

# Angola Business Forecast Report Q2 2014

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## Abstracts

### Core Views

We expect economic activity in Angola to pick up over the coming quarters following a challenging 2013. Despite a pickup in oil production, we believe the non-oil sector will continue to be the main engine of economic growth, driven in large part by heavy state spending on infrastructure and a buoyant consumer segment.

While the current account will remain in the black over next few years, we believe this surplus will decline as a percentage of GDP driven by a gradual weakening of the trade balance on the back of resilient import demand.

We expect inflation in Angola to be relatively contained through 2014 and we are forecasting marginally lower average price growth compared to 2013. While we believe that conditions will continue to broadly support the authorities' accommodative monetary policy stance over the coming months.

Angola's fiscal accounts will remain in the red over the next few years as an investment-driven development agenda and heavy current spending commitments see government expenditure outstrip revenue generation. We predict that the fiscal deficit will widen to 4.0% of GDP in 2014 from an estimated 2.2% in 2013.

### Major Forecast Changes

Weaker than expected oil production in 2013 has prompted us to revise our current account forecasts. We now forecast a current account surplus of 5.9% of GDP in 2014 and 4.3% in 2015 (compared to our previous projections of 8.8% and 7.8% respectively).

Also on the back of lower than anticipated oil production in 2013 and revisions to our oil production forecasts, we have adjusted our forecasts for economic growth. We now forecast growth of 6.8% in 2014 compared to 7.3% previously.

### **Key Risks To Outlook**

Our forecasts, as always, remain subject to the myriad uncertainties associated with oil production and exploration in Angola, along with volatility in global oil prices.

Given that our forecasts only include planned oil projects, the upside potential posed by the country's vast and as yet unexploited subsalt reserves poses a major upside risk to our forecasts over the medium-to-long term.

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Growing speculation over the health of President Jose Eduardo dos Santos, an increasingly vocal opposition and simmering antigovernment sentiment will see political and social tensions in Angola remain elevated over the coming months.

TABLE: Political Overview

Long-Term Political Outlook

Although Angola has become one of the largest and fastest-growing economies in Sub-Saharan Africa, its transition over the past decade has not been complemented by a move towards a more open political system. The concentration of power, both political and economic, presents the key challenge to economic development and risk to political stability over the coming decade.

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We expect inflation in Angola to be relatively contained through 2014 and we are forecasting marginally lower average price growth compared to 2013. While we believe that conditions will continue to broadly support the authorities' accommodative monetary policy stance over the coming months, we see only modest scope for further monetary easing due to rising demand pressures in the country.

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Angola's fiscal accounts will remain in the red over the next few years as an investment-driven development agenda and heavy current spending commitments see government expenditure outstrip revenue generation. We predict that the fiscal deficit will widen to 4.0% of GDP in 2014 from an estimated 2.2% in 2013.

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