ANGOLA

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COUNTRY REPORT

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Malanje
Lucapa
Saurimo
Porto Amboin
Sumbe
Luena
South Atlantic Ocean
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Lobito
Benguela
Huambo
Kuito
Menongue
Lubango
Namibe
Ondjiva
Zambia
Namibia
Botswana

KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES	
18-MONTH	MPLA 70% (80%)
FIVE-YEAR	MPLA 70%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS				
	TURMOIL	**FINANCIAL TRANSFER**	**DIRECT INVESTMENT**	**EXPORT MARKET**
18-MONTH	Moderate	B	B	C+ (B-)
FIVE-YEAR	Moderate	B-	B-	B-

( ) Indicates change in rating
* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS			
	REAL GDP GROWTH (%)	**INFLATION (%)**	**CURRENT ACCOUNT ($bn)**
2018-2022(AVG)	-0.7	21.2	6.71
2023(F)	1.4	14.2	3.60
2024-2028(F)	3.5	10.3	1.90

OPPOSITION APPLYING PRESSURE

The long-ruling MPLA won a majority of seats at legislative elections held in August 2022, clearing the way for the re-election of the party's leader, João Manuel Gonçalves Lourenço, to a second five-year term as president. However, the election result was the closest ever, and confirmed the steady erosion of support for the MPLA, which garnered just 51.2% of the vote, despite credible claims of voting irregularities and assistance from compliant state institutions, and the low turnout of just 45% provided additional evidence of widespread dissatisfaction with the regime.

The main opposition UNITA controls 90 seats in the 220-member National Assembly and has limited ability to influence policy as long as the MPLA remains united. UNITA leader Adalberto Costa Júnior has adopted a strategy of applying continuous pressure on the government with the aim of testing its cohesion and widening any cracks that might appear.

Toward that end, UNITA recently made a push to impeach Lourenço for alleged undemocratic behavior, corruption, and violations of budget rules. The move came on the heels of an upsurge in popular protests triggered by cuts to fuel subsidies that went into effect in June. While there was never a realistic chance of achieving the two-thirds majority required to remove Lourenço from office, UNITA was counting on discontent in the ranks of the MPLA to ensure enough votes to approve an official impeachment inquiry.

However, the plan was thwarted in mid-October, when the MPLA approved the use of a public vote, rather than a secret ballot, to decide the question of whether to establish an investigation committee, and the motion was rejected in a party-line vote. The opposition staged a walkout of the National Assembly to protest the rules change, denouncing Lourenço as a dictator.

In a similar vein, UNITA has pointed to the president's aggressive pursuit of closer relations with the US, which has been accompanied by overt moves to distance Luanda from its long-time ally Russia, as evidence that he is laying the ground for a third-term bid in 2027 (which presumably will require changes to the constitution) and is hoping to blunt western criticism of his plans by becoming an asset to Washington in a troubled region of the world.

If Lourenço harbors ambitions to extend his tenure beyond the next elections, he will need to at least halt the erosion of popular support for the MPLA, which will be a challenge for his administration as it grapples with implementing sometimes unpopular structural reforms aimed at addressing the key sources of political and social discontent. Responsibility for overseeing the process of economic diversification front has been handed to José de Lima Massano, who gained praise for overseeing reform of the banking system as governor of the central bank. Massano is respected at home and abroad as a highly capable manager, but he is not a politician, and there are doubts about how much he can actually accomplish.

