

ECONOMIC ASSOCIATION OF NAMIBIA CONFERENCE

**ECONOMIC PROSPECTS FOR ANGOLA and OPORTUNITIES
from CLOSER REGIONAL INTEGRATION**
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HIGHLIGHTS

1. GROSS DOMESTIC PRODUCTION: an overall analysis
2. OIL INFLUENCE ON the Angola's GDP GROWTH
3. FOREIGN TRADE

The presentation is based on the Economic Report of Angola produced and launched By the Research Centre of Catholic University of Angola on June 21, 2017 in Luanda



GROSS DOMESTIC PRODUCTION: an overall analysis



GROSS DOMESTIC PRODUCTION: an overall analysis

Angola is being severely affected by the crisis in the oil sector with the fall of oil prices in the international markets. Due to this situation the exchange rate was devaluated by more than 35% since January 2015 up to now, the inflation rate in 2016 was 41,95%, the oil tax revenues reduced brutally by more the 50%.

The economic structure in term of export composition has essentially remained unchanged over time with oil exports counting for than 95% of total exports and 60% of total fiscal revenues .

The following table presents the composition of the country's GDP



GROSS DOMESTIC PRODUCTION: an overall analysis

Sectores de actividad	2002	2004	2006	2008	2010	2012	2014	2015	2016
Agriculture/Livestock/Forest	649	1.080	1.894	2.996	3.839	4.556	6.122	5.403	4.810
Fisheries	290	389	834	1.335	1.187	1.211	1.607	1.632	2.886
Oil and Gas	7.093	9.739	23.766	43.924	35.377	53.278	46.046	30.498	34.632
Diamonds	407	575	850	866	778	727	1.241	2.550	1.924
Manufacturing	589	1.099	1.899	3.120	3.943	4.695	5.491	6.772	5.772
Electricity	62	132	430	495	695	1.338	1.123	1.122	962
Construction	870	1.283	3.603	5.913	7.273	10.693	14.458	11.016	9.620
Commerce	1.704	2.882	4.925	7.928	7.215	5.802	7.160	5.924	12.506
Transportes/armazena	292	434	918	2.112	1.754	2.226	2.460	2.208	1.924
Correios/telecomunica	161	191	745	1.423	1.713	4.037	5.036	4.167	1.924
Bancos e Seguros	254	410	729	1.538	1.489	1.315	1.610	1.940	1.924
Estado	1.428	2.268	4.527	8.502	8.862	13.761	24.130	17.819	6.734
Serviços imobiliários	940	1.474	2.219	3.332	3.575	5.191	7.091	5.867	4.810
Outros serviços	1.281	1.811	5.476	6.125	6.355	7.936	5.342	4.419	5.772
Ajustamentos	-104	-186	-362	-1.228	-1.291	-1.453	1.423	0	0
GDP	15.956	23.581	52.452	88.378	82.744	115.345	129.342	102.000	96.200

The general overview of the country's economic growth is outlined in the following table, with all the sectoral details required for analysis and research.



