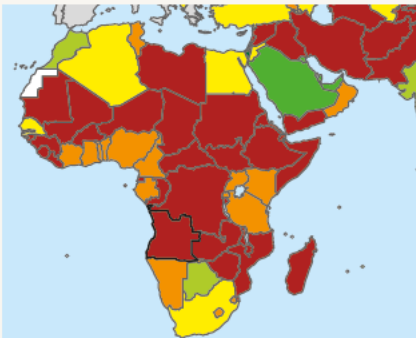


**Basic facts (2020)**

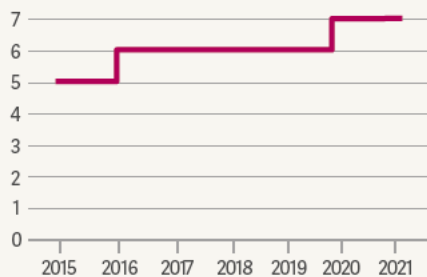
Population: 19 million

GDP, nominal: USD 18 529 billion

GDP/capita: USD 981



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

**Country classification history**

Source: EKN

**Strengths**

- + Ongoing reforms, supported by IMF programmes.
- + Extensive natural resources.
- + High external liquidity

**Weaknesses**

- High cost of government debt.
- The central government is heavily dependent on oil revenues and thus vulnerable to declines in the oil price and global climate change.
- Weak institutional capacity and widespread corruption.

**Oil continues to play a significant role**

Angola's economy relies heavily on the oil sector, which accounts for one-third of GDP, more than 90% of exports, and close to 60% of government revenues. High oil prices, combined with a post-civil war reconstruction boom in 2002, led to very strong economic growth. Therefore the economy was hit very hard by the sharp fall in oil prices in 2015, not the least in terms of government debt. Since then, the Angolan kwanza has lost nearly 85 per cent of its value against the USD, which, along with heavy borrowing, has led to a sharply negative trend in public finances and the economy in general. Angola's public institutions are among the weakest in the world, as reflected in the low score in the World Bank's Worldwide Governance Indicators (WGI). This means a limited ability to manage a high level of government and foreign debt. The economy's high sensitivity to changes in the price of oil and the global trend towards increased use of renewable energy pose significant credit risks for the country.

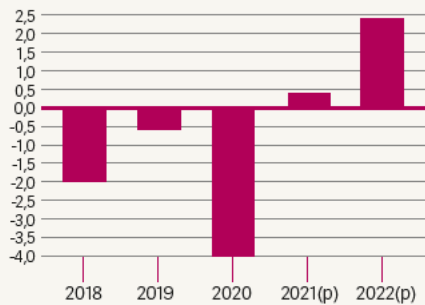
**Some light at the end of the tunnel**

EKN downgraded Angola to country risk category 7/7 on 12 March 2020. The strong decline in the oil price in early March was the trigger, however the downgrade was primarily based on the long-standing negative trend. In 2020, government debt continued to rise to close to 130% of GDP, which is high even in country risk category 7. The cost to service the debt is high. In 2020, the central government's interest payments rose to just over 35 per cent of its revenues. On the external side, foreign debt passed 80% of GDP and the external debt service ratio rose to 20%.

However Angola's rapid budgetary tightening, the positive effects of the IMF agreement, and the suspension and deferral of debt service payments under the G20's Debt Service Suspension Initiative (DSSI) means that a positive trend in the country's public finances can be seen. Most significant in this context is China, which has lent an estimated USD 43 billion to Angola between the years 2000 and 2019, and is the recipient of just over half of the debt service payment that may be subject to deferrals under DSSI. In 2021, government debt is expected to fall back to a bit over 110 per cent of GDP, primarily due to higher oil prices and a rising kwanza. The country's flexible exchange rate has facilitated the adjustment of the macroeconomy during the crisis, and oil prices hovering around USD 60 per barrel are currently contributing to the stabilisation of the currency. Approximately 90% of government debt is either in hard currency or linked to hard currency, and thus sensitive to changes in the exchange rate. External liquidity remains good; international reserves cover almost three times the external financing requirement.

