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Angola Economic Briefing – Issue #4

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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Angola, in recession, faces \$5bn debt service - Fitch ([Novo Jornal](#))

Summary:

Angola is facing \$5bn, corresponding to 8% of GDP, in external debt repayments this year according to the 2Q20 edition of Fitch Ratings' Sub-Saharan Africa Sovereign Credit Overview. The rating agency expects real GDP to contract by 1.5% this year with oil production dropping to 1.3mbpd. It expects public debt to rise to 107.5% of GDP and interest payments to consume 60% of government revenue.

Analysis:

Fitch has downgraded its forecasts for Angola since it cut its sovereign rating to B- on 6 March. The new growth projections are in line with the IMF's from April but more optimistic than the World Bank's forecast for a 4% contraction published in June. The tentative agreement to defer debt service to China and application for participation in the G20 Debt Service Suspension Initiative on 2 June (see Angola Economic Briefing - Friday 5 June 2020) provides some mitigation to the deterioration to the economic outlook since March. Angola remains at a high risk of a further rating downgrade to CCC+ over the next three years, with an increase in oil revenue through rising production or a higher oil price the most likely stabiliser of Angola's creditworthiness.

Angola's oil export value plunges 48% in May - finance ministry ([Reuters](#))

Summary:

Angola's oil exports fell 48% in May from the previous month, largely due to a sharp drop in the price of crude oil to \$18 per barrel during the month. Revenue from crude exports fell to AOA225bn (\$382mn) in May, down from AOA432.5bn in April, according to figures released by the finance ministry. In volume terms, export fell by a more modest 8% to 40.96 mn barrels in May, down from 44.59 million barrels in April.

Analysis:

Angola's oil revenue is likely to recover moderately in the near term as the Brent crude price has traded closer to \$40 per barrel in mid-June, more than double its average level in May. The effect of lower output volumes is likely to remain, as Angola has agreed to cut its production in 3Q to comply with an agreement of the OPEC+ group of oil-producing companies in April and compensate for reportedly producing 130,000bpd above its 1.18mbpd quota in May. We see a high likelihood that Angola will continue to produce above its quota in 3Q in spite of its pledges at the OPEC meeting on 6 June.

BP takes \$17.5 billion hit, ditches oil exploration projects ([Evening Standard](#))

Summary:

Oil giant BP has written down its assets by up to \$17.5bn after cutting its forecast for the oil price to average of \$55 a barrel for 2021 to 2050, 30% lower than previously assumed. As part of this, the company will review whether to go ahead with exploration projects in Angola, Canada, Brazil and Mexico.

Analysis:

It is no surprise that Angolan projects figure prominently on BP's cost-cutting list as they remain relatively high in cost. BP's oil output from Angola is likely to fall below 100,000bpd this year, compared to 192,000bpd in 2017. The start of output from the Platina and Zinia 2 fields in 2021 is likely to lift BP's Angolan output by 100,000bpd. However, further increases are now in doubt despite the company being awarded rights in January to develop several offshore blocks. Oil and gas exploration in Angolan waters ended abruptly this year due to the combined impact of the collapsing oil price and Covid-19 pandemic. IHS Markit estimated that no oil exploration rigs operated in Angolan waters in May for the first time since records began in 1984.

Dos Santos ally Carneiro loses corruption trial appeal ([Novo Jornal](#))

Summary:

General Higinio Carneiro has lost his appeal at Angola's Supreme Court, after arguing that the travel restrictions placed on him following allegations of money laundering from the Attorney General's office last year were unconstitutional. Carneiro is not allowed to leave the country and has to regularly report his whereabouts to the authorities. Carneiro's lawyers also claimed that the prosecution was politically motivated and showed political bias. The Supreme Court disagreed and rejected the appeal. Novo Jornal sources noted that the Supreme Court intends to announce a trial date soon, but are first looking into stripping Carneiro of his parliamentary immunity.

Analysis:

Carneiro, a former governor of Luanda Province, was one of the five most powerful MPLA generals under the rule of former President Dos Santos. His fortunes changed rapidly under President Lourenço, and on 13 February 2019 he was accused of money laundering, abuse of power, criminal association and mismanagement of Luanda Province during his tenure as governor (2016-17). The rejection of Carneiro's appeal, along with the rejection of a similar appeal by Former Minister of Transport Augusto Tomás (see Angola Economic Briefing - Friday 5 June 2020), indicates that President Lourenço remains serious in his anti-corruption drive. Carneiro is also a wealthy businessman, which puts companies owned by Carneiro at risk of asset freezes at the onset of this trial. This will increase contract non-payment risks for entities working with these companies.

Angola's airports to reopen on 30 June ([Lusa](#))

Summary:

A joint decree from Angola's Ministries of the Interior, Transport, Health, and Tourism was published in the Diário da República on 12 June, stating that commercial air passenger travel to and from Angola could restart on 30 June, subject to certain restrictions by the health authorities. Travel will be permitted for a broad series of reasons, although tourism is not listed. The Ministry of Health will remain responsible for managing a 14 day quarantine period, free of charge, for those entering Angola. However, if there is no space, people arriving may be required to pay for their own hotel to quarantine in. Quarantine time is reduced to seven days for those who pay for a covid-19 test in a government-approved facility. Returning diplomats are permitted to quarantine at home. Those departing Angola will also be required to take a covid-19 test eight days before travel.

Analysis:

While this does not represent a full reopening of Angola's airspace, the very broad phrasing of the decree means that most business travellers can find a way to either enter or exit Angola if they need to. Entrance will be permitted for those with residency permits, as well as holders of refugee status, and short-term, work, and student visas. The website of the Angolan Consulate in London is an excellent resource for those seeking more details on any of these visa types. Potential visitors should also note that travel from Luanda Province to Angola's other seventeen provinces remains heavily restricted, and a travel permit is required to cross the provincial boundaries during the COVID-19 pandemic.

President appoints leaders for new mining institute ([Portal de Angola](#))

Summary:

On 10 June President Lourenço unveiled his leadership team for Angola's newly created mineral resources concessionaire, the Agência Nacional de Recursos Minerais. Jacinto Ferreira dos Santos Rocha was appointed as Chairman of the Board of Directors. The Executive Directors will be Djanira Alexandra Monteiro dos Santos, João Paulino Júlio Chimuco, Lucombo Francisco Pedro and Moisés David.

Analysis:

Rocha is a South Africa-trained mining engineer who has been consulting for the Ministry of Natural Resources, Petroleum and Gas since 2018. He also has many years of experience working in South Africa's Ministry of Mineral Resources and Energy. This competent team should help to push through the reform agenda of Diamantino Azevedo, Angola's Minister of Mineral Resources and Petroleum (The Agência Nacional de Recursos Minerais sits as a sub-department of the Ministry of Mineral Resources and Petroleum). Over the next two months, Rocha will oversee the dismantling of national iron ore company FERRANGOL as well as taking on the concessionaire role from both FERRANGOL and national diamond company ENDIAMA. This is all great news for investors in Angola's mining sector, as it will increase transparency and competition, streamline bureaucracy and reduce conflicts of interest in the mining concession applications.