



Key Indicators	
Population (2014)	24.2 million
Per capita GDP (constant USD, 2015)	\$5,304
Average population growth rate (2010-2014)	3.3%
Government revenue as a % of GDP (2014)	28.5%
Country income classification	Upper-middle

Source: Muzima and Mendy, 2015; World Bank, 2015; IMF, 2016.

Country Policy and Institutional Assessment Ratings (1 = low, 6 = high), 2014	National	SSA
Efficiency of revenue mobilization	2.5	3.5
Equity of public resource use	2.5	3.3
Fiscal policy	3	3.1
Macroeconomic management	3	3.5
Quality of budgetary and financial management	2.5	3.1

Source: World Bank, 2015. SSA = sub-Saharan Africa.

Macroeconomic Forecasts					
Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)	2017-18 (proj.)
Real GDP growth	.68%	4.5%	3.8%	4.2%	6.2%
GDP per capita growth	3.7%	1.4%	0.7%	1.1%	1.6%

Source: IMF, 2015; IMF, 2016.

Overview

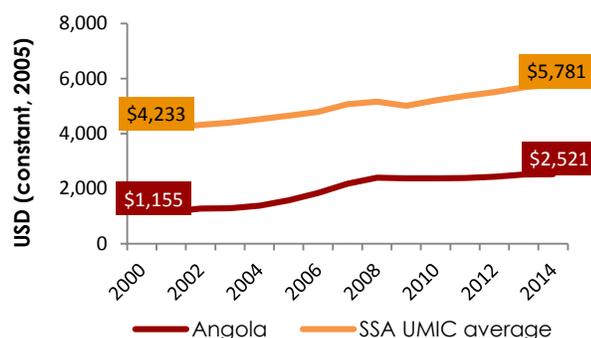
Angola's commodity export-based economy is sensitive to global oil prices and has been hard hit in recent years by continuous declines in international oil prices, a temporary reduction in oil output due to unplanned and unscheduled maintenance activity on its oil fields, and a prolonged drought. Angola is a resource dependent country, with resource rents accounting for 35% of gross domestic product (GDP). In 2013, Angola exported US\$59.9 billion and imported US\$22 billion, resulting in a trade surplus of US\$37.9 billion. The main export was crude oil (US\$56.4 billion); the main imports were refined petroleum and drilling rigs (US\$2.11 billion). In 2014, the economic growth rate was 4.5%, down from 6.8% in 2013. Angola's GDP continued on a downward slope in 2015, which led to public spending cuts. Inflation reached 14.3% in December 2015 and is expected to be 13% in 2016. This high inflation rate, coupled with devaluation of the national currency, may impact the cost of living for the average Angolan. An upper middle-income country (UMIC), Angola's GDP per capita is near the lower threshold of that classification (Figure 1).

Economic growth in Angola is hindered by several issues related to an adverse business environment, inadequate governance and transparency in the management of public resources, weak quality and maintenance of physical infrastructure, limited quality of human resources, weak agriculture growth, inefficient public service delivery to the poor, and difficulties in managing income from nonrenewables. Until these obstacles are addressed via sound policies, good governance, and transparent administration of public funds, sustained economic growth and equitable development will be a challenge.

Political Economy

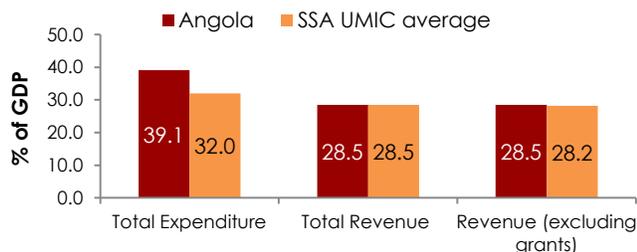
Since the end of the civil war in 2002, Angola has been politically stable. President Eduardo dos Santos has held power since 1979. After adopting a new constitution in 2010, Angola became a presidential republic. Policy and efficiency indicators (see indicators box) are lower for Angola than the average for sub-Saharan African countries. Indicators of fiscal, revenue, and macroeconomic management show weak and sporadic control of economic forces. Price stability often is not achieved, and fiscal management results in the provision of insufficient public goods to foster medium-term growth. With a weak value-added tax and income tax system in place, revenue generation has centered on trade. It is also important to note that vulnerable populations and the poor are not identified properly; if they are, few programs for them are available.

