

# ANGOLA

Table 1	2021
Population, million	33.9
GDP, current US\$ billion	81.8
GDP per capita, current US\$	2410.8
International poverty rate (\$1.9) <sup>a</sup>	49.9
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	71.5
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	88.5
Gini index <sup>a</sup>	51.3
School enrollment, primary (% gross) <sup>b</sup>	113.5
Life expectancy at birth, years <sup>b</sup>	61.1
Total GHG Emissions (mtCO2e)	112.5

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2018), 2011 PPPs.  
b/ WDI for School enrollment (2015); Life expectancy (2019).

Angola recorded marginally positive GDP growth in 2021 following five consecutive years of economic contraction. With oil prices expected to remain high, the outlook for 2022 is favorable. However, despite improvements in macroeconomic policies in recent years, a legacy of underinvestment in physical and human capital poses considerable challenges to poverty reduction and economic diversification, leaving Angola highly exposed to risks from volatile oil prices, the pandemic, and climate change.

## Key conditions and challenges

Angola remains excessively dependent on the oil sector. Although oil production declined by 39 percent since its peak in 2015, oil still accounts for 94 percent of exports as of 2021. This lack of diversification reflects the legacy of macroeconomic instability, underinvestment in infrastructure and human capital, and a challenging business environment. The decline in oil prices and production without growth elsewhere in the economy translated into a cumulative GDP contraction of 9.2 percent from 2015 to 2020, loss of formal jobs, and an increase in poverty, which has been exacerbated in recent years by high food inflation.

Underinvestment in the social sectors has resulted in low levels of schooling and poor health outcomes, such that Angola is among the countries with the lowest Human Capital Index (0.36 in 2020). Angola is also highly exposed to climate risks, with parts of the country continuously suffering from severe drought, floods, and soil degradation since around 2012.

Angola's economy suffered from COVID-19 indirectly through falling oil prices, but overall, the country has been relatively resilient against the pandemic. As of February 14, 2022, Angola had 55.9 COVID-19 deaths per million people (compared to 745.9 globally) and 10.9 million people (69.3 percent of the target

population) had received at least one dose of a COVID-19 vaccine.

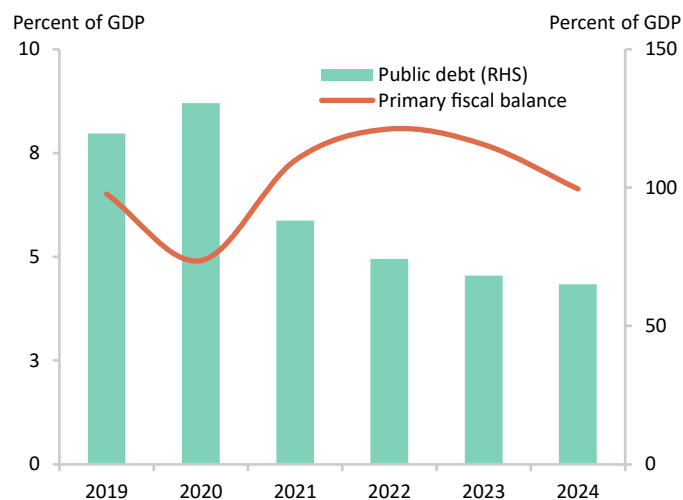
Main challenges include a steeper and renewed decline in oil production, limited economic diversification, difficulty in attracting foreign direct investment in non-oil sectors, as well as Angola's vulnerability to climate change. Moreover, food inflation, already at high levels, will likely be exacerbated by the increase in global commodity prices and economic uncertainty triggered by the Russian invasion of Ukraine and associated sanctions and supply disruptions.

## Recent developments

Angola exited the recession in 2021, with growth expected at 0.2 percent as agriculture and services growth offset continued declines in oil production. Oil exports grew 60 percent while imports grew only 23 percent, widening the current account. This, together with an SDR allocation of US\$1 billion, increased Angola's net reserves, maintaining import coverage at around eleven months. Non-oil exports (wood, fish, granite, and beverages) remained small and volatile.

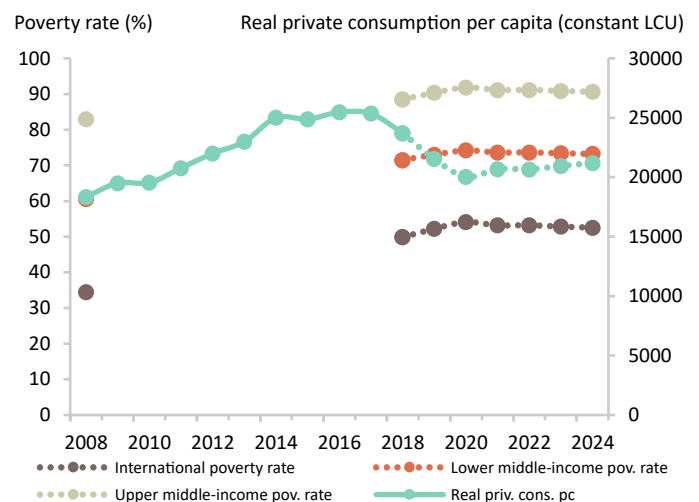
Largely because of higher oil prices, the exchange rate appreciated 13.4 percent YoY by December 2021, recovering almost a third of the 2020 depreciation. The stronger currency has not translated into lower inflation, which remains high at 27 percent, driven by high food prices and the lagged effect of monetary measures from 2020. In response, the central

**FIGURE 1 Angola / Actual and projected public debt levels and primary balance**



Sources: Angola Ministry of Finance, World Bank MTI.

