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Angola Economic Briefing – Issue #3

Welcome to the Angola Economic Briefing — a twice-weekly essential update and analysis on Angola's political economy, from Zitamar Consulting LLP.

The Angola Economic Briefing is produced by the team behind [Zitamar News](#), Mozambique's premier English-language business news service since 2015 — in partnership with Angola-focused [Moxico Risk Consulting LLP](#), and Mark Bohlund, a seasoned Africa economist formerly of IHS Markit and Bloomberg.

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World Bank Cuts Angolan Growth Forecast to -4% ([World Bank](#))

Summary:

*The World Bank has slashed its forecast for Angola economic growth in 2020 to -4% from +1.5% previously in its latest **Global Economic Prospects** report. The bank is expecting Sub-Saharan Africa to contract by 2.8% this year, the sharpest contraction on record and 5.8 percentage points lower than its previous 3.0% growth forecast in January. It maintained its 3.1% growth forecast for the region in 2021.*

Analysis:

The report focuses heavily on the impact of Covid-19 on sub-Saharan Africa but the downgrade in the forecast for Angola appears primarily driven by low prices and demand for oil and metals. The forecast is considerably more pessimistic than the IMF's forecast of -1.4% from April, most likely reflecting Angola's participation in the OPEC+ group's cut to oil output and the worsening global economic outlook over the past two months. The World Bank raised its 2021 growth forecast for Angola to 3.1% from 2.4% previously, but even so the loss in output this year is not expected to be recovered until well into 2022 at the earliest.

Business association warns of 4,000 job losses due to covid-19 ([VOA](#))

Summary:

*The Union of Small and Medium Business People of Angola (**União dos Pequenos e Médios Empresários de Angola**) have warned of 4,000 potential job losses as a result of the covid-19 pandemic. In particular, they highlighted growing inflation, devaluation of the Kwanza and high interest rates on loans as taking their toll. Members of the organisation went on to criticise the government's response to the economic issues they are facing, highlighting the government's alleged lack of action in finding and returning embezzled funds from the previous administration, the bloated public sector, and the prevalence of senior politicians in the Angolan private sector.*

Analysis:

This has not been a good week for President Lourenço given his government's sensitivity to criticisms over the economy. Isabel dos Santos made headlines warning of job losses at her Candando supermarkets, the Banco de Poupança e Crédito (BPC) have warned of 1,600 job losses as part of their restructuring deal, and now this warning from a key Angolan business association. Providing 500,000 new jobs was a key electoral pledge of Lourenço's in September 2017, a popular pledge in a country where a third of young people are jobless. There is now concern that rising unemployment will negatively impact the MPLA in the upcoming municipal elections. We expect to see continued rising unemployment as the COVID-19 pandemic moves the Angolan economy into recession. Growing unemployment increases the risks of organised street protests of the kind seen in Luanda on 23 January 2020.

ECCAS Supports Angola's Candidacy ([Plenglish](#))

Summary:

The Council of Ministers of the Economic Community of Central African States (ECCAS) approved Angola's candidacy to chair the Commission of the regional body, during an Extraordinary Session held by videoconference on 3-4 June. The proposal was approved by consensus and will be submitted for final consideration by the heads of state and government of ECCAS' 11 member countries (Angola, Burundi, Cameroon, Chad, Central African Republic, Democratic Republic of Congo, The Republic of Congo, Equatorial Guinea, Gabon, Rwanda and Sao Tome and Principe).

Analysis:

The straddling of more cohesive regional bodies is one reason why ECCAS is ranked as moderately integrated, according to the African Development Bank's African Regional Integration Index. Angola's main economic ties within the ECCAS are with neighbouring DRC, which like Angola is among the least integrated ECCAS states, according to AfDB. The DRC has applied for full membership of the East African Community, as part of a rapprochement with its eastern neighbours Kenya, Rwanda and Uganda — and the EAC is likely to accept the DRC's application in our view. The informal nature of most of the DRC's trade with neighbouring countries reduces the on-the-ground impact of regulatory changes as a consequence of joining the EAC, but it would leave Angola diplomatically more isolated.

