

# ANGOLA OVERVIEW

ECONOMIC OUTLOOK  
FOR 2015



**AREA**  
**1 246 700 KM<sup>2</sup>**

**POPULATION<sup>2</sup>**  
24.3 MILLION

**POPULATION DENSITY**  
19.5 PEOPLE/ KM<sup>2</sup>

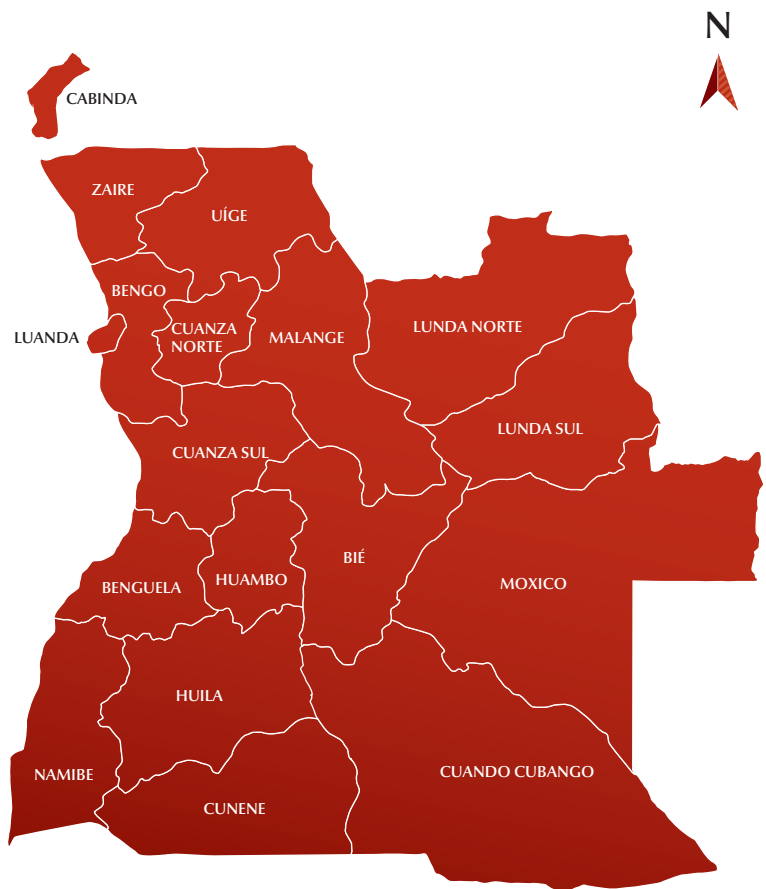
**CAPITAL**  
LUANDA - 4.5 MILLION  
IN HABITANTS

**MAJOR CITIES**  
LUBANGO (POP. 1 011 000)  
HUAMBO (904 000)  
LOBITO (737 000)  
BENGUELA (469 000)  
KUITO-BIÉ (424 000)  
CABINDA (399 000)

**CURRENCY**  
ANGOLAN KWANZA (AOA)  
1 EUR = 188.634 AOA  
(BANK OF ANGOLA - APRIL 2015)  
1 USD = 109.235 AOA  
(BANK OF ANGOLA - APRIL 2015)

## Characteristics and Main Economic Data<sup>1</sup>

**OFFICIAL NAME:**  
Republic of Angola



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

**CREDIT RISK<sup>3</sup>:** 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)<sup>1</sup>

<sup>1</sup> Sources: The Economist Intelligence Unit (EIU), the World Trade Organisation (WTO), the Bank of Portugal, AICEP and the World Bank.

<sup>2</sup> Forecast by the INE - National Institute of Statistics on the basis of the 2014 Population Census.<sup>3</sup> COSEC.

<sup>3</sup> Insurance and Credit Company, May 2015.