GROSS DOMESTIC PRODUCTION: an overall analysis

Sectores de actividad	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	AVERAGE	AVERAGE
Agriculture/Livestock/Forest	8.4	9.6	4.4	12.0	5.4	6.1	4.8	15.8	6.9	6.0	4.8	23.7	8.0	8.7	9.0
Fisheries	7.2	7.8	5.1	24.3	5.9	1.6	6.2	1.2	15.0	9.7	2.4	21.8	14.2	9.4	8.7
Oil and Gas	-3.8	13.9	25.5	13.1	21.8	10.3	-5.0	-2.4	-5.2	8.5	-0.9	-2.5	11.3	6.5	-2.3
Diamonds	19.8	7.5	-16.6	28.1	18.8	-1.8	5.6	-7.2	3.4	-2.1	4.1	0.7	6.5	5.2	0.6
Manufacturing	5.4	16.6	6.1	6.6	2.0	5.9	7.0	9.6	9.1	9.6	7.7	2.3	-1.1	6.7	-2.3
Electricity	12.4	14.2	7.1	33.5	9.5	8.1	23.7	9.8	3.8	10.3	25.1	3.6	10.6	13.2	14.5
Construction	16.3	24.1	12.9	11.7	17.7	8.9	12.8	12.6	8.4	20.9	16.1	4.1	-2.2	12.9	2.8
Commerce	5.2	7.5	6.6	8.6	5.6	12.9	8.2	8.5	8.8	7.0	5.6	13.3	4.0	8.0	6.4
Transportes/armazena	6.2	6.2	10.4	4.1	11.6	17.6	2.3	9.6	11.3	10.6	5.8	12.3	14.2	8.6	-12.0
Correios/telecomunica	0.1	7.9	10.8	8.0	8.5	20.0	3.3	6.6	80.3	5.5	18.0	8.8	8.3	14.3	11.4
Bancos e Seguros	4.7	3.6	-20.9	10.7	9.5	37.9	29.9	2.3	3.1	0.4	-3.4	-11.3	31.6	7.6	9.6
Estado	7.0	3.0	18.6	14.8	5.0	10.5	3.6	2.8	6.6	3.1	9.4	9.8	7.0	6.7	-16.2
Serviços imobiliários	6.9	8.5	11.5	11.5	9.6	8.0	9.6	6.0	5.5	20.6	3.0	-3.5	0.4	7.5	2.8
Outros serviços	3.0	2.2	5.0	6.2	4.9	10.4	7.4	10.0	7.4	0.5	10.8	-2.2	-18.9	9.6	4.9
ANGOLA	2.4	11.3	14.9	13.7	13.9	11.2	2.1	4.7	3.5	8.5	5.0	4.1	9.9	7.2	-3.6

Three sectors of activity signaled a decline in growth in 2016: oil and gas, diamonds and other mineral industries (except oil) and manufacturing (in terms of 2015 and 2016, almost 4%).

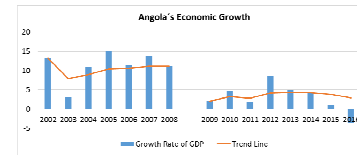


GROSS DOMESTIC PRODUCTION: an overall analysis

As shown in the following graph, the year 2008 is the milestone that divides two periods: 2002/2008 with 5 years of average annual GDP growth of 10.2% (12.8% for the Non-oil GDP).



GROSS DOMESTIC PRODUCTION: an overall analysis



Clearly two distinct phases of economic growth in Angola after peace: one until 2008, with notable episodes of annual GDP change, peaking in 2005 at 15%. Another peak occurred in 2007 with a value of 13.9%.

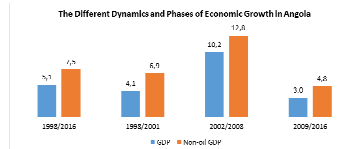


GROSS DOMESTIC PRODUCTION: an overall analysis

Angola's Economic Growth Prospects (Projections)					
	2017	2018	2019	2020	2021
GDP	2,9%	2,5%	2,0%	1,8%	1,8%
Oil GDP	1,8%	1,6%	0,0%	0,0%	0,0%
Non-oil	4,2%	3,4%	4,1%	3,5%	3,5%



GROSS DOMESTIC PRODUCTION: an overall analysis



The decline in the growth rate of the non-oil sector is dramatic, with a decrease of 8 percentage points in the respective annual average rate, from 2002/2008 to 2009/2016. The economy is losing its momentum!

