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## Angola Economic Briefing – Issue #7

*Welcome to the Angola Economic Briefing — a twice-weekly update and analysis of the latest political, economic and energy-sector developments in Angola, 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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## New stats show Angola could benefit \$7bn from Chinese debt moratorium ([World Bank](#))

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### Summary:

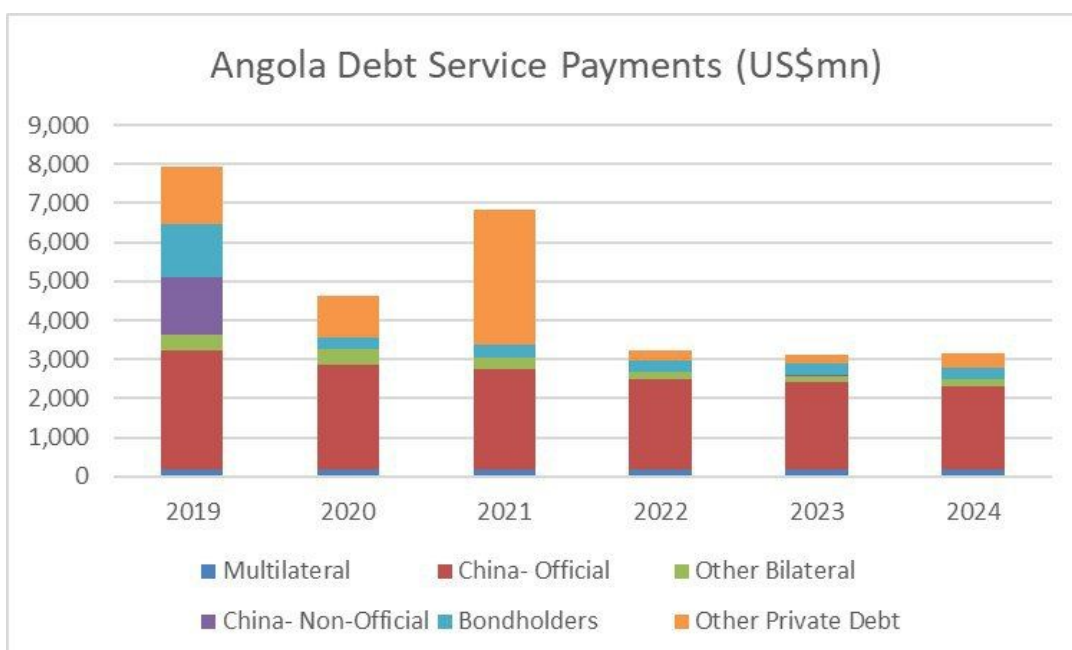
*The World Bank has released an updated version of its new database (see [Angola Economic Briefing – 23 June](#)) of the external debt payments due for countries eligible for the the G20 Debt-Service Suspension Initiative. The data provide an extensive breakdown of debt-servicing payments (interest and principal) to multilateral, bilateral and commercial creditors over 2019 to 2024. Less extensive breakdowns have previously only been provided by official sources in a select number of the countries in question.*

### Analysis:

The new World Bank data is a significant step towards increased availability of sovereign debt data for Angola and other developing countries, but should be interpreted with caution. The data for Angola shows discrepancies between the annual and monthly breakdowns, and when compared to previous estimates from the IMF and ratings agencies. We calculate Angola could save up to \$7bn from a [3-year debt moratorium](#) with China (see [Angola Economic Briefing - 23 June](#)) from 2021 to 2023. A similar amount of payments would be deferred if the debt moratorium runs from May 2020 (the start of the DSSI debt relief) to the end of 2022, according to the World Bank data (although there are discrepancies between monthly and annual data) mentioned above. The DSSI data indicates that an inclusion of non-official Chinese borrowers would only provide relatively limited additional debt-servicing relief over 2021 to 2024.

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### Chart of the Day



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## Reduced budget goes to parliament for approval ([Expansão](#))

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### Summary:

*A revision of the 2020 budget, prompted by the impact of the covid-19 pandemic and the sharp drop in the oil price, was reviewed by the council of economic ministers and will be presented to parliament in the middle of next week for urgent discussion and approval.*

### Analysis:

The budget has been cut by almost a third to AOA10.4 trillion from the previous projection of AOA15.9 trillion in December. In US dollar terms, the slimming is even sharper, to \$18 billion from \$32 billion previously. This mainly reflects a lowering of the oil price assumption to \$33/barrel from \$55/barrel previously and the assumed level of oil output to 1.36mbpd from 1.42mbpd. While the Brent crude price is currently trading above the new oil price assumption in the mid \$40s per barrel, the assumed oil production remains above Angola's OPEC quota.