Angola calls for international aid to fight Covid-19 in Central Africa ([Angop](#))

Summary:

The Angolan ambassador to the UN stressed the need for international assistance to help Central Africa combat the covid-19 pandemic at a session of the UN Peace Building Commission On 9 June. The ambassador said that the ECCAS Council of Ministers (see above) had mandated that the government of the member states should review a draft strategy paper on how to combat the Covid-19 epidemic, with the aim of raising \$26m from member states for this effort.

Analysis:

Of ECCAS' 11 member states, six are also members of the Central African Monetary and Economic Community, which shares a common currency in the form of the Central African CFA franc, and two are part of the East African Community (EAC). The CEMAC central bank has provided the most substantial regional response to covid-19 by providing liquidity to its member states amounting to \$800m. ECCAS does not possess that kind of firepower and is thus dependent on funds from member states or external assistance.

Isabel dos Santos supermarket chain seeks state bailout ([Jornal Economico](#))

Summary:

Isabel dos Santos gave an interview to Valor Economico on 8 June warning of the problems facing her Grupo Contidis-owned Candando supermarket chain since the freezing of her assets by the Angolan Attorney General on 23 December 2019, and the subsequent freezing of her Portuguese assets on 11 February 2020. She warned that half of her Candando supermarkets might have to close due to a loss of access to credit facilities following the Attorney General's freeze order, which would result in the loss of over 1,000 jobs. On 11 June, Isabel dos Santos presented a company support plan to Angola's Ministry of Industry and Commerce, requesting 'access to credit lines for purchases from national suppliers and for international purchases' and stated that she could not quantify exactly how many stores would need to close or how many workers would lose their jobs if support was not forthcoming.

Analysis:

Isabel dos Santos's warnings made front-page news across Angolan news networks, and prompted an immediate response from the Ministry of Industry & Commerce in Novo Jornal, which sought to calm workers, assuring them that there would be no job losses or store closures. Her latest dire warnings about the negative repercussions of her being targeted in President Lourenço's anti-corruption drive are not new. They are part of a pattern that began in January 2020, when she was highly critical of President Lourenço's economic track record in interviews with Portuguese news channel RTP3 on 15 January and with the BBC on 16 January. It seems unlikely that the Angolan state will bail out Grupo Contidis, given the political issues between dos Santos and the current administration. However, her warnings have served to put the onus on the Angolan state to make the next move in order to avoid job losses, which they are very sensitive to as creating 500,000 jobs was a key electoral pledge of President Lourenço in 2017.

UNITA pushes back against municipal election delays ([NovoJornal](#))

Summary:

Main opposition party UNITA's president Adalberto Costa Júnior said on 10 June that the government should not use the covid-19 pandemic as an excuse to delay municipal elections. Júnior highlighted President Lourenço's pledge to hold the elections at some stage this year. He was also critical of the ruling MPLA's covid-19 response, saying that it would have been more effective if municipal governments were up and running, and that mass testing needed to be rolled out in order to effectively combat the pandemic.

Analysis:

Adalberto Costa Júnior has been pushing hard for municipal elections to take place in 2020, but he is probably fighting a losing battle. Wary of calling for street protests (for fear that they may turn violent and discredit the party), UNITA have limited themselves to putting public pressure on President Lourenço to make good on his promise to hold the elections this year. The MPLA are using a policy of 'gradualism' — slowing down municipal election preparations by tying up every piece of related legislation in debate in the National Assembly. The MPLA now have a very supportive new head of the National Electoral Commission and an excellent excuse to delay the elections because of the pandemic. It is highly unlikely that they will run municipal elections before September 2020, when the rainy season begins, so we expect the elections to run at some stage before September 2021.