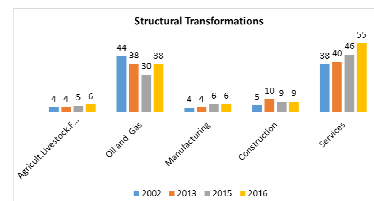


GROSS DOMESTIC PRODUCTION: an overall analysis

Returning to the previous graph, we can see that the long duration - period 1998/2016 - gives us valuable information about the growth capacity of the country, since the trend line detected there (average annual rate of 4.2% for the overall GDP and 7.5% for the non-oil GDP) can be taken as a proxy for potential output. The public investments made - an amount of almost USD 110 billion between 2002 and 2016 - have failed to promote the desired and necessary "take off"



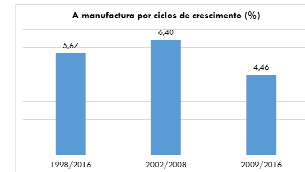
GROSS DOMESTIC PRODUCTION: an overall analysis



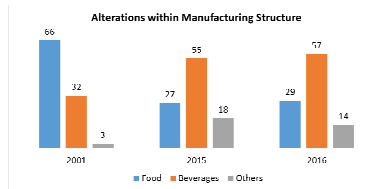
GROSS DOMESTIC PRODUCTION: an overall analysis

NON-OIL GDP STRUCTURE (%)									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture/Livestock/Forest	7	7	8	8	7	7	7	8	8
Fisheries	3	3	2	2	2	2	2	2	3
Diamonds	2	1	2	2	3	2	1	4	3
Manufacturing	7	6	7	7	7	7	7	9	8
Electricity	1	2	1	1	2	1	1	0	2
Construction	13	13	15	15	17	17	17	12	11
Commerce	17	16	15	13	9	9	9	10	10
Transportes/armasenia	5	3	4	3	4	3	3	5	5
Comunicações/telecomunicações	3	5	4	5	6	6	6	6	8
Banks and Insurance	3	4	3	3	2	2	2	3	5
Estado e serviços a merc.	19	21	18	22	22	29	29	26	26
Real estate services	7	8	7	6	8	8	9	8	8
Outros serviços	13	12	13	12	13	8	6	7	10
TOTAL	100	100	100	100	100	100	100	100	100

During the 18 years of the long duration of national manufacturing growth, three subperiods can be distinguished, each with different dynamics of the Added Value of the Manufacturing Industry.



GROSS DOMESTIC PRODUCTION: an overall analysis



OIL INFLUENCE ON GDP GROWTH

OIL INFLUENCE ON GDP GROWTH

In order to better understand the different stages of growth of the Angolan economy, three periods after peace were considered:

2003-2008, a period during which world oil demand and prices have grown significantly and have provided significant revenues to the country.

OIL INFLUENCE ON GDP GROWTH

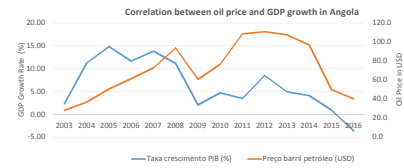
- **2009 - 2012**, when the great international financial crisis dominated the behaviour of all economies and in Angola it determined a reduction of Public investment of more than 21% between 2008 and 2009, only resuming its previous level in 2012.

OIL INFLUENCE ON GDP GROWTH

- 2013-2016, in which the Government's great bet is the launching of the bases for the diversification of the economy, based on the public investment in infrastructures, most of which presents an unusual and harmful rate of degradation of the indices of economic return of the companies and of Social utility of the population. This period has been characterized by a very erratic behaviour of oil production, affected by technical problems.