**OFFICIAL LANGUAGE**  
PORTUGUESE

**OTHER LANGUAGES**  
UMBUNDU, KIMBUNDU,  
KIKONGO, CHOKWE,  
KWANYANA

**RELIGION**  
MAJORITY CHRISTIAN

**INTERNET TLD**  
.AO

**CALLING CODE**  
+244

**TIME ZONE**  
GMT +1 HOUR

**DATE OF INDEPENDENCE**  
11 NOVEMBER 1975

**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**

Enacted by the President of the Republic on 5 February 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 2015**

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

**POPULATION  
FORECAST  
2015**  
22.8 MILLION

**GDP 2015**  
USD 121.338 BILLION

**AVERAGE RATE OF  
INFLATION  
2015**  
8.1%

**IMF GROWTH  
FORECAST  
2015**  
5.9%

## Main Macroeconomic Indicators

INDICATORS	UNIT	2015 (Forecast)	2016 (Forecast)	2017 (Forecast)
GDP at market prices <sup>1</sup>	USD 10 <sup>6</sup>	121 388	134 926	154 652
GDP per capita	USD	5 320	5 740	6 380
Real growth in GDP	%	3.4	5.8	6.2
Private consumption <sup>2</sup>	% Change	5.2	7.1	6.6
Private consumption <sup>2</sup>	% Change	3.8	4.5	7.3
Rate of inflation (average)	%	8.1	7.8	7.7
Public debt	% of GDP	42.5	43.6	43.5
External debt	% of GDP	27.8	29.3	29.3
Current account balance	10 <sup>6</sup> USD	-2 987	-2 716	-1 518
Current account balance	% do PIB	-2.5	-2.0	-1.0

Source: The Economist Intelligence Unit, June 2015.

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

## Angola and the World

Until 2012, Angola had been enjoying considerable increases in the value of its trade transactions, but in the last two years, it has seen this value fall. Even so, for the period 2010-2014, Angola's export sales experienced positive evolution. In terms of ranking, in 2013 the country registered its best position in both directions – 49<sup>th</sup> place among exporters and 71<sup>st</sup> place as an importer. Angola's balance of trade has high positive balances, which increased continually until 2008. The situation was basically the result of oil exports, which represented nearly all export sales. Besides this, the relative stability of the Kwanza, the availability of foreign currency from exports and strong economic development, led to high growth rates in imports, although these were lower than the rhythm of growth in exports.

However, 2009 was marked by a significant fall in exports (-36.1% compared to the previous year). This was, fundamentally, a consequence of the sharp fall in the price of oil (during the first half of the year) and of the drop in production. In the same period, imports continued to rise (+8%). In 2013, Angolan export sales fell by 3.2% and this trend continued in 2014 with a fall of 6.4%. Exports continued to grow and increased by 3.2% and 4.1% in the last two years, respectively.

When it comes to the main products exported by Angola, the information made available by the ITC for 2014 demonstrates the crucial importance of energy products to the Angolan economy (98.4% of all exports). This leaves the country's balance of trade very vulnerable to fluctuations in the price of oil in international markets.

MAIN EXPORTS	% OF THE TOTAL	MAIN EXPORTS	% OF THE TOTAL
Mineral fuels and oils	98.4	Mechanical machines and equipment	15.5
Precious stones and precious metals	1.3	Electronic machines and equipment	8.1
Iron and steel	0.1	Motor vehicles and parts	8.0
Machines and mechanical equipment	0.1	Articles made in cast iron, iron or steel	6.6
Salt, sulphur, earth, stone, gypsum, lime and cement	0.1	Ships, boats and floating structures	6.5

Source: International Trade Centre, 2014.

## OIL

REPRESENTS AROUND 45% OF GDP, 60% OF TAX REVENUE AND MORE THAN 90% OF EXPORTS

## MAIN EXPORT

MINERAL FUELS AND OILS  
98.4% OF THE TOTAL

## MAIN IMPORT

MECHANICAL MACHINERY  
AND EQUIPMENT  
16.1% 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), in 2008, China overtook the United States of America (USA) as the main destination for Angolan exports, and China's lead continues to grow (48.3% of the total in 2014) as a consequence of increased buying of oil. Both China and the USA are traditionally very important clients of Angola, having bought 57.4% of its total exports in 2014 (57.6% in 2013).