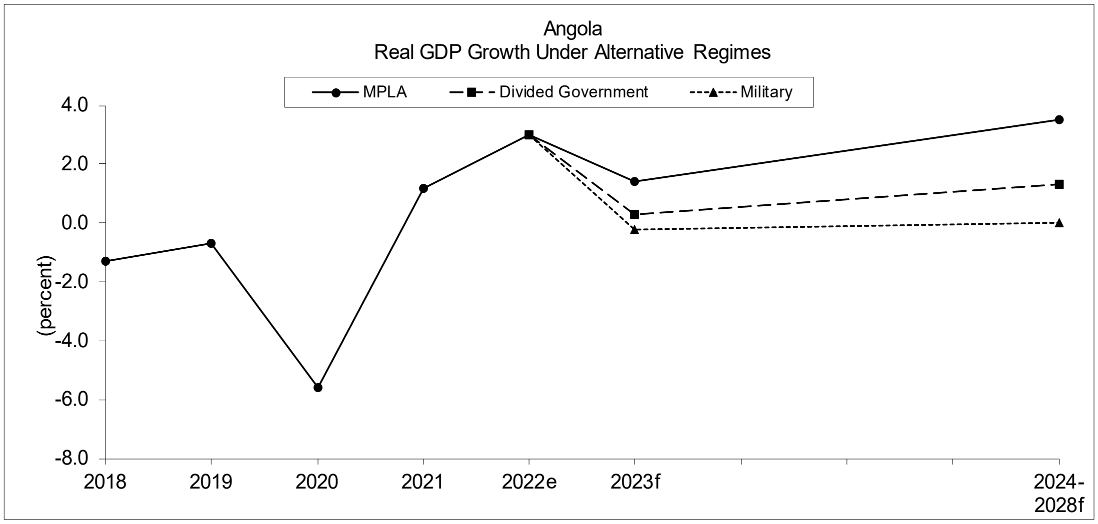
Real GDP growth slowed to just 0.3% (year-on-year) in the first quarter of 2023, as lower oil prices and reduced crude output due to planned maintenance in the Dalia field contributed to an 8% contraction in the oil sector. Production increased in the second quarter, but the oil sector registered another year-on-year decline in April-June, and slower growth of manufacturing and transportation held the headline growth rate for the period to just 0.01%. Conditions are forecast to improve in the oil sector in the second half of the year, but a combination of high inflation and reduced availability of foreign exchange will dampen activity in the non-oil economy, holding overall annual real GDP growth to 1%-1.5%, with risks to the forecast tilted toward the downside.

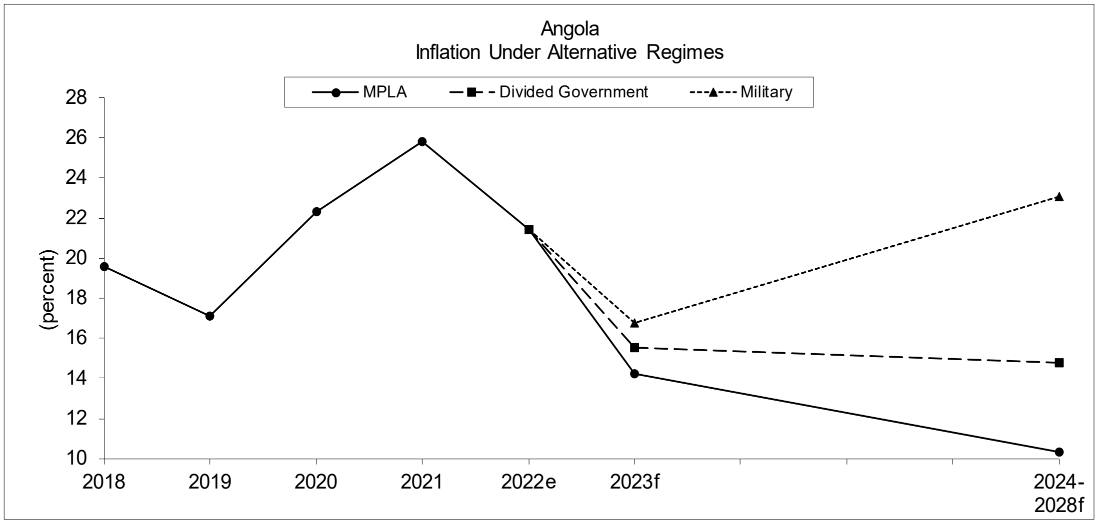
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES									
	MPLA			Divided Government			Military		
	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)
2023	1.4	14.2	3.60	0.3	15.5	2.70	-0.2	16.8	1.80
2024-2028	3.5	10.3	1.90	1.3	14.8	-3.40	0.0	23.1	-5.60