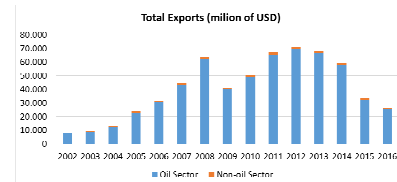
OIL INFLUENCE ON GDP GROWTH



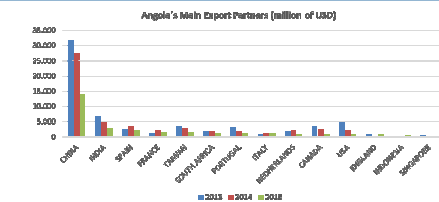
FOREIGN TRADE



FOREIGN TRADE



FOREIGN TRADE

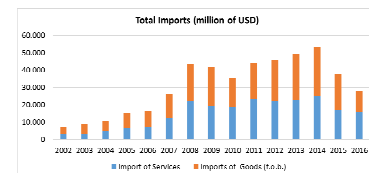


Source: BNA (Angola's Central Bank)

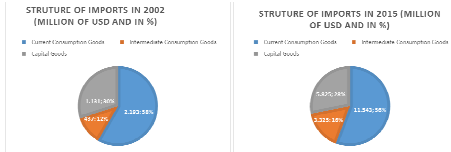
Of all SADC countries, only South Africa is among the main export partners. A closer regional integration will indeed help to overcome this situation.



FOREIGN TRADE

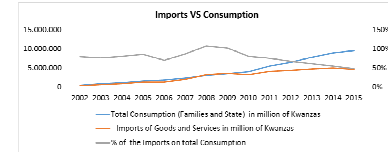


FOREIGN TRADE



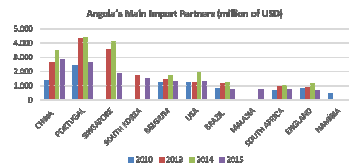
In terms of structure of import, there is no significant change over the time, in 2015 the structure was almost the same as that of 2002.

FOREIGN TRADE



From 2002 to 2009, virtually all consumption (86%) depended on the imports, domestic production was almost no existent. But fortunately from 2010 onward, things started to change (65%).

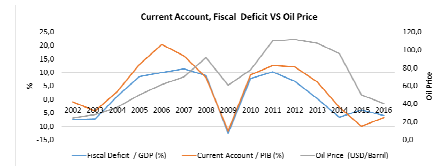
FOREIGN TRADE



Source: BNA (Angola's Central Bank)

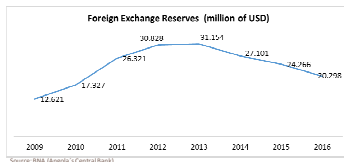
Only in 2010 that Namibia was among the 10 main imports partners of Angola; S.A has always been among the main import partners. A closer regional integration will indeed help to overcome this situation.

FOREIGN TRADE



This graph shows how the Angolan economy is dependent on the fluctuation of the oil price, whenever there is a drop in the oil price...

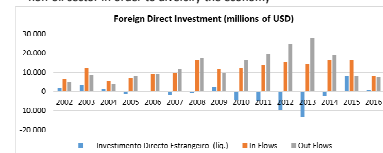
FOREIGN TRADE



These reserves enable the country to imports and at the current levels can cover about 7 months of imports

FOREIGN TRADE

The country is now facing the need to diversify its economy totally depend on the oil sector, and the authorities are trying to attract as much foreign direct investment as possible to non-oil sector in order to diversify the economy



As it can be seen from 2005 to 2014 the amount of money that the Angolans invested abroad exceeded the amount that foreigners invested in the country.

FOREIGN TRADE

But looking at the Balance of Payment, it can be seen that while the Government is urging foreigners to invest in the country, actually there are more investments are being made abroad by the Angolans in comparison with what the foreigners are making in the country.

From 2002 to 2016 in cumulative terms, the country has received as FDI, about \$ 174 billion, an annual average of \$11,6 billion; whereas in the same period the accumulative amount invested abroad by the Angolans is about \$196 billion, an annual average of \$13 billion.

In the Balance of Payment one can see easily the profits and dividends that the foreign investor send back to their country of origin, on average more than \$3.5 billion a year, but one cannot see the profits and dividends that the Angolans investments abroad yield.

Some Sector with potential to gain from Regional Integration

- Electricity
- Agriculture
- Oil derivatives
- Beverages
- Food processing
- Logistics
- Construction

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