



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Angola

May 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB6c

Very high risk: Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + Angola could benefit from a temporary suspension of bilateral debt servicing payments owed to G20 countries during 2020.
- The Angolan economy will contract for the fifth consecutive year in 2020 as the country grapples with the dual shock of low oil prices and Covid-19.
- Business continuity will remain at risk from the spread of Covid-19 and policies implemented to contain the virus during much of 2020.
- Businesses operating or investing in Angola will face severe financial constraints among local, counterparts during much of 2020 that could negatively impact payment performance.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Angola's country risk rating to DB6c as the country struggles with the dual shock of low oil prices and the impact of Covid-19.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



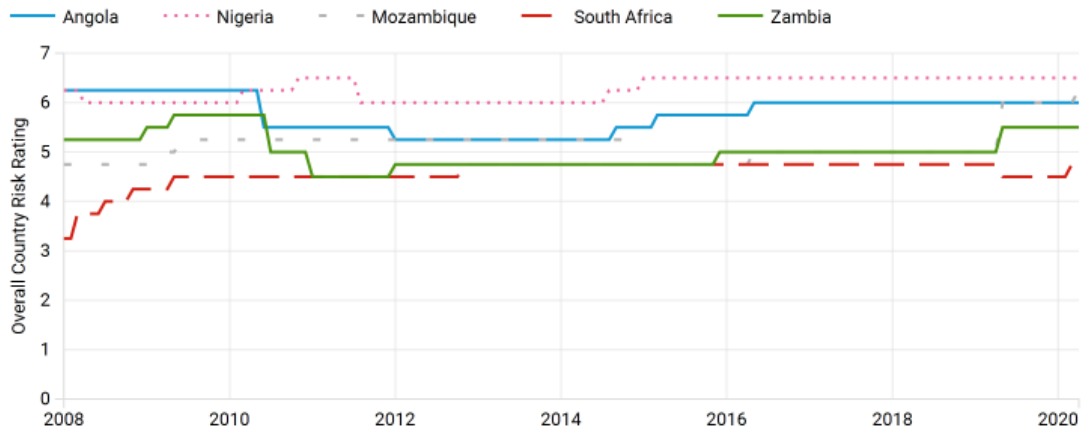
Trend: Deteriorating

Key Development has had a negative impact on the outlook.