Figure 1: GDP per Capita Growth



Source: World Bank, 2015.

Figure 2: Government Revenue and Expenditure (2014)



Policies and priorities are not reflected in the budget, leading to deviations in actual expenditures and delays and inaccuracies in financial reports.

GDP and Economic Growth

Since 2000, per capita GDP in constant U.S. dollars has increased by an average of 5.3% annually, from US\$606 in 2000 to US\$5,900 in 2014 (Figure 1), outpacing the regional average of 2.2% for UMICs. Unemployment (especially among youth) and poverty rates remain very high, at 26% and 36.6%, respectively; these are compounded by high income inequality. The following are needed to increase equitable economic growth: (1) structural reforms to accelerate economic diversification, (2) reductions in dependency on natural resources, (3) increased productivity, and (4) improvement in the allocation of resources (IMF, 2015).

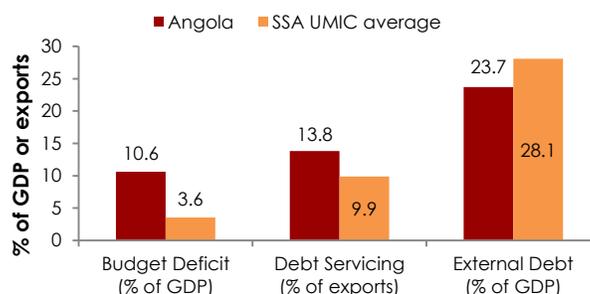
Government Revenue and Expenditure

Total government expenditure accounts for 39.1% of the GDP, whereas total revenue accounts for 28.5% (Figure 2). The government continues to rely heavily on income generated by the export of crude petroleum (Figure 4), which accounts for 94.2% of total exports. Given projected declines in oil revenue, the government is emphasizing expenditure rationalization and increasing non-oil revenue. Government rationalization of expenses most likely will occur within compensation for employees (39%), net acquisitions of non-financial assets (22%), and goods and services (19%), since together they comprise 80% of total government expenditures (Figure 5). The external debt as a percentage of GDP is 23.7%—below the average for other countries in the region (Figure 3). The non-oil sector is expected to grow by 3.4%, mostly due to a stronger recovery in agriculture. To improve revenue from the non-oil sector, the government is aiming to enlarge the tax base, create a single revenue administration agency, strengthen tax inspections, and enforce real estate taxation. Furthermore, fiscal buffers should be restored gradually to conserve the country’s current oil wealth via transparent government structures; this change will ensure that savings are accumulated for future generations. The Fundo Soberano de Angola is an autonomous sovereign wealth fund established in 2012 with an initial endowment of US\$5 billion. Investment returns from the fund are meant to promote growth and social and economic development in Angola.

References and Works Consulted

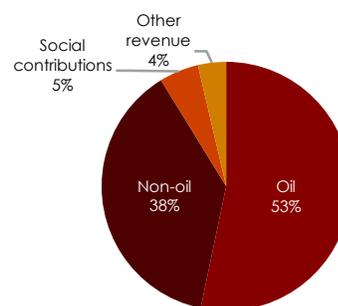
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Figure 3: Government Borrowing (2014)



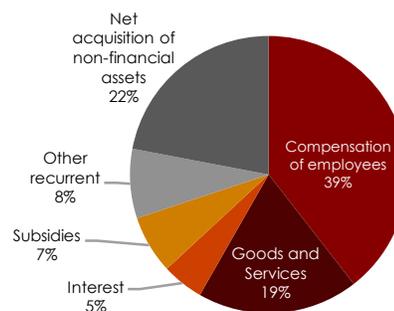
Source: Muzima and Mendy, 2015.

Figure 4: Revenue Sources (2014)



Source: IMF, 2015.

Figure 5: Expenditure (2014)



Source: IMF, 2015.

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