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## Angola submits oil production cut plans to OPEC ([Bloomberg](#))

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### Summary:

*Angola, along with Nigeria, Gabon and Brunei have submitted plans to the OPEC secretariat for cuts in their oil-production levels to compensate in Q3 2020 for previous output in excess of their agreed quotas, according to unidentified delegates. This follows previous submissions from Iraq and Kazakhstan. The combined cuts amount to 1.26mbd spread over Q3, with Iraq accounting for close to half of that amount. Nigeria has pledged to cut an extra 45,000bpd in Q3 on top of what it had already agreed.*

### Analysis:

Details are yet to be released on how Angola will compensate for its above-quota production in Q2. Angola produced around 130,000bpd above its 1.18mbpd quota in May, and is likely to have to compensate for this over Q3. We expect the cuts to be back-loaded in August and September when Angola's quota, under the current OPEC+ agreement, is scheduled to increase to 1.25mbpd, meaning that Angola's OPEC-approved production is likely to remain around 1.18-1.2mbpd in 3Q. This will limit the improvement in foreign-exchange earnings in Q3 2020 to the effects of the increase in the Brent crude price and the deferment of external debt service payments to G20 bilateral partners.

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## UNITA increases pressure on MPLA over Cabinda insurgency ([Lusa](#))

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### Summary:

*Opposition UNITA deputy Raúl Danda has said that it was “true insanity” for the Angolan government to be denying the existence of an armed conflict in Cabinda Province, given the evidence from FLEC’s video announcements and the wounded FAA soldiers lying in Cabinda Military Hospital. Danda was also critical of the Portuguese contribution to the conflict through their “great failure” during the decolonization process, and their failure to criticize the MPLA government due to financial considerations.*

### Analysis:

This was a very strongly worded statement from a senior UNITA member, who accused the MPLA government of lying about the conflict, and warned that they were at risk of playing a worse role in Cabinda than the Portuguese colonizers did. This comparison will prove particularly controversial to a government whose senior members pride themselves on their anti-colonial pedigree. Danda also implied that the UN had officially recognized FLEC following Secretary General António Guterres’ [30 April](#) statement listing 16 armed groups that had responded to his call for a global ceasefire. Such negative attention on the Cabinda conflict is likely to lead to increased restrictions on press freedoms in the enclave and an escalation of military tensions there.

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## New head of mineral resources agency outlines reform agenda ([EuroNews](#))

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### Summary:

*On 22 June the newly appointed Chairman of the National Agency for Mineral Resources Jacinto Rocha was sworn in by Minister of Mineral Resources and Petroleum, Diamantino Azevedo. Rocha pledged that he would “bring order to the sector...and improve the investment climate in the country”. He noted that his focus would not be just on diamonds, but on all of the mineral resources that Angola has on offer — though he highlighted national diamond company ENDIAMA as having a key role in opening up the sector.*

### Analysis:

Rocha has a very close professional relationship with Diamantino Azevedo, who recommended him to President Lourenço because of his extensive track record in reforming South Africa’s mining sector a decade ago, and he should enjoy similar success in his new role. Angola’s diamond sector is proving the fastest and easiest to reform of all the strategic economic sectors, but much of Rocha’s time will likely be taken up with dismantling the national iron ore company FERRANGOL as well as taking on FERRANGOL’s concessionaire role. Azevedo also has high hopes for the development of gold and phosphate reserves in Cabinda Province, phosphate reserves in Zaire Province, and rare earth minerals in Huambo Province.

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## Government plans to cut red tape to improve ease of doing business ([TPA Online](#))

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### Summary:

*The government is planning to cut red tape to make life easier for businesses operating in the country, as part of changes proposed by an Interministerial Commission for State Reform under the guidance of President Lourenço. Minister of State and Chief of Staff to the President Adão de Almeida said processes such as obtaining a criminal record check, certifying qualifications and obtaining permits from municipal authorities relating to land management, would be streamlined. The Interministerial Commission has also proposed reducing the number of public institutions from 144 to 102, in a move aimed at cutting annual public expenditure by AOA 1bn on personnel, and AOA 3bn on goods and services associated with these institutions.*

### Analysis:

Angola sits 177th out of 190 countries in the World Bank's [Ease of Doing Business rankings](#), below Syria, Iraq and Afghanistan. Adão de Almeida's announcement will come as welcome news to anyone who has gone through the slow and inefficient process of obtaining or certifying official documents with Angola's various ministries. These reforms are also in line with suggestions from the IMF in their [Second Review of the Extended Arrangement Under the Extended Fund Facility](#) from December 2019. Criminal record checks from the Ministry of Justice are required for many administrative procedures, and documents frequently need to be certified. The hope is now to digitise some of these processes and allow ministries to share data with one another without citizens having to physically fetch and deliver documents from one ministry to the next. There has been no detail released on which 42 public institutions will be removed, or which will be merged. Hopefully the process will include an overhaul of the immigration service (Serviço de Migração e Estrangeiros: SME), as applying for work permits remains a very cumbersome process, especially for those who are self-employed or not coming to Angola as part of a large company established in the territory.