KEY INDICATORS

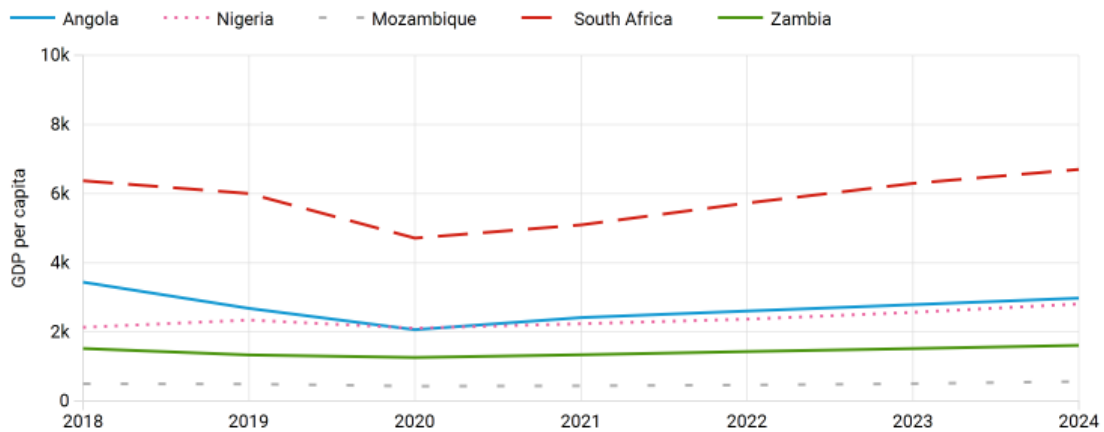
Rating History and Comparison



Source: Dun & Bradstreet

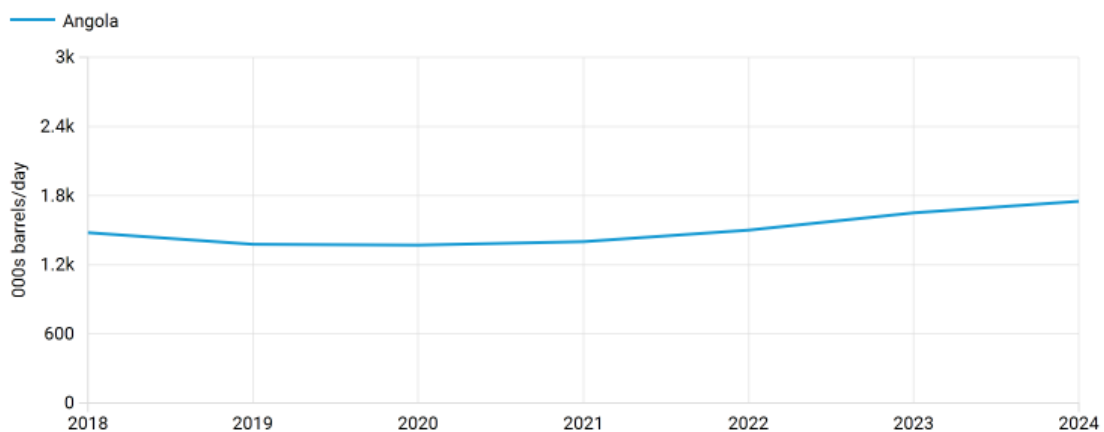
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Crude Oil Production



Source: Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-0.5	7.0	0.8	-5.6	-1.9	-2.7	-1.9	-1.3
Govt balance, % GDP	-6.3	2.2	0.5	-5.2	-4.5	-4.2	-3.0	-2.8
Inflation, annual avge %	29.8	19.6	17.1	25.0	25.0	12.0	9.0	7.8
Oil Price, USD/b	54.4	71.1	64.0	46.4	58.0	55.0	51.0	53.0
Real GDP Growth, %	-0.2	-1.2	-0.8	-4.1	1.9	2.8	3.1	3.0

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Dun & Bradstreet has downgraded Angola's country rating for a second time in two months, taking it to DB6c, while the rating outlook remains 'deteriorating'. The country is struggling with the dual shock of low oil prices and the spread of Covid-19. The economy is expected to contract for a fifth consecutive year in 2020 with real GDP shrinking by as much as 4.1% in 2020. The depth of the downturn could be much worse depending on the severity and duration of the oil price crash and Covid-19 pandemic. Angola announced a state of emergency on 27 March and in late April extended this to 10 May. The government will increasingly turn its attention to easing restrictions in an attempt to kick-start the economy, which could see a gradual lifting of some Covid-19 containment measures during Q2 2020. The government is faced by a very difficult balancing act to reduce public health risks associated with Covid-19, while protecting the livelihoods of the population and local businesses. Our suggested minimum terms are CLC, if available.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CLC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-45 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

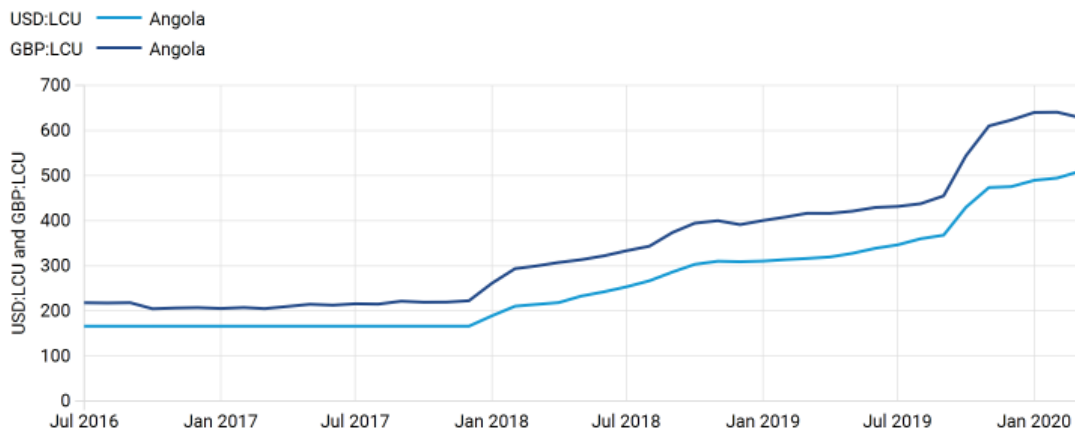
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