Portugal – traditionally Angola's main supplier – was in second place in 2014, selling the country 16.5% of its total imports and second only to China with a share of 23.4%. Angola's other main suppliers are the USA (8%), Brazil (7%) and South Korea with 4.9% of the total. South Korea is a country which, in only three years, has jumped from 21<sup>st</sup> place to 5<sup>th</sup> place in the ranking of suppliers to Angola.

Except for China, the USA and Brasil, the other markets mentioned saw their share of Angolan imports fall in 2014 compared with the previous year. The group of five main suppliers represented 59.8% of Angolan imports last year. The most recent data, published by Angolan National Institute of Statistics, indicates that in the first quarter of 2015, South Korea was the leading supplier to Angola with a share of 21.5%. It was followed by China, with a share of 16.8%, which corresponds to an increase of more than 134% compared with the previous year. Portugal fell into third place, with a share of 10.9%, a fall of 2.1% over the previous year.

MAIN CLIENTS	2014 % OF THE TOTAL	MAIN SUPPLIERS	2014 % OF THE TOTAL
1 <sup>st</sup> China	48.3	1 <sup>st</sup> China	23.4
2 <sup>nd</sup> USA	9.1	2 <sup>nd</sup> Portugal	16.5
3 <sup>rd</sup> India	8.8	3 <sup>rd</sup> USA	8.0
4 <sup>th</sup> Spain	5.6	4 <sup>th</sup> Brazil	7.0
5 <sup>th</sup> Taiwan	4.6	5 <sup>th</sup> South Korea	4.9
6 <sup>th</sup> Portugal	3.3		

Source: International Trade Centre. 2014.

## MAIN MACROECONOMIC INDICATORS

	2013 (Current value)	2014 (Estimate)	2015 (Forecast)	2016 (Forecast)
Population (M)	21.5	22.1	22.8	23.5
GDP per capita (USD)	5 790	5 880	5 320	5 740

Source: The Economist Intelligence Unit (EIU).

## GROSS DOMESTIC PRODUCT

10 <sup>6</sup> USD	2013 (Current value)	2014 (Estimate)	2015 (Forecast)	2016 (Forecast)
GDP at market prices <sup>1</sup> (USD)	124 252	130 097	121 388	134 926
Real growth in GDP (%)	6.8	3.5	3.4	5.8

Source: IMF WEO people 2014, Ministry of Finance.

# Economic Relations with Portugal

## TRADE IN GOODS AND SERVICES

Angola is an important commercial partner for Portugal, particularly as a destination for Portuguese exports. In the period 2010-2014, the value of exports of goods and services from Portugal to Angola saw average annual growth of 15%. Portuguese imports from Angola also increased, and to a considerable extent, with the average annual growth over the same period reaching 36.1%.

BALANCE OF TRADE (EUR/THOUSANDS)	2010	2011	2012	2013	2014	VAR. % <sup>b</sup> 14/10
Exports	2 755.7	3 782.6	4 377.9	4 700.8	4 682.8	15.0
Imports	691.6	1 301.3	1 925.3	2 750.2	1 798.6	36.1
Balance	2 064.1	2 481.3	2 452.6	1 950.6	2 884.2	--
Coefficient (%)	398.5	290.7	227.4	170.9	260.4	--

Source: Bank of Portugal.

Notes:

<sup>(a)</sup> Due to the different methods of calculation, the value for "Goods and Services" does not correspond to the sum of "Goods" (INE) + "Services" (Bank of Portugal). The Goods component based on INE data, adjusted to f.o.b. values.

<sup>(b)</sup> Mathematical average of the annual growth rate in the period 2010-2014.

Angola is in 4<sup>th</sup> place in the ranking of clients of Portugal in 2014 (6.6% of Portuguese exports), and in first place among "third countries", that is, countries outside the European Union. As a supplier, Angola's shares are more modest and they passed the 4% barrier for the first time in 2013. Angola was ranked in 7<sup>th</sup> place in 2014, a fall of one place in relation to the two previous years. In the context of African countries where the official language is Portuguese, Angola takes a clear first place as both a client of and supplier to Portugal.

