINERY
AND EQUIPMENT
15.2% OF TOTAL

MAIN CLIENT

CHINA
48.3% OF TOTAL EXPORTS

MAIN SUPPLIER

PORTUGAL
23.4% OF TOTAL IMPORTS

According to data from the International Trade Centre (ITC), between January and December 2015, trade between China and Angola (China's second most important partner among Portuguese-speaking countries) fell by 46.84%, to USD 19.70 billion.

Trade between Angola and South Africa also fell significantly in 2015, by around 75%. South African exports to Angola fell from USD 2 billion to USD 553 million, compared with 2014. At the same time, Angolan exports to South Africa fell by 50%, from USD 2 billion to USD 1 billion. In 2015, South Africa represented 4.21% of imports from Angola, standing in 6th place on the list of the country's main suppliers and Angola is the 29th largest destination for South African exports.

In the first quarter of 2016, Angolan exports to Brazil reached a value of USD 28.6 million against USD 31.8 million in the same period of 2015. Exports from Brazil to Angola reached USD 92.7 million in the first quarter of 2016 against USD 647.9 million in 2015.

The most recent data from the Angolan National Institute of Statistics for the last quarter of 2015 indicate that Angola imported the equivalent of AOA 487.7 billion (EUR 2.6 billion). In the same period in 2014, already under the effects of the oil price crisis, this figure stood at AOA 744.3 billion (EUR 3.9 billion).

According to the report by the National Institute of Statistics, agricultural products were Angola's largest import in this period, standing at 12% of the total, valued at around AOA 58.4 billion (EUR 312 million). Agricultural products were followed by food products at 7.2%, with a value of around AOA 34.9 billion (EUR 186 million). Angola's balance of trade between imports and exports was in the black by AOA 424.9 billion (EUR 2.2 billion) in the last quarter of 2015.

MAIN CLIENTS	2014 % OF THE TOTAL	MAIN SUPPLIERS	2014 % DO TOTAL
1 st China	48.3	1 st China	23.4
2 nd USA	9.1	2 nd Portugal	16.5
3 rd India	8.8	3 rd USA	8.0
4 th Spain	5.6	4 th South Korea	6.9
5 th France	4.6	5 th Brazil	4.9

Source: International Trade Center.

REAL GROWTH IN GDP 2016

	2013	2014	2015	2016
REAL GDP AND PRODUCTION COMPONENTS (%)				
GDP	6.8	4.8	4	3.3
Agriculture	42.3	11.9	2.5	4.6
Fisheries and derivatives	2.4	19.1	2	0.2
Diamonds and others	3.3	1	3.2	1
Oil	-0.9	-2.6	7.8	4.8
Manufacturing industry	8.6	8.1	2.1	3.1
Construction	8.1	8	3.5	3.1
Energy	34.4	17.3	12	20
Market services	7	8	2.2	2.4
Others	0.7	6	1.1	0
CONTRIBUTIONS TO GROWTH IN GDP (%)				
Oil sector	-0.3	-0.8	2.3	1.5
Non-oil sector	7.2	5.6	1.7	1.9
Nominal GDP (AOA billions)	12 056.34	12 462.32	12 745.61	14 410.09
Of which: non-oil	7 238.60	8 158.00	9 495.90	11 108.40

Source: Citizens' Budget 2016.

GOODS 2016

ANGOLA IS IN 9th POSITION
ON THE LIST OF PORTUGAL'S
CLIENTS

Economic Relations with Portugal

TRADE IN GOODS

Angola is an important commercial partner of Portugal, particularly as a destination for Portuguese exports. In the period 2011-2015, the value of exports of goods and services from Portugal to Angola saw an annual average decrease of 0.8%. There was an increase in Portuguese imports from Angola over the same period of 7.6%. According to the Portuguese National Institute of Statistics, exports of goods from Portugal to Angola fell by more than 40% in the first two months of 2016. One of the reasons for this is the fall of the price of oil in international markets. Imports from Angola also fell by 23.4%.