However key figures such as government debt/GDP, external debt/GDP, interest expenditures/budget revenues and the external debt service ratio remain at a level two to three times higher than five years ago. Angola's oil-dominated economy, sluggish oil production, very weak public institutions, and high government debt will mean weak growth in the coming years. Structural factors such as deficient infrastructure, a large part of the population in poverty, and low productivity outside the oil sector, are also holding back the economy. Even though oil prices have now recovered, Angola's ability to pay has weakened in the

**GDP growth  
(fixed prices, % per annum)**



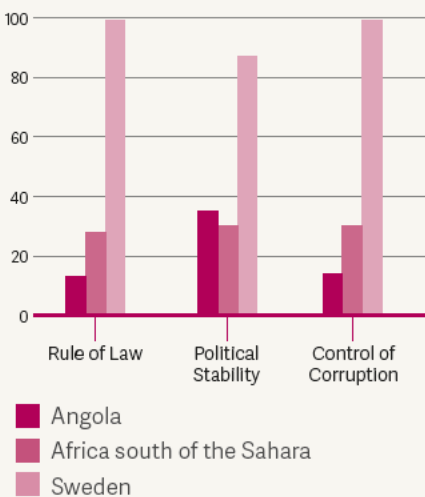
Source: IMFWEQ, Macrobond

medium term and extensive measures are needed to increase non-oil revenues. The overall assessment is thus continued country risk category 7.

**Business environment**

The business and regulatory environment in Angola is very difficult due to a high inflation rate, high wage costs, extensive bureaucracy, high levels of corruption, and weak public institutions. There has been some improvement under President Lourenço (2017 -), particularly in terms of the level of corruption. During the period 2018-2020, Angola climbed 23 places to 142th out of 190 countries in Transparency International's Corruption Perceptions Index's ranking. However in the World Bank's Ease of Doing Business Indicators Angola remains at a low level, ranking at 170 out of 190 countries. Since December 2016, there is no institution in Angola that performs USD clearing. This has resulted in that at times there is a shortage of USD in the country and the economy has become more Euro-based. Therefore, the Euro is recommended over USD. Several foreign banks in Angola can provide USD to their customers, however despite the significant international reserves, there may be a shortage of hard currency among companies. An earlier requirement for a letter of credit for import/foreign payments was abolished by the central bank in autumn 2020.

**Business environment**



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

**EKN:s policy**

EKN does not currently cover any payment risks on public buyers. The reason is EKN's very large exposure to sovereign risk in Angola, combined with the negative country risk developments in recent years. For banks, normal risk assessment applies for short risk terms (< 1 year), however elevated premiums apply for long risk terms. Companies are required to have their own hard currency earnings and elevated premiums apply both for short and long risk terms.

**Swedish export to  
Angola**

Year	MSEK
2020	153
2019	158
2018	107
2017	97
2016	116

Source: SCB

**EKN:s commitment and experience**

EKN sees a strong demand for state-sponsored projects in Angola. Since 2015, twelve offers have been approved for sovereign risk, and six guarantees have been issued. The total outstanding guarantee amounts are almost exclusively sovereign risk. EKN's payment experience is very good in the guarantees that have been issued, however the experience is also that it takes a very long time for projects to reach to a financial agreement and become binding on the relevant parties. Angola has renegotiated its debts in the Paris Club on two occasions, in 1989 and 2006, without receiving any formal cancellations of debt. The 2006 agreement meant that Angola pre-paid the entire remaining debt early, against that parts of the interest on past due amounts did not need to be paid. Since then, the country has fulfilled its payment commitments in a timely manner.

**EKN:s exposure**

Category	MSEK
Guarantees	6 057
Offers	6 894