Angola

Outlook

	Average 11-15	2016	2017	2018	2019	2020	2021	Forecasts 2022	2023
GDP growth (%)	4.5	-2.5	-0.1	-1.3	-0.7	-5.7	1.1	3.1	2.9
CPI inflation (%)*	10.0	32.1	32.2	20.3	17.3	21.7	28.7	22.1	12.0
Fiscal balance (% of GDP)	0.7	-4.5	-6.6	2.3	0.8	-1.9	3.8	2.7	0.0
Public debt (% of GDP)	37.3	75.7	69.3	93.0	113.6	136.5	86.4	56.6	52.5
Reference rate (%)*	9.9	14.8	16.3	17.3	15.6	15.5	17.8	19.9	17.5
Exchange rate (USD/AOA)*	100.9	163.7	165.9	252.4	365.6	577.0	623.6	461.6	542.4
Current balance (% of GDP)	3.4	-3.1	-0.5	7.2	6.1	1.6	12.4	11.3	5.4
External debt (% of GDP)	34.0	60.0	49.0	58.6	74.8	116.6	97.5	50.5	50.9

Note: * annual average. Source: BPI Research, based on data from national statistical agencies and Refinitiv Datastream. BPI forecasts for GDP, inflation rate, exchange rate and reference rate; for other variables, IMF and Oxford forecasts.

- **The economic activity has recovered after the end of COVID restrictions and with a support from the oil sector**. In the first half of 2022, the Angolan GDP grew 3.2% year-on-year, due to both oil and non-oil sectors. The oil sector recovered significantly from the drops seen last years (2.2% year-on-year in H1), due to the positive effects from the delayed investments. Additionally, the non-oil sector has benefited from the appreciation of Kwanza in 2022, the end of COVID restrictions, VAT reduction and a positive performance of agriculture (non-oil GDP increased 3.6% year-on-year in H1). For next years, the outlook for the Angolan economy remains positive, supported by the non-oil economy, which should benefit from the reforms implemented in order to diversify the economy, a gradual loosening of monetary policy and a decelerating inflation (which can boost the domestic demand). On the other hand, we are expecting a drop in domestic oil production (maturing oil fields and underinvestment) in the coming years, weighing in the potential economic growth in the future.

- **Inflation rate is decreasing, but remains (and should continue in the medium-term) at high levels**. Consumer prices decelerated substantially from 30.5% year-on-year in January 2022 to around 16% in October, and this trend should continue going forward, albeit at a slow speed. In fact, base effects, the recent depreciation of the Kwanza, high food prices in the international markets, elevated fuel prices and some impact from the loosening monetary policy in domestic demand should pressure upwards consumer prices. Concerning the exchange rate, the elevated oil prices and higher oil revenues are behind the appreciation of the currency in 2022, despite the loosening movement close to year end. Going forward, we expect the currency to keep loosening some ground to the US dollar, in line with lower oil prices, as well as the need to improve the economy's competitiveness and foster internal production (replacing imports or/and stimulating exports). However, a tight international oil market and the comfortable current account surplus will probably cushion the currency and avoid more abrupt depreciating movements.

- **Despite the better outlook for Angola, the risks remain tilted to the downside**. The dependence on oil is one of the main risks, given the current concerns about climate change and the weak perspective for the Angolan oil sector. Lower investment should exacerbate the current problems in oil production, especially in new exploration projects, deteriorating the production capacity in the future. Additionally, an eventual higher depreciation of the currency would add additional pressure on prices, increasing the probability of a more restrictive monetary policy and restraining credit to the private sector. In this case, the diversification of the economy could be deferred even more, weighing in the long-term growth potential. Another important risk is the one related to adverse climate conditions, which can adversely affect the domestic production of food, worsening the food insecurity and poverty. On the other hand, there are also upside risks, which can affect the Angolan economy positively, namely future investments in gas and the opportunity to be an energy supplier for Europe (given the constraints related to the Russian gas), as well as the possibility that oil prices remain pressured in international markets.

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