BALANCE OF TRADE (EUR MILLIONS)	2014	2015	% CHANGE ^b 15/11	2015	2016	% CHANGE 16/15 (^b)
Exports	4 743.0	3 457.4	-0.8	291.8	158.5	-45.7
Imports	1 797.6	1 336.6	7.6	56.9	43.6	-23.4
Balance	2 945.5	2 120.8	-	234.9	114.9	-
Coefficient (%)	263.9	258.7	-	512.5	363.7	-

Source: Bank of Portugal.

Notes:

^(a) Mathematical average of the annual rates of change in the period 2011-2015;

^(b) Rate of change 2015-2016. Because of different calculation methods, the value for "Goods and Services" does not correspond to the sum of ["Goods (INE) + "Services" (Banco de Portugal)]. Goods component based on INE data, adjusted to f.o.b. values.

In January 2016, Angola was in ninth place in the ranking of clients of Portugal (2.61% of Portuguese exports). As a supplier, Angola's share broke the 4% barrier for the first time in 2013 and, in January 2016, it occupied 18th place in the ranking, a fall of nine places from 2015. Among Portuguese-speaking African countries, Angola is in first place as both a client and supplier of Portugal.

ANGOLA'S POSITION AND SHARE IN PORTUGAL'S INTERNATIONAL TRADE IN GOODS	2012	2013	2014	2015	2016 JANUARY	
Angola as a client of Portugal	Position	4 th	4 th	4 th	4 th	
	% Outbound	6.6	6.5	6.6	4.2	2.6
Angola as a supplier to Portugal	Position	6 th	6 th	7 th	9 th	18 th
	% Inbound	3.1	4.6	2.7	1.9	0.8

Source: INE - National Institute of Statistics.

In the case of services, and according to data from Banco de Portugal, Angola's share of Portuguese exports of services fell by 5.4% in 2015, to 3.9% in January 2016. As a supplier, Angola's performance fell by 1%, to a share of 1% in January 2016.

ANGOLA'S SHARE OF PORTUGAL'S INTERNATIONAL TRADE IN SERVICES	2011	2012	2013	2014	2015	2016 JANUARY	
Angola como cliente de Portugal	% Exports	6.7	6.3	6.5	6.6	5.4	3.9
Angola como fornecedor de Portugal	% Imports	2	2.8	3.3	2.6	2.1	1

Source: Banco de Portugal.

IN NON-OIL ACTIVITIES, INTEREST FOCUSES ON MANUFACTURING INDUSTRY, REHABILITATION OF INFRASTRUCTURES AND AGRICULTURE.

1.85 MILLION
DAILY BARREL PRODUCTION

STATE BUDGET 2016
GROWTH OF 3.3%

Foreign Investment

Angola's attraction for foreign investors is due, above all, to its oil and other natural resources, and foreign investment plays a role in a number of sectors related to oil. In non-oil activities, interest has focused on manufacturing industry, the rehabilitation of infrastructures and agriculture. This focus is expected to grow in the future.

Foreign direct investment (FDI) has been playing an increasingly important role in the Angolan economy. According to data from the Angolan Agency for Promotion of Investment and Exports (APIEX), Angola was the African country with the second largest amount of foreign investment in the period 2014/15, with around USD 16 billion,

Under the New Private Investment Law approved on 11 August (Law 14/15), the minimum value for private investment in Angola is now set at AOA 50 million for internal investments and at any amount for external investments. One of the new rules introduced by the New Private Investment Law is the definition of "internal investment as carrying out projects using capital held by exchange residents, who, besides financial means, may also use technology and knowledge, goods and equipment, or capital from financing, even if obtained from abroad".

(USD/MILLIONS)	2010	2011	2012	2013	2014	
Foreign investment in Angola	-3.227	-3.024	-6.898	-7.120	-3.881	
Angolan investment abroad	1.340	2.093	2.741	6.044	2.131	
Position in the world ranking	As receiver of FDI	198 th	199 th	199 th	208 th	-
	As investor abroad	47 th	45 th	38 th	44 th	-

Source: : The Economist Intelligence Unit (EIU) e UNCTAD – World Investment Report 2015Report.

