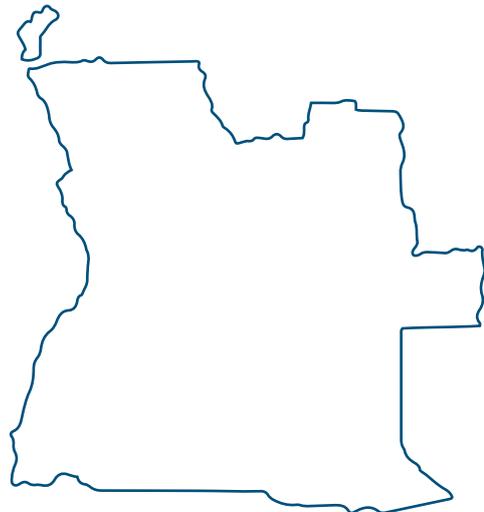


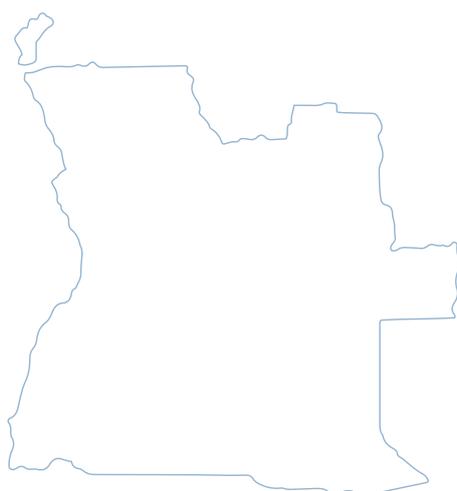


Country outlook ***Angola***





Angola



Form of Government: Semi-presidential republic

Capital: Luanda

Official language: Portuguese

Population: 31 million inhabitants (2019)

Currency: Kwanza (AOA)

Exchange rate: 1 EUR = 540.82 AOA (31/12/2019)
1 USD = 482.23 AOA (31/12/2019)

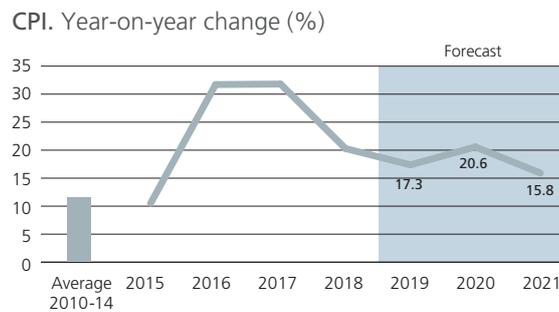
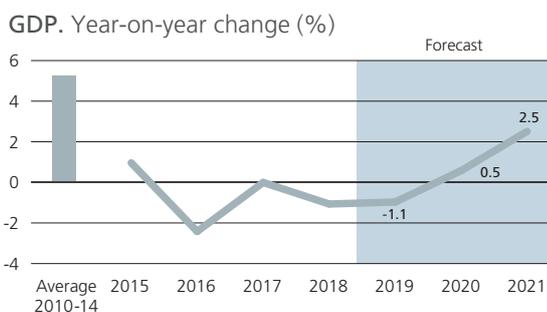
GDP: \$91 billion (0.1% of world GDP)

GDP per capita: \$3,038 (\$6,752 purchasing power parity)

Ease of doing business: 177nd in the world out of 190 according to the World Bank (Doing Business)