**FIGURE 2 Angola / Actual and projected poverty rates and real private consumption per capita**



Source: World Bank. Notes: see Table 2.

bank raised the reference rate from 15.5 to 20 percent.

Higher oil receipts combined with buoyant non-oil revenues (especially VAT) led fiscal revenues to grow about 47.5 percent in 2021. Public spending growth, estimated at 18.6 percent, was driven by current spending as public investment grew by 0.2 percent. Most additional oil revenue was saved, increasing the primary surplus. This, together with currency appreciation and GDP growth, drove debt levels from 130.5 to 88.1 percent of GDP from 2020 to 2021. Consequently, bond yields declined, and Angola's credit rating was upgraded.

Employment declined to 61.2 percent of adults in Q4 2021 (from 62.8 percent a year earlier), with the vast majority (81 percent) employed in the informal sector. Food insecurity and poverty were exacerbated by limited employment opportunities and food inflation. After two years of stagnation, the minimum wage rose 50 percent against accumulated inflation of 52 percent. The Kwenda cash transfer program has about 500,000 out

of a projected 1.6 million vulnerable families enrolled, 300,000 of whom have received at least one transfer.

## Outlook

With soaring oil prices, GDP growth is expected at 2.9 percent in 2022. The non-oil sector is expected to grow 2.3 percent, propelled by mining of diamonds and other minerals, the beverage and construction industry, agriculture and fisheries, and trade. With rising oil prices and a small but temporary recovery of oil production, oil sector growth is projected at 4.4 percent.

The 2022 budget keeps Angola on a path of fiscal consolidation. The government is expected to increase the primary surplus from 7.3 percent of GDP in 2021 to 8.1 percent of GDP, further decreasing public debt levels to 74.2 percent of GDP. This, however, remains subject to oil price risks as non-oil revenues are expected to increase only gradually. Despite continued monetary tightening and currency

appreciation, the government is expected to miss its inflation target of 18 percent due to rising global commodity prices which particularly affect staple foods.

Projections suggest that the share of the Angolan population living on less than US\$1.90 per day (2011 PPP) will remain at 53.2 percent in 2022 as economic growth fails to keep up with population growth. This includes over 1.3 million people facing severe hunger due to drought in some of the poorest provinces in the country. Meanwhile, the continued expansion of the Kwenda program and improvements in non-oil sectors are expected to increase the welfare of the poorest.

The risks to the outlook arise from possible future waves or variants of COVID-19, oil price volatility, and political uncertainty resulting from the 2022 elections. In addition, escalating geopolitical tensions or climate-related natural disasters can further disrupt global value chains and fuel food prices growth with potentially severe consequences for the food security and welfare of vulnerable households.

**TABLE 2 Angola / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
<b>Real GDP growth, at constant market prices</b>	-0.7	-5.5	0.2	2.9	3.1	3.3
Private Consumption	-6.2	-4.0	6.6	3.1	4.7	4.3
Government Consumption	-1.6	-7.1	6.5	2.8	2.5	4.4
Gross Fixed Capital Investment	-1.9	-1.6	8.0	3.0	4.5	5.5
Exports, Goods and Services	-5.9	-6.3	-10.8	4.3	1.3	-0.3
Imports, Goods and Services	-11.0	-21.7	6.0	6.0	8.0	6.5
<b>Real GDP growth, at constant factor prices</b>	-1.2	-6.7	0.2	2.9	3.1	3.3
Agriculture	-1.3	2.4	12.2	6.5	7.0	6.8
Industry	-3.6	-10.4	-9.1	0.8	-0.2	0.2
Services	2.2	-3.5	9.6	4.4	5.6	5.4
<b>Inflation (Consumer Price Index)</b>	17.1	22.3	25.6	20.0	12.3	9.5
<b>Current Account Balance (% of GDP)</b>	6.2	2.4	9.1	11.0	9.2	6.1
<b>Net Foreign Direct Investment (% of GDP)</b>	-2.1	-3.3	-3.2	-0.2	0.5	0.8
<b>Fiscal Balance (% of GDP)</b>	0.8	-1.9	2.5	2.9	2.0	1.5
<b>Debt (% of GDP)</b>	119.6	130.5	88.1	74.2	68.3	64.6
<b>Primary Balance (% of GDP)</b>	6.5	4.9	7.3	8.1	7.7	6.5
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	52.2	54.1	53.2	53.2	52.8	52.5
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	73.0	74.2	73.6	73.7	73.4	73.2
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	90.4	91.8	91.1	91.2	90.9	90.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-5.0	-3.6	-1.5	-1.2	-0.4	-0.1
<b>Energy related GHG emissions (% of total)</b>	14.6	13.3	13.0	12.3	12.1	12.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

a/ Calculations based on 2018-IDREA. Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU.

b/ Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.