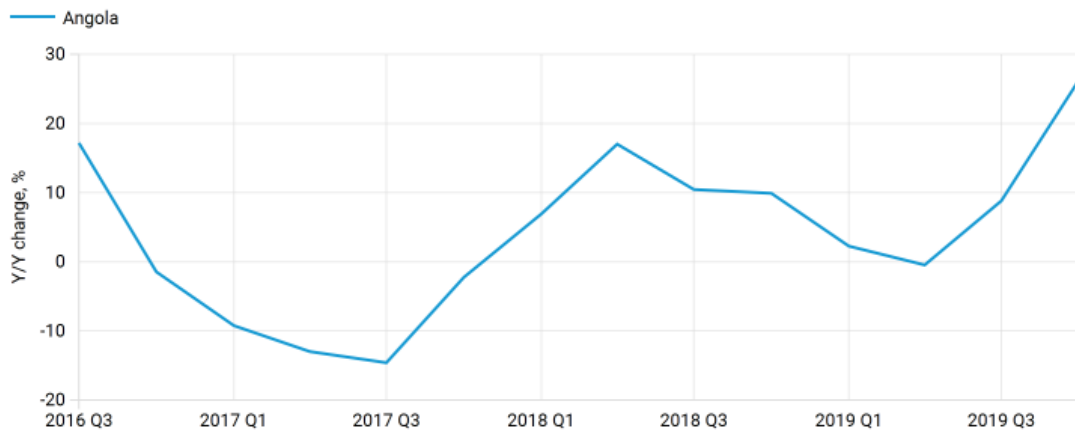
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Angolan kwanza

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

Dun & Bradstreet has downgraded Angola's country rating for a second time in two months taking it to DB6c, while the rating outlook remains 'deteriorating'. The country is struggling with the dual shock of low oil prices and the spread of Covid-19. Angolan oil typically trades at a small premium above the benchmark Dated Brent price which was around USD65 per barrel (/b) at the beginning of January but closer to USD20/b towards the end of April. International oil markets have been hit hard by a slump in international demand caused by policies implemented worldwide to tackle the Covid-19 pandemic. Angola is desperately attempting to offload its cargoes in a highly competitive market, which is characterised by very low prices combined with high storage and shipping costs. The state oil company Sonangol is attempting to extend fuel storage capacity but its options are limited.

Currently, Angolan oil is trading at a discount to Dated Brent which is compounding the price fall of the international benchmark price. Angolan export earnings will take a large hit and a large current account deficit will be recorded in 2020. In addition to low oil revenues, the Angolan economy will be subdued by the health risks associated with the spread of Covid-19 and domestic policy measures implemented to tackle the virus during much of H1 2020. The Angolan government announced a state of emergency on the 27 March and extended this through to mid-May. Currently, we forecast real GDP will contract by as much as 4.1% in 2020 although this could be much worse depending on the severity and duration of the oil price crash and Covid-19 pandemic.

Business Continuity

Attention turning to exit plan

Angola announced a state of emergency on 27 March and in late April extended this to 10 May. The state of emergency imposed a national lockdown for residents, closure of non-essential businesses and border closures to the movement of people. International flights through Luanda International Airport were largely suspended with few exceptions, while inter-provincial travel was banned. These restrictions have proved a major obstacle to business continuity during April and will continue to effect business operations in May. However, the government will increasingly turn its attention to easing restrictions in an attempt to kick start the economy, which could see a gradual lifting of some Covid-19 containment measures during Q2 2020.

