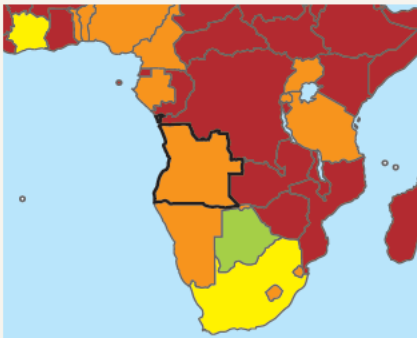


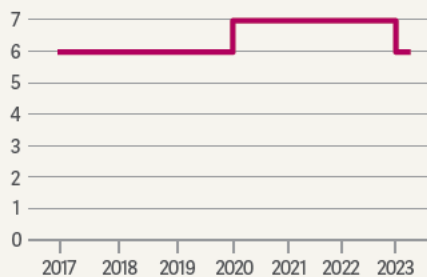
## Basic facts (2022)

Population: 36 million  
 GDP, nominal: USD 121,4 billion  
 GDP/capita: USD 3 400



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 previous IMF programmes.
- + Extensive natural resources
- + Current account surplus

## 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

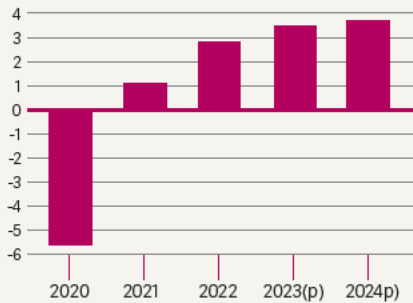
Angola's economy is dependent on the oil sector, which accounts for a third of GDP, nearly 90 per cent of exports and nearly 60 per cent of government revenue. High oil prices combined with a reconstruction boom following the end of the civil war in 2002 led to very strong economic growth in the early 2000s. Angola therefore has a middle position in sub-Saharan Africa in terms of GDP per capita. The fall in oil prices in 2015 brought an abrupt end to the growth trend. Between 2015 and 2021, the Kwanzas lost just over 80 per cent of its value against the USD, which, combined with high borrowing, led to rapidly rising debt and a steep fall in the economy. In March 2020, another drop in oil prices occurred, which led EKN to downgrade the country from country risk category 6 to country risk category 7. The economy's extreme sensitivity to changes in oil prices and the global trend towards increased use of renewable energy pose significant credit risks for the country. Angola is a high-cost producer of oil and has limited institutional capacity to adapt. A large agricultural sector and low income level means high vulnerability to drought, storms and fires. The country's institutions are among the weakest in the world, which is reflected in the low ranking in the World Bank's Worldwide Governance Indicators. This means a limited ability to manage a high level of sovereign debt and external debt, along with other external shocks. Angola's oil fund, Fundo Soberano de Angola, and macroeconomic frameworks have limited ability to handle fluctuations in oil prices. Angola is among the most unequal societies in the world and poverty is widespread. Unemployment is around 30 per cent in 2023 and just over 50 per cent among young people.

## Upgrading to country risk category 6

With oil prices at USD 70-80 per barrel, the country risk continues to develop in a positive direction. The growth rate is expected to rise to an average of around four per cent for 2023-2025, which is the highest growth rate in nearly a decade. Inflation is approaching ten per cent in 2023, from peaking at around 26 per cent in 2021. This means that the Angolan central bank is one of the few central banks in Africa that is currently lowering its key interest rate.

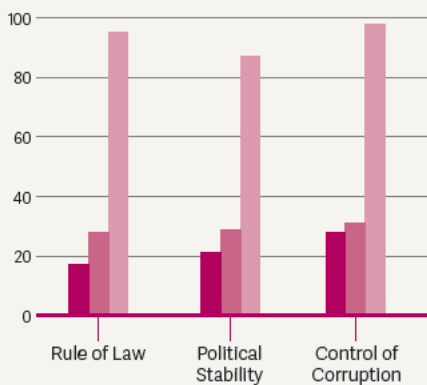
Joao Lourenço gained a renewed mandate in the last presidential election (Aug 2022), which was very close, and is expected, together with Finance Minister Vera Daves, to continue reforming the economy. Under Lourenço, Angola has, for example, carried out a currency reform and initiated privatisations of the state-dominated economy. Since 2018, an import substitution programme PRODESI has been implemented with some success. Initiatives to reduce corruption have been implemented, with certain key persons under the former President Dos Santos having been put on trial (politically motivated according to some critics). In addition, VAT and a new fiscal framework have been introduced. Of these, the currency reform has probably been the most important. Currency liberalisation, together with the current account surplus, has led to improved hard currency liquidity. The floating exchange rate regime means higher liquidity in the banking system and less need for a large foreign exchange reserve to safeguard the currency. Since 2020, there has been a foreign exchange market where the Treasury, oil companies, banks and insurance companies can trade

## Real GDP growth (constant prices, % per annum)



Source: IMFWEQ, Macrobond

## Business environment



■ Angola  
■ Africa south of the Saharas  
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

without having to turn to the central bank as before. Angola's foreign exchange reserves are still at a very high level as a proportion of import needs (seven months of import coverage), even though the foreign exchange reserves are at a minimum in terms of amount (around USD 15 billion). Large revenues from oil exports generate a significant current account surplus (just over 11 per cent in 2022) and therefore strong hard currency earnings.