PORTUGAL'S POSITION AND SHARE (TRADE IN GOODS)	UNIT	2010	2011	2012	2013	2014
Angola as a client of Portugal	Position	5 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>
	% Outbound	5.1	5.4	6.6	6.6	6.6
Angola as a supplier to Portugal	Position	15 <sup>th</sup>	11 <sup>th</sup>	6 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>
	% Inbound	1.0	2.0	3.2	4.6	2.7

Source: INE - National Institute of Statistics.

In the case of services, data from the Bank of Portugal tells us that Angola is more important for Portugal as a client than as a supplier. Its share in Portuguese exports of services increased from 4.3% in 2010 to 6.6% in 2014. As a supplier, Angola's performance has been more irregular and it registered share of 2.7% in 2014.

PORTUGAL'S POSITION AND SHARE (SERVICES)	UNIT	2010	2011	2012	2013	2014	1Q2015
Angola as a client of Portugal	% Exports <sup>a</sup>	4.3	6.7	6.4	6.5	6.6	6.7
Angola as a supplier of Portugal	% Imports <sup>b</sup>	1.6	2.0	2.8	3.3	2.7	2.1

Source: the Bank of Portugal.

Notes:

<sup>(a)</sup> Position in the group of 56 markets.

<sup>(b)</sup> Market share of total Portuguese imports and exports.

## TRADE IN GOODS 2014

ANGOLA IS IN 4<sup>TH</sup> PLACE ON THE LIST OF PORTUGAL'S CLIENTS

## TRADE IN SERVICES 2014

ANGOLA IS IN 5<sup>TH</sup> PLACE ON THE LIST OF PORTUGAL'S CLIENTS

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

IN 2013 THE COUNTRY WAS IN 208<sup>TH</sup> ON THE WORLD RANKING OF RECEIVERS OF FDI.

**1.85 MILLION**  
DAILY BARREL PRODUCTION

**STATE BUDGET 2015**  
GROWTH OF 6.6%

## Foreign Investment

The attraction of Angola to foreign investors is due, above all, to the country's riches in oil and other natural resources and foreign investments play a role in a number of sectors related to oil. In non-oil activities, interest focuses on manufacturing industry, rehabilitation of infrastructures and agriculture. These investments are expected to intensify in the near future.

Foreign direct investment (FDI) has been playing an increasingly important role in the Angolan economy.

According to the World Investment Report published by the UNCTAD, and despite the strong negative net investment that occurred between 2010 and 2012, Angola has been more important on a worldwide level as a receiver of FDI than it is as an investor.

In 2013, the country was ranked 208th on the world ranking of receivers of FDI and 44<sup>th</sup> among investor countries.

(USD/MILLIONS)	2009	2010	2011	2012	2013 <sup>a</sup>	
Foreign investment in Angola	2 205	-3 227	-3 024	-6 898	-4 285	
Angolan investment abroad	7	1 340	2 093	2 741	2 087	
Position in world ranking	As receiver of FDI	65 <sup>h</sup>	198 <sup>h</sup>	199 <sup>h</sup>	199 <sup>h</sup>	208 <sup>h</sup>
	As investor abroad	114 <sup>th</sup>	47 <sup>h</sup>	45 <sup>ah</sup>	38 <sup>h</sup>	44 <sup>h</sup>

Source: The Economist Intelligence Unit (EIU) e UNCTAD - World Investment Report 2014.

## Forecast<sup>4</sup>

### ACCORDING TO THE GOVERNMENT:

The Executive presented an austerity budget for 2015 that indicated 9.7% growth in GDP, which would represent the highest growth since 2007. An amending budget was subsequently approved that reduces the GDP growth rate of 9.7% to 6.6%. The amending State Budget for this year assumes that the price of a barrel of oil will be around USD 40 a barrel (the initial version indicated a price of USD 80). This budget also indicates a number of areas where spending will be contained. These include fuel subsidies, which had already been reduced twice in 2015, and a freeze on hiring new civil servants.

### ACCORDING TO THE ECONOMIST INTELLIGENCE UNIT (EIU):

With the price of oil falling (it is expected to fall a further 40% in 2015), the Economist Intelligence Unit (EIU) forecast growth in GDP of 3.5%. This reflects weak public consumption and a smaller than expected increase in oil production (around 1.85 million barrels a day, falling below the objectives set by Sonangol of 2 million barrels a day). For 2016, an increase in production and a recovery in the price of oil should lead to GDP growth of 5.7%. Boosted by the increase in public and private consumption, GDP should see annual average growth of 6.3% between 2017 and 2019.

