

## Angola

Angola's economy remained stagnant in the first half of 2010 as a result of government's accumulated domestic arrears, but it began to recover at the end of the year and the outlook for 2011 and 2012 is positive with the recovery in oil prices.

Economic growth has yet to make a significant impact on poverty, inequality and youth unemployment, which remain critical issues in the country given the high population increase.

In the last ten years Angola's economy has considerably diversified its partners, and the role of emerging economies (outside the African continent) on Angola has dramatically increased.

Angola's economy is largely dependent on the oil sector and it was hard hit by the collapse in oil prices and demand in 2009. For years one of the fastest growing economies in the world, Angola's real gross domestic product (GDP) growth was just 3.4% in 2010, stalled from 2.4% in 2009 (and down from 13.3% in 2008). Despite the recovery in oil prices, growth was hampered by government arrears in construction and infrastructure payments. The outlook is good however and growth is expected to reach 7.5% in 2011 buoyed by high oil prices and by the resumption of the government's Public Investment Programme (PIP).

Inflation remains a challenge for Angola. After years of sustained decreases, inflation rose by 6% in 2008 to reach 13.7% and climbed one percentage point again in 2010. It is expected to decrease in 2011 to 11.7%. Both a deteriorating exchange rate and sharp increases in petrol and diesel prices following the removal of subsidies underlie this increase. Inflation is expected to remain in double digits in 2010 and 2011 due to structural constraints in public transportation and agricultural distribution.

Efforts to bolster the exchange rate in 2009 led to a sharp decrease in monetary reserves. This prompted an overhaul of monetary policy set out in a new constitution that was approved in February 2010. The *Banco Nacional de Angola* (BNA) now shares responsibility for interest and exchange rate policies with the Ministries of Planning and Finance. With budgetary and current account balances beginning to recover in 2010 on the back of rising oil prices, monetary policies are expected to loosen in 2011 to foster private sector activity.

While the non-oil sector has expanded by an average of 14% over the past four years, economic diversification remains shallow. The construction and infrastructure sectors are heavily dependent on the PIP, while growth in agriculture more adequately reflects a catch up after the country's 27-year war that ended in 2002. Mining is still concentrated on oil and diamonds although the resumption of pre-war exploitations of iron ore, gold and copper is underway. Commerce, which developed informally during the war, was severely disrupted in 2010 by the government's displacement of the Roque Santeiro market, previously the largest market in sub-Saharan Africa. Manufacturing is largely concentrated in oil- and gas-related activities.

While public sector capacity to crowd out private investment in a number of sectors remains a concern, the government has managed great social and economic challenges since 2002 without any major outbreak of violence. There is a widespread lack of qualified human resources that acts as a major constraint to growth in the medium term. With an ambitious infrastructure development plan boosted by the country's first credit risk rating and by massive inflows of credit, the government hopes to improve access to basic services in the short term.

Angola's economy remains largely driven by public investment, which is blighted by political patronage and corruption. National planning programmes continue to highlight the need for better co-ordination of public policies, and there is a clear need for a national infrastructure development policy. Efforts are currently being taken to boost the private sector and decrease reliance on public investment.

The adoption of a new constitution in February 2010 further cemented President José Eduardo dos Santos's 30-year grip on power. Presidential elections have been abolished (the president instead being nominated as head of the ruling party) and the post of prime minister has been replaced by that of a vice president directly under the president's authority. Although a limit of two five-year presidential terms has been set, this does not take into account Mr dos Santos' previous decades in power, enabling him to remain president until 2022. The next presidential elections are not scheduled before 2012.

According to the United Nations High Commissioner for Refugees (UNHCR), there are close to 70 000 Angolan refugees in the Democratic Republic of Congo, 25 000 in Zambia, 6 000 in Namibia and 2 000 in Congo. These

will lose their war refugee status at the end of 2011. The appropriate re-integration of these refugees poses a fresh challenge for the Angolan government added to the key tasks of managing the country's non-renewable national wealth more efficiently, and creating jobs. Better management will require the strengthening of institutions and a relaxing of the leadership's tight hold on power, both political and economic.

Table 1: Macroeconomic indicators

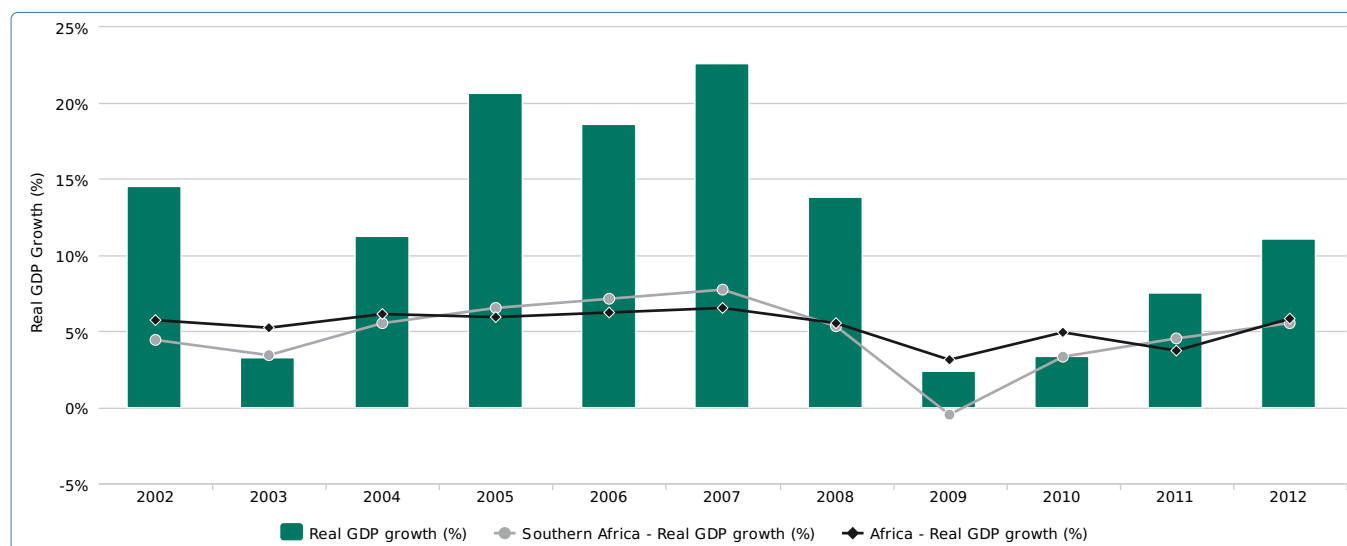
	2009	2010	2011	2012
<b>Real GDP growth</b>	2.4	3.4	7.5	11.1
<b>CPI inflation</b>	13.7	14.7	11.7	12.1
<b>Budget balance % GDP</b>	-8.6	7.3	6.7	8.1
<b>Current account % GDP</b>	-10	1	-3.8	3.5

**Source:** National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Figure 1: Real GDP growth (S)



**Source:** IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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