As a result of normalised oil prices, high inflation and a strengthened Kwanza, public debt has fallen from 140 per cent of GDP in 2020 to just over 63 per cent of GDP in 2023. With about 90 per cent of public debt either in hard currency or linked to hard currency, the appreciation of the currency is having an impact on government finances. The government has to some extent paid off and renegotiated Chinese loans and extended the maturity periods of Eurobonds, which has also made a positive contribution. On the external side, external debt as a share of GDP has declined compared to 2020/2021. One measure that remains for the government is the complete scrapping of fuel subsidies, which must be combined with increased social spending to compensate for reduced purchasing power. On 1 June 2023, subsidies on petrol and diesel were reduced, which means that the price of a litre of petrol rose from approximately three to six kronor. The government's plan is to gradually phase out the costly subsidies over the coming years.

There is no shortage of long-term risks in the economy and politics. Steadily declining oil production and continued low productivity outside the oil sector mean that the growth rate will be low relative to the fastest growing economies on the continent and relative to Angola's income level. Also holding the economy back are the continuing high levels of public debt, very weak public institutions, widespread poverty and sky-high unemployment.

In recent years, Angola has benefited from payment deferrals and debt cancellations from China, but in the coming years the burden of payment on the public debt stock will gradually increase. In 2024, the planned debt payments are just over USD 9 billion, i.e. more than twice as large as today. As a result, the government's public debt costs will remain high, averaging close to 24 per cent of revenues in 2023-2025. President Lourenço will probably continue to launch costly prestige projects, posing a risk to the sustainability of public finances. Due to the steep repayment profile, there will be virtually no reserve accumulation in the coming years, which is why hard currency will continue to be a challenge in the country.

Despite reforms, oil prices and production remain the single most important factors in Angola's economy. Consequently, significant fluctuations in government finances and hard currency availability will be a natural part of the economy for the foreseeable future. The Kwanza was one of the fastest appreciating currencies in the world in 2021, but since May 2022 has lost just over 20 per cent of its value against the USD. In early June 2023, 600 Kwanza/USD was crossed again, which risks breaking the downward trend in public debt/GDP. The current state budget assumes an oil price of USD 75 per barrel, which at present means a deficit in public finances. Oil production has decreased in recent years and is currently below one million barrels per day due to one oil field, which accounts for about 10 per cent of production, being down for maintenance. Angola's oil fund is too small to make a decisive difference in the event of a fall in oil prices and there are not enough public finance resources to seriously capitalise on it. The fund currently corresponds to about 3 per

## Swedish export to Angola

	MSEK
2022	751
2021	527
2020	153
2019	158
2018	107

Source: SCB

## EKN:s exposure

	MSEK
Guarantees	9 130
Offers	885

cent of GDP. The long-term ambition is to maintain production at around one million barrels per day until new sources of income have been developed. Some diversification is taking place and opportunities exist, not least in agriculture and the fishing industry. Diamond production is increasing, but currently only contributes about 4 per cent of GDP. Diversification will therefore likely be slow in the coming years. Institutions and physical infrastructure are still suffering from the aftermath of the civil war and mean there is limited interest in Angola from foreign investors. Landmines continue to be a major problem, especially in agriculture.

Overall, however, Angola is in a significantly better position compared to March 2020. Against this background, EKN upgraded Angola to land risk class 6 in June 2023. The outlook is stable.

## 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. The legal system is weak, burdened by corruption and politically influenced. There has been some improvement under President João Lourenço (2017-), particularly in terms of the level of corruption. Angola is currently ranked 136 out of 190 countries in Transparency International's rankings, which is a marked improvement since 2018. Hard currency liquidity has improved among companies and banks in recent years. An import license is required to secure hard currency, but otherwise the regulations are now relatively free. There is no requirement for exporting companies to sell hard currency to the central bank and the previous requirement for a letter of credit for import transactions was abolished in autumn 2020. The Euro dominates over the USD, partly because of the connection to Portugal, but also because few banks have correspondent banking relationships in the US and USD clearing is problematic. Angola has still not ratified the IMF's Article 8, which means the Kwanza is not fully convertible abroad (all conversion must take place domestically).

## EKN:s policy

EKN applies normal risk assessment for sovereign risks. However, restrictiveness can occur in the case of large exposure to public risks. For other public risks (e.g. authorities, municipalities and cities), requirements for a letter of credit, bank or state guarantee apply. For banks and companies, elevated premiums apply for long risk periods. Otherwise, normal risk assessment.

## EKN:s commitment and experience

EKN sees strong demand for state guaranteed projects in Angola. The total exposure with outstanding guarantees is almost exclusively to the sovereign. Currently, there are five guarantees (in power, transport and transmission) with public buyers. The outstanding offer consists of deliveries to a solar power park that have not yet been completed. On the private side, the outstanding offer mainly consists of deliveries of transport and construction equipment. EKN's payment experience is very good in the transactions where guarantees have

# Angola

been issued, both on the public and private side. At present, there are no arrears and receivables. 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 paid the entire outstanding debt early. Since then, the country has fulfilled its payment obligations in a timely manner.