Forecast⁵

ACCORDING TO THE GOVERNMENT:

The Executive presented an austerity budget for 2016 which points to growth in GDP of 3.3%. This budget assumes the price of a barrel of oil will be around USD 45 and takes into account the volatile situation of this product in the market. For 2016, the oil sector expects daily production of 1,888,000 barrels and this number would allow state budget spending of around AOA 6.3 trillion.

ACCORDING TO THE ECONOMIST INTELLIGENCE UNIT (EIU):

The latest EIU forecasts are for a significant reduction in the forecast for economic growth in Angola, down to 1.1%. This is based on lower than expected oil production and a continuing low oil price in 2016. The rate of inflation should increase by almost 50% compared with last year, rising from 10.3% in 2015 to 14.7% this year. It is then expected to drop to 8.4% between 2017 and 2020. The EIU expects Angolan economic growth to accelerate over the coming years and it forecasts growth of 3% in 2017 and 3.5% in 2018.

ACCORDING TO THE IMF:

According to the projections of the IMF's World Economic Outlook 2016, the Angolan economy will see growth of 2.5%, increasing slightly to 2.7% in 2017. The growth of the Angolan economy and 2016 will be only one tenth above the lowest value of the last 20 years and this is essentially explained by the fall in international oil prices that led to a sharp economic slowdown and a financial crisis.

⁵Source: The Government of Angola, the IMF and the Economist Intelligence Unit (EIU).

Summary of the Angolan State Budget for 2015⁵

- Support for private productive investment, restructuring of primary economic sectors (agriculture and fisheries), ensuring financial stability by boosting macroeconomic coordination and improving the quality of spending (better spending with few available resources) are the four pillars of the 2016 General State Budget.
- It is hoped that 2016 will bring real GDP growth of 3.3%, sustained both by the expected 4.8% growth in oil production and by 2.7% growth in the non-oil sector.
- The budget assumes an inflation rate of 11%, which is two percentage points higher than the rate in 2015. In absolute values, the budget expects tax revenue of around AOA 3.5 trillion, corresponding respectively to 24.7% and 30.2% of GDP. In fact, in absolute values, it forecasts a deficit of AOA 781.2 billion, in other words, around 5.5% of GDP.
- In 2016, the non-oil sector will see moderate growth of around 2.7% compared to the 2.4% forecast for 2015.
- The forecasts indicate an increase in the stock of total government debt of around USD 8.1 billion, equivalent to 8.2% of GDP. The stock of government debt is expected to be approximately 49.7% of GDP.
- The execution of the 2016 General State Budget faces potential risks resulting from fluctuations in the price of oil, national oil production volume, changes in the exchange rate or the placement of Treasury bonds on international financial markets;
- The costs of the social sector will be 43.2% of total spending, followed by general public services with 22.9%. Defence, safety and public order will take up 20.2% and the economic sector will take up 13.7%;
- The main objectives pursued by this year's budget are to preserve national unity and cohesion, to guarantee the basic requirements for development, to improve the quality of life of the population, to bring young people to active life, to develop the private sector and to make Angola internationally competitive.

PRINCIPAL SOURCES OF INFORMATION

- | | |
|--|---|
| ▪ Government of Angola
www.governo.gov.ao | ▪ IMF - International Monetary Fund
www.imf.org |
| ▪ The Economist Intelligence (EIU)
www.country.eiu.com | ▪ National Institute of Statistics
www.ine.pt |
| ▪ World Trade Organization (WTO)
www.wto.org | ▪ Banco de Portugal
www.bportugal.pt |
| ▪ Banco Nacional de Angola
www.bna.ao | ▪ World Bank
www.worldbank.org |
| ▪ National Institute of Statistics - Angola
www.ine-ao.com | ▪ International Trade Center
www.intracen.org |
| ▪ AICEP - Portuguese Agency for Foreign Investment and Trade
www.portugalglobal.pt | ▪ BPI Investimentos
www.bpiinvestimentos.pt |
| | ▪ Angolan Ministry of Finance
www.minfin.gov.ao |

⁵ Source: Ministry of Finance, Citizens' Budget 2016.



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GLA ■■■

GABINETE LEGAL ANGOLA
ADVOGADOS

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