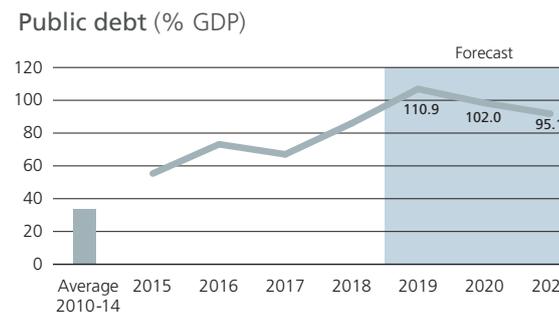
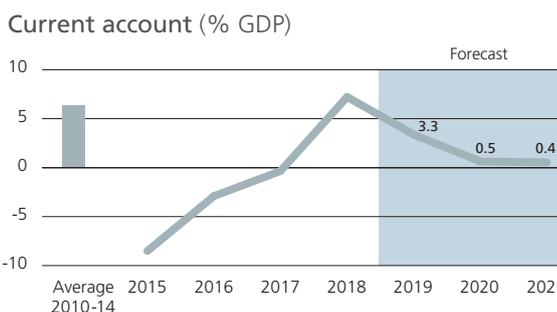
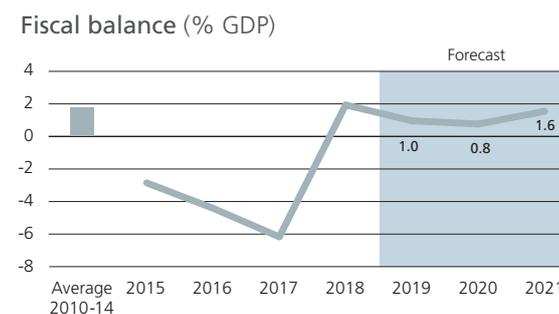
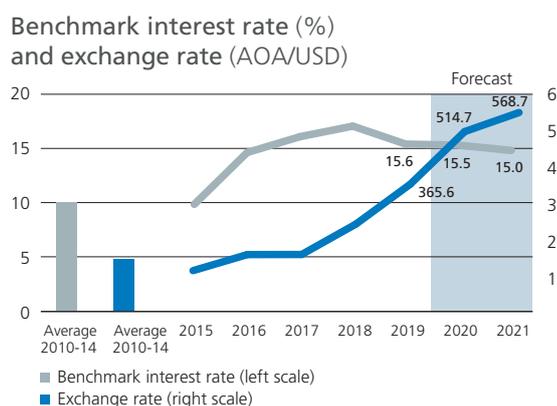
Religion: Catholic: 41.1%

Economic forecast



- The Angolan economy contracted for the 4th consecutive year in 2019. The lower than expected oil production due to persistent underinvestment in the sector and the maturing of oil fields continued to constrain the economy. Nevertheless, the economy will recover somewhat in 2020-2021, with an expected improvement in the non-oil and oil sector and the positive impact of reforms related to the agreement with the IMF. However, some risks remain significant: volatile oil prices, continued fiscal consolidation and a deterioration of the external environment.
- Despite a downward trend until 2019, inflation should rise in 2020 due to the lagged impact of the significant currency devaluation, the introduction of the second phase of the VAT tax, tariff increases in some utilities and the withdrawal of subsidies on certain products (oil and derivatives). Upward pressures on inflation should diminish beyond 2020 given that past adjustments in foreign exchange policy will no longer have as much of an impact and domestic demand should remain contained.

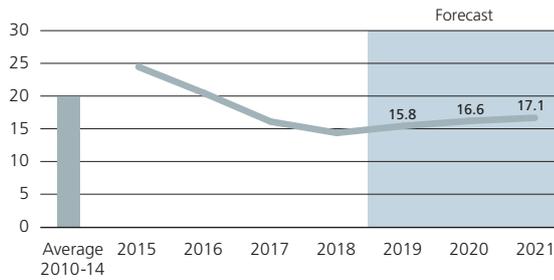
Economic policy



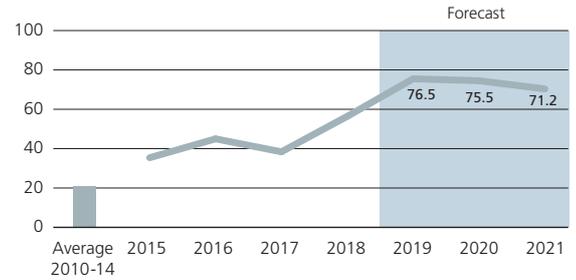
- The fall in oil production and prices and the limited availability of international reserves led to a considerable depreciation of the Kwanza in 2019. This sharp depreciation was in line with a more flexible exchange rate (3.7 bn USD of IMF financial support in Dec 2018) and the intention to reduce the gap with the informal market to circa 20%. In 2020-2021, the Kwanza should continue losing value but at a slower pace. The fall is cushioned by measures taken by the central bank (e.g. a high required reserve ratio in domestic currency) as well as by the fact that major competitive adjustments have already occurred. The reference rate will probably be kept at high levels considering the higher expected inflation.
- Angola is facing a significantly high public debt-to-GDP ratio, which surpasses the sustainability threshold for similar emerging economies. The high public indebtedness combined with the implementation of the IMF program imply fiscal consolidation in 2020 and 2021. In addition, more efforts should be made to diversify the tax base (in a context of lower expected revenues from oil taxes), prioritize public expenditure, eliminate fuel subsidies and clear arrears. Meanwhile, the planned privatization of 195 state-owned enterprises is expected to be concluded in 2022. In order to reach sustainable debt levels, it is crucial to diversify the economy away from the oil sector, promote private sector activities and attract foreign investment.