The government has already decided to ease movement restrictions in all provinces except Luanda for commercial activity in May and industrial activity will resume with strict social distancing requirements. Schools, leisure facilities and many service providers are likely to remain closed, borders temporarily shut and international travel restrictions in place during May. The government is faced by a very difficult balancing act to reduce public health risks associated with Covid-19, while protecting the livelihoods of the population and local businesses. The risks are heightened by the fact that most people live in slum conditions with little prospect of effective social distancing, while being employed in the informal sector.



COUNTRY PROFILE AND STATISTICS

Overview

Angola is located in southern Africa and is the second-largest country by land area in sub-Saharan Africa (after DR Congo). Angola has direct access to the Atlantic Ocean and has land borders with DR Congo, Zambia and Namibia (as well as the Republic of the Congo through the Cabinda enclave). Angola is one of Africa's largest oil producers and the economy is highly dependent on the oil sector for export earnings and fiscal revenues. Angola is an active member of OPEC, as well as regional groups such as the Southern African Development Community and African Union.

Angola holds multi-party elections but is essentially a one-party state controlled by the *Movimento Popular de Libertacao de Angola* (MPLA). Joao Lourenco replaced Jose Eduardo dos Santos as president in August 2017 (dos Santos had held office from 1979 to 2017). The business and investment environment in Angola can be very challenging, which reflects opaque business dealings, widespread corruption and financial constraints.

Key Facts

Key Fact	Detail
Head of state	President Joao Manuel Goncalves Lourenco
Capital	Luanda
Timezone	GMT +01-00
Official language	Portuguese
Population (millions)	31.8
GDP (USD billions)	85.2
GDP per capita (USD)	2,679
Life expectancy (years)	60.0
Literacy (% of adult pop.)	71.2
Surface area (sq km)	1,246,700

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	0.9	-2.6	-0.2	-1.2	-0.8
Nominal GDP in USDbn	116	101	122	106	85
Nominal GDP in local currency (bn)	13,950	16,550	20,262	26,778	31,101
GDP per Capita in USD	4,167	3,506	4,096	3,437	2,679
Population (year-end, m)	27.9	28.8	29.8	30.8	31.8
Exchange rate (yr avge, USD-LCU)	120.1	163.7	165.9	252.9	364.8
Current Account in USDbn	-10.3	-3.1	-0.6	7.4	0.7
Current Account (% of GDP)	-8.8	-3.1	-0.5	7.0	0.8
FX reserves (year-end, USDbn)	23.8	23.7	17.5	15.4	16.3
Import Cover (months)	7.5	11.1	7.4	7.1	7.2
Inflation (annual avge, %)	9.2	30.7	29.8	19.6	17.1
Govt Balance (% GDP)	-2.9	-4.5	-6.3	2.2	0.5

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-4.1	1.9	2.8	3.1	3.0
Nominal GDP in USDbn	68	82	91	101	111
Nominal GDP in local currency (bn)	37,283	47,489	54,677	61,445	68,225
GDP per Capita in USD	2,063	2,413	2,602	2,787	2,974
Population (year-end, m)	32.9	33.9	35.0	36.1	37.3
Exchange rate (yr avge, USD-LCU)	550.0	580.0	600.0	610.0	615.0
Current Account in USDbn	-3.8	-1.6	-2.5	-1.9	-1.4
Current Account (% of GDP)	-5.6	-1.9	-2.7	-1.9	-1.3
FX reserves (year-end, USDbn)	12.5	14.0	14.0	14.5	15.0
Import Cover (months)	6.2	6.1	5.8	5.9	6.0
Inflation (annual avge, %)	25.0	25.0	12.0	9.0	7.8
Govt Balance (% GDP)	-5.2	-4.5	-4.2	-3.0	-2.8

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Angola	Nigeria	Mozambique	S. Africa	Zambia
Income per Capita (USD)	2,063	2,106	429	4,711	1,258
Country Population (m)	32.9	206.1	31.3	59.3	18.4
Internet users (% of population)	13.0	25.7	17.5	54.0	25.5
Real GDP Growth (% p.a., 2020 - 2029)	2.0 - 6.0	5.5 - 7.0	6.0 - 7.5	1.5 - 2.5	3.3 - 5.0

Source: Various sources/Dun & Bradstreet



LINKS

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