Angola: Quarterly Economic Review Bulletin

“Joint ORVP/ECON Country Economic/thematic Review Meeting”

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Angola: Country facts

1. Population: 19.6 million (2011)

2. GDP: USD 104.3 billion (2011)

3. Life expectancy: 51.1 years (1990)

4. Poverty rates: 36.6% (2011)

6. Inequality (Gini coefficient): 0.586 (2011)


8. Access to services: Primary education (GER): 124.5% (2010)
   Access to safe water: 51% (2010)

9. Natural resources: oil, diamonds, copper, gold, iron ore, lead, lignite, manganese, mica, nickel, phosphate rock, quartz, silver, tungsten, uranium, vanadium, wolfram, and zinc

Key highlights

- Country with high economic growth (8% in 2012 up from 3.9% in 2011)
- Price stability owing to prudent macroeconomic policies, stable exchange rate and fuel price subsidies
- Accumulation of large international reserves resulting from oil exports
- Improved trade and fiscal balance driven by rising oil exports
- Sustainable levels of external debt with debt-to-exports ratio currently standing at 32.4 percent of GDP
- Positive economic outlook for 2013 (8.2%) and 2014 (7.8%) with GDP growth driven by oil and gas output and public investment in infrastructure (transport, energy and construction)
- Prevalence of economic and social development challenges: (i) dependency on oil, (ii) weak economic diversification, (iii) weak institutional and human capacity, (iv) need to improve governance and public financial management systems
- Inequality remains high, and poverty in rural areas is widespread
Moderate global economic growth (3.5% in 2013 and 4.1% in 2014)

Positive growth prospects for Angola (8.2% in 2013 and 7.8% in 2014) only surpassed by China

Economic activity in Eurozone softer than expected

China to grow 8.2% in 2013, but requires market-oriented policies

Growth in emerging economies (5.5% in 2013) hampered by supply bottlenecks and policy uncertainty (e.g. Brazil and India)

Source: IMF World Economic Outlook, January, 2013
The extractive industries, manufacturing, transport and trade sectors displayed a positive economic confidence.

In the medium term, economic confidence is expected to improve in the construction sector as the government implements its public investment program to close the country’s infrastructure gap.

Source: National Institute of Statistics, Angola
Angola: the Growth story

The economy rebound after slow growth in 2009-2011 due to financial and oil crisis

Drivers of Growth

In 2013:
Real GDP Growth expected to grow 8.2% as oil production ramp up

Risks to economic growth: volatile oil production and prices; persistence of external shocks; inadequate infrastructure and electricity shortages

Source: Ministry of Planning, Angola
In 2012: oil output averaged 1.8 million bpd up from 1.66 million bpd in 2011

The output increase was due to recovery in oil blocks of Grande Plutônio and Pazflor

In 2013, Government aims to expand oil output to 1.84 million bpd and reach 2 million bpd by 2015

Overall, crude oil output remained volatile but was compensated by favourable prices which stood at USD 113.5 per barrel. In cumulative terms, oil export revenues reached over USD 40 billion from January to December, 2012, that is 7.4 percent higher than the level registered in similar period of 2011
Inflation reached a new historic low at 8.9% in January, 2013 supported by stable exchange rate and fuel price subsidies.

**Inflation drivers:** food and non-alcoholic beverage prices; furniture, domestic equipment and maintenance costs and hotels and restaurant costs.

**Risks to price stability:** high cost of imports and refined oil products, growing demand and insufficient supply logistics, expected increase in liquidity as oil companies make their payment through local banks (new foreign exchange law).
Monetary developments

...High but falling interest rates

...Stable exchange rate

...huge net international reserves

...substantial growth of credit to the economy

Source: Banco Nacional de Angola (BNA)
Angola: Fiscal performance

...In 2012: fiscal surplus after deficit in 2009 due to financial crisis and large arrears

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Capital expenditure (includes quasi-fiscal operations) in billion USD</td>
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<tr>
<td>Total capital expenditure</td>
<td>7.8</td>
<td>7.7</td>
<td>8.9</td>
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<td>Foreign financed</td>
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<tr>
<td>Domestic financed</td>
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<td>6.1</td>
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<td>7.5</td>
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<td>Capital expenditure financing (Percentage of GDP)</td>
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<td>12.4</td>
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<td>GDP (billion USD)</td>
<td>75.5</td>
<td>82.5</td>
<td>104.3</td>
<td>112.7</td>
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Source: Ministry of Finance, Angola

...domestic financed capital expenditure consistent with the reconstruction program

Risks to fiscal policy stability: dependence on oil revenues exposes the country to external shocks (large non-oil fiscal balance)

Positive side: rationalization of public expenditure led to fiscal surplus and elimination of large arrears (about USD 7.5 billion) that have been pending since 2009; incorporation of state-owned oil company Sonangol’s operations into the 2012 and 2013 budget; adoption of the first ever Medium Term Expenditure Framework in the 2013 budget
**External sector developments**

**… the oil divide**

- **Oil exporting countries:** Surplus current accounts, Small budget deficits

**…large trade balance**

Source: Ministry of Finance, Angola

**Risks:** large concentration of exports on oil

**Main trading partners:** Portugal, China, United States of America, South Africa, Belgium, India, Brazil

Source: National Institute of Statistics, Angola
External public debt declined significantly: from 67.2% in 2002 to 19.5% in 2012

Challenges: external and domestic debt are vulnerable to oil price shocks; difficulties in curtailing acquisition of debt by SoEs; need to strengthen debt management unit (e.g. management of borrowing by SoEs and sovereign guaranteed loans)
Angola’s main challenges…

- Rebuilding of economic infrastructure/Regional integration
- Economic diversification/Private sector promotion/SME development
- Development of capital markets
- Human development, poverty and unemployment
- Reduction of dependency on oil
- Improving the environment for doing business
- Weak institutional capacity and governance
Thank You!
Obrigado!