Financial conditions

Private credit (% GDP)



Gross external debt (% GDP)



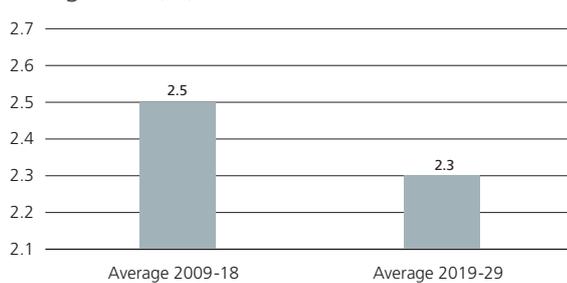
- In the banking sector, the non-performing loans ratio has risen sharply to 29.4% in May 2019 (from 13.1% at the end of 2016). This reflects negative economic growth, foreign currency shortages and the large depreciation of the kwanza. Under the IMF agreement, the BNA completed the asset quality reviews (AQR) on 13 banks. The central bank reveals that banking system is generally robust, with only two banks recording capital gaps. After the assessment, badly capitalized banks will have to submit a plan to raise capital. Banks will have to recapitalize before June 2020.
- External debt rose and peaked in 2019. This evolution is explained by the decline in oil prices and production, which reduced export revenues over the last years. The surge in external debt is also due to the domestic currency's depreciation and the reliance on foreign lending to finance Angola's public investment projects. The main risks regarding external debt are further depreciation of the kwanza, weaker than expected economic growth, changes in oil prices in international markets and tightening financial conditions.

Political situation

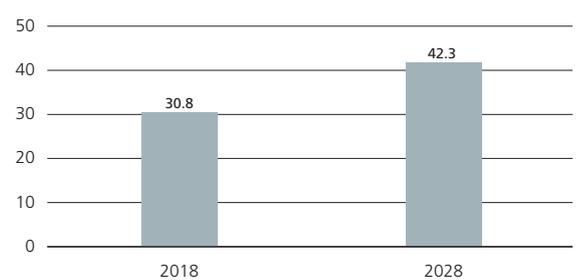
- João Lourenço's presidency, which started in 2017, is resulting in concrete and much needed changes in the country after the more immobilist regime of the previous President, José Eduardo dos Santos (1979-2017). These involve the promotion of non-oil related growth and advancing with structural reforms, in particular in terms of governance and the improvement of institutional quality. While this strategy appears to yield internal support, the risk of political regression cannot be ruled out.
- The new government is decisively addressing the country's economic and structural challenges. The agreement with the IMF and the World Bank is a good example of this strategy which intends to promote more inclusive growth and improve governance. It includes a more flexible exchange rate policy, major fiscal consolidation measures (elimination of fuel subsidies, VAT implementation, etc.) and actions to improve the health of the banking sector.

Long-term outlook

GDP growth (%)

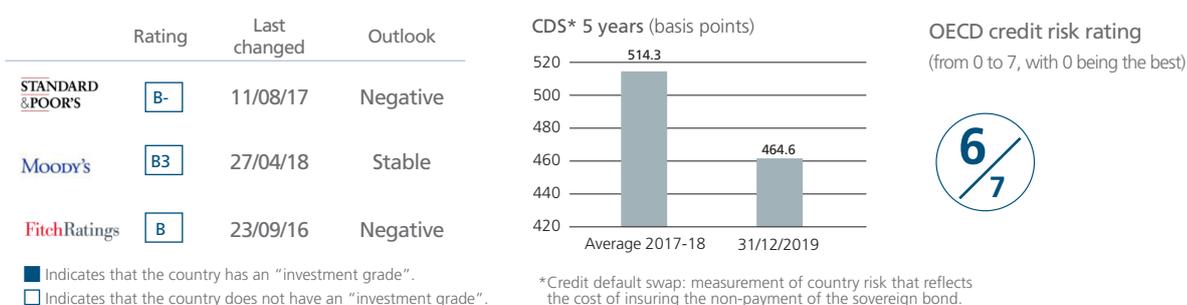


Population (million of inhabitants)



- The outlook for long-term economic growth is slightly more favourable than in the short-term. This prospect is supported by a young and growing population and by the dynamism of some sectors of the economy, which have proved their resilience in recent years. The 3-year IMF intervention should be more effective than the previous one, considering the government's apparent commitment to change the current economic structure and promote economic diversification away from oil.
- The downside risks to this scenario are significant, and are essentially related to the strong dependence on oil, the resistance to implementing reforms and the population's low skill level. Forestalling these risks will require the government to invest heavily in education, health and infrastructure.