### ACCORDING TO THE IMF:

According to the forecasts of the World Economic Outlook of the International Monetary Fund, the Angolan economy will grow by 4.5%. Despite the crisis being experienced in the country, the most serious consequences will be felt in 2016, when the Angolan economy should shrink by 3.9%. Inflation should reach 8.4% in 2015 and rise by one percentage point in the following year.

<sup>4</sup>Source: The Government of Angola, the IMF and the Economist Intelligence Unit (EIU)



# Summary of the Angolan State Budget for 2015<sup>5</sup>

- The General State Budget (GSB) for the year 2015 was prepared in a macroeconomic environment of great uncertainty, marked by the gradual fall in the price of a barrel of oil, which is the country's main export and the main source of income for the GSB.
- For 2015, the expected growth in real GDP is 6.6%, but the economy should experience an upturn when compared with the rhythm of growth of 4.4% seen in 2014.
- Inflation is expected to increase to 9%, which is one percentage point above the level of inflation in 2014.
- In 2014, the oil sector had negative growth of -3.5% as a result of operational problems restricting physical production in some production blocks. In contrast, the non-oil sector enjoyed growth of 8.2%.
- The real growth in the economy in 2015 should be driven by the oil sector, with most recent forecast pointing to an expansion of 9.8%.
- The prospect for growth for the non-oil sector is 5.3%, which represents a major downturn when compared with the previous year (real growth of 8.2%).
- Spending on the social sector is 32.5% of total spending. Total spending is made up of education at 26.4%, health care at 15.2%, social protection at 39.9%, recreation, culture and religion at 2.6%, housing and community services at 14.4% and environmental protection at 1.5%.
- The preservation of national unity and cohesion, the guarantee of the basic requirements for development, improving the quality of life of the population, bringing young people into active life, the development of the private sector and Angola's place as a competitor in an international context are the main objectives pursued by this year's budget.

## PRINCIPAL SOURCES OF INFORMATION

- |  |   |
|--|---|
| ▪ <b>Governo de Angola</b><br><a href="http://www.governo.gov.ao">http://www.governo.gov.ao</a>  | ▪ <b>IMF - International Monetary Fund</b><br><a href="http://www.imf.org/external/index.html">http://www.imf.org/external/index.html</a> |
| ▪ <b>The Economist Intelligence (EIU)</b><br><a href="http://www.country.eiu.com">http://www.country.eiu.com</a>   | ▪ <b>Instituto Nacional de Estatística</b><br><a href="http://www.ine.pt">http://www.ine.pt</a>   |
| ▪ <b>World Trade Organization (WTO)</b><br><a href="http://www.wto.org">http://www.wto.org</a>   | ▪ <b>Banco de Portugal</b><br><a href="http://www.bportugal.pt">http://www.bportugal.pt</a>   |
| ▪ <b>Banco Nacional de Angola</b><br><a href="http://www.bna.ao">http://www.bna.ao</a>   | ▪ <b>World Bank</b><br><a href="http://www.worldbank.org">http://www.worldbank.org</a>  |
| ▪ <b>Instituto Nacional de Estatística de Angola</b><br><a href="http://www.ine-ao.com">http://www.ine-ao.com</a>  | ▪ <b>International Trade Center</b><br><a href="http://www.intracen.org">http://www.intracen.org</a>                                      |
| ▪ <b>AICEP - Agência para o Investimento e Comércio Externo de Portugal</b><br><a href="http://www.portugalglobal.pt/PT/Paginas/index.aspx">http://www.portugalglobal.pt/PT/Paginas/index.aspx</a> | ▪ <b>BPI Investimentos</b><br><a href="http://www.bpiinvestimentos.pt/research">http://www.bpiinvestimentos.pt/research</a>               |
|  | ▪ <b>Ministério das Finanças</b><br><a href="http://www.minfin.gov.ao/">www.minfin.gov.ao/</a>  |

<sup>5</sup> Source: the Ministry of Finance.





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