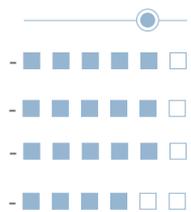
Country risk



Risks

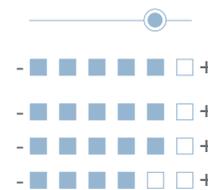
SHORT-TERM

- Inflation
- Price and capacity of production of oil lower than expected
- Financial sector
- Resistance to implementing reforms



LONG-TERM

- Strong dependence on the energy sector
- Supply bottlenecks
- Poverty and social discontent
- Political risk



Business environment

STRENGTHS

- Young population.
- Natural resources.
- Positive reform momentum.

WEAKNESSES

- Low educational level.
- Infrastructure deficit.
- Institutional quality.
- High concentration of SOEs in some sectors.

Main sectors

EXPORTERS

- Oil and by-products, diamonds and agriculture.

IMPORTERS

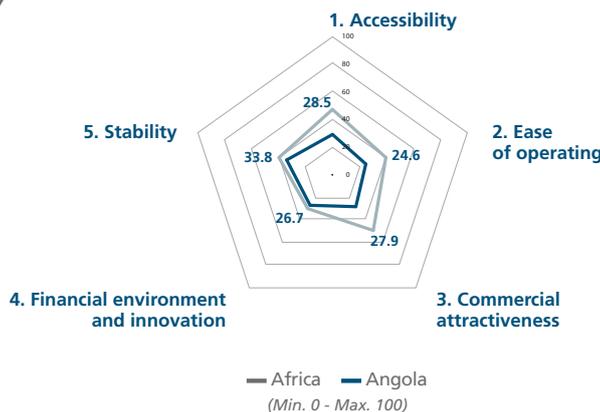
- Machinery, raw material, steel and aluminum articles, electronics and vehicles.

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POSITION IN COUNTRY RANKING



PILLARS



SUBPILLARS

- Top**
- Innovation capability
 - Macroeconomic stability
 - Distance, communications, and agreements with Spain
- Bottom**
- Infrastructures
 - Labour conditions
 - Purchasing Power

Taxation

Angola's taxation system is similar to that of countries in southern Africa with a state-level structure except for some municipal taxes. Its main taxes are:

- Corporate tax: levied on all income from economic activities in the country. There is a standard rate of 30% (industrial sector and services) and 15% (agriculture, livestock, forestry). All Angolan and foreign companies established in the country (offices) are required to pay it. Earnings distributed among company shareholders are also subject to 15% tax.
- Income tax: levied on both employee or self-employed earnings, with the exception of compensation for dismissal, holidays, bonuses

and sick leave. The tax rate varies from 17% to 52%, according to the income earned.

- Tax on consumption: varies according to the product or service. The following are taxed at 5%: telecommunication services, consumption of water or energy, consultancy services (fiscal, financial, accounting, etc.), port, airport and dispatch services, private security, real estate management, cultural events, sports events and acts related to rail, air or road transport. The following are taxed at 10%: all services related to the tourism industry, including hotels, restaurants etc and the distribution of machinery and equipment, irrespective of the economic sector in which it will be used.

Investment

Foreign direct investment flows to Angola in 2018 continued to be negative (-6.8 bn USD), due to the transfers of oil companies to parent companies and decline of oil production. In recent years, Angola has been the fourth largest recipient of foreign investment in the African continent (representing 6.9% of its total FDI), behind South Africa, Nigeria and Kenya. It is also ranked fourth in terms of investor perception as the most attractive place on the continent. The main investors in the Angolan market are Portugal, the Netherlands, South Africa and China. Spain is the seventh largest investor and each year increases its volume of investments as a result of the potential of Angola and the excellent

political, economic and commercial relations that exist between the two countries. In 2018 the Government established a Support Plan for Production, Diversification of Exports and Import Replacement (PRODESI), which contains seven key initiatives aimed at reducing imports, increasing self-sufficiency and diversifying Angolan exports in order to reduce historical oil dependence. One of the most interesting initiatives is one that aims to improve the business environment and, among other things, expand international trade by facilitating economic conditions that attract foreign investment and encouraging the connection of local businesses with global consumers.

Establishment

LOCAL COMPANY

There are five types of company in Angola:

- Quota company (similar to Spain's limited liability company): It must have at least two shareholders, a minimum capital stock of 752 Euros and 75.2 Euros for each quota.
- Public Limited Company: the capital stock must be at least 15,054 Euros and must be divided into shares of equal value, the minimum amount being 3.7 Euros. The minimum number of shareholders is five.

- General partnership.
- Limited partnership.
- Branch.

Angolans can set up a company without any kind of restriction. The most common forms are public limited and quota companies, as well as branches for foreign firms. The process for setting up a company is long and very bureaucratic.

BRANCH

Foreign investors are allowed to set up companies with 100% foreign capital except in the oil and diamond industries. A branch is the most widespread and dynamic form of representation in Angola for a company incorporated under foreign law and allows the investor to carry out commercial activities under the same conditions as a company

incorporated under Angolan law, in spite of not having a legal personality, since branches are classed as local entities dependent on the parent company. The parent company is responsible for the activities carried out by the branch. Setting up a branch requires authorisation from the Angolan Export and Investment Development Agency (ANIP).

REPRESENTATIVE OFFICE

This can be used only during the preparation and proposal of the project that a foreign firm is going to carry out in the country, and must be approved by the National Bank of Angola (BNA). The following is also prohibited: receiving income, either in the national or foreign

currency, carrying out mercantile acts on its own account with the exception of buying or renting premises to carry out its activity, and it must have a maximum of six workers of which at least 50% must be Angolan.

Alliances strategic

FREE TRADE ZONE

There is no free trade zone in the country.

Alliances strategic (continuation)

JOINT VENTURE

The law does not require a local partner in order to carry out economic activity in the country.

Activities of the hydrocarbon sector and the mining and marketing of diamonds is prohibited.

Customs conditions

FREE TRADE AGREEMENTS

Currently belonging to:

- The Economic Community of Central African States (ECCAS).
- The Southern African Development Community (SADC).
- The Tripartite Free Trade Area COMESA - EAC - SADC.
- The Common Market for Eastern and Southern Africa (COMESA).
- The Generalised System of Preferences (GSP).
- The African Growth and Opportunity Act (AGOA).

Commercial relations between the EU and Angola are carried out via the Economic Partnership Agreements (EPA), which started to be negotiated in 2002. The EU grants Angola full freedom of access to its market with the aim of liberalising 80% of the commercial transactions with Angola over the next five years.

The country is preparing all the requirements and conditions so that in 2019 it can join the Free Trade Zone of the Southern African Development Community (SADC), the main customs union in the south of Africa made up of South Africa, Botswana, Namibia, Lesotho and Swaziland.

FREE TRADE ZONE

Despite not having a free-trade zone, Angola has substantially liberalised its foreign trade regime in recent years. Customs duties, for example, are relatively low (5%-10%).

GENERALISED SYSTEM OF PREFERENCES (GSP)

As a developing country, since February 2001 it has been part of the EU initiative "Everything But Arms" (EBA), within the framework of the

Generalised System of Preferences, allowing some of its products to access EU markets free from quotas and tariffs.

Negotiations and protocol

BUSINESS CULTURE

It is important to make the initial approach through official channels when doing business in Angola. Angolans tend to be formal in business

although the huge amount of corruption in the country must also be taken into account. They appreciate trust, visual contact and respect.

Top fairs

- Expo TIC.
- Projekta.
- Expo Trans.
- Agro Angola.
- Expo Uige.
- Flida.

Websites of interest

- Investing in Angola: <http://www.investinangola.org/>
- Angolan Chamber of Commerce: <http://www.ccia.ebonet.net/>
- Business Support Centre: <http://caeangola.com/pt/home/>
- National Customs Service: <http://www.parlamento.ao/>
- Angolan Export and Investment Development Agency: <http://www.mirex.gov.ao/>

Payment and charging methods

MEANS OF COLLECTION

Operations that are not supported by an irrevocable documentary credit, by financing under a guarantee from the Ministry of Finance of Angola or by official support from an ECA (Export Credit Agency), carry a significant risk of

collection. Especially when the payment is made in local currency, since the conversion in USD or EUR and its subsequent repatriation imply a winding process, as a result of the scarcity of foreign currency in the country.

MEANS OF PAYMENT

The most widespread and secure payment method between Angolan and foreign firms is documentary credit.

EXCHANGE RATE INSURANCE

International transactions are affected by market fluctuations and it is therefore advisable secure this kind of transaction against exchange rate risk. Angola also has high inflation and

some instability in the fluctuation of its currency due to its dependence both on oil prices and its neighbouring countries.

CaixaBank in the country

The nearest CaixaBank office is South Africa.

CaixaBank in the world

- Branches
- Representative offices
- Spanish Desks