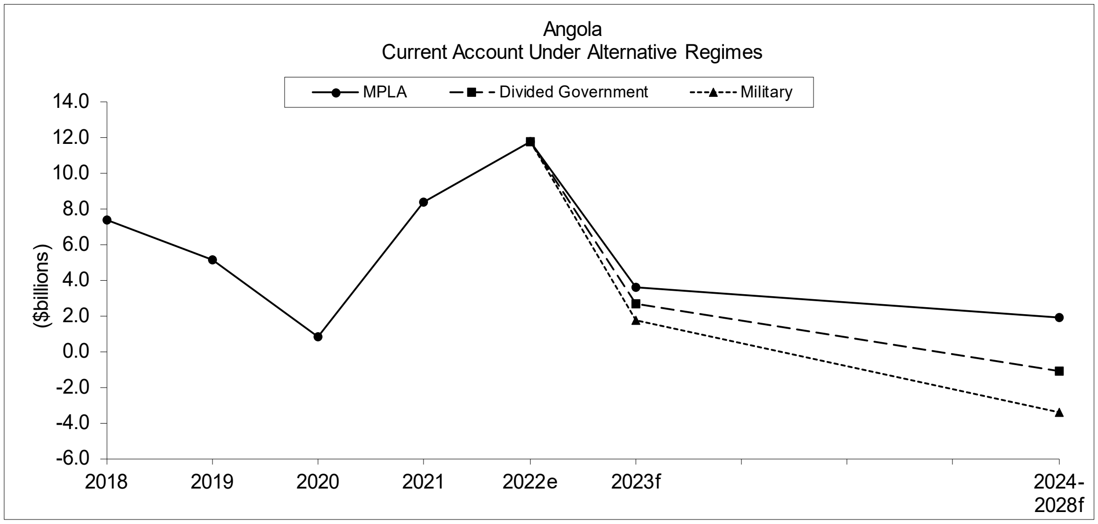
REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST				
REGIMES & PROBABILITIES		MPLA 70%	Divided Government 20%	Military 10%
RISK FACTORS	**CURRENT**			
Turmoil	Moderate	Same	MORE	MUCH MORE
Investment				
Equity	Moderate	SLIGHTLY LESS	Same	SLIGHTLY MORE
Operations	Very High	LESS	Same	SLIGHTLY MORE
Taxation	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE
Repatriation	Moderate	SLIGHTLY LESS	Same	SLIGHTLY MORE
Exchange	Moderate	SLIGHTLY LESS	Same	SLIGHTLY MORE
Trade				
Tariffs	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE
Other Barriers	High	Same	Same	MORE
Payment Delays	Moderate	Same	Same	MORE
Economic Policy				
Expansion	Low	Same	MORE	MUCH MORE
Labor Costs	Moderate	Same	Same	SLIGHTLY MORE
Foreign Debt	Very High	SLIGHTLY LESS	SLIGHTLY MORE	SLIGHTLY MORE
SUMMARY OF FIVE-YEAR FORECAST				
REGIMES & PROBABILITIES		MPLA 70%	Divided Government 20%	Military 10%
RISK FACTORS	**BASE**			
Turmoil	Moderate	Same	SLIGHTLY MORE	MORE
Restrictions				
Investment	Moderate	SLIGHTLY LESS	Same	SLIGHTLY MORE
Trade	Moderate	SLIGHTLY LESS	Same	SLIGHTLY MORE
Economic Problems				
Domestic	Very High	LESS	SLIGHTLY LESS	SLIGHTLY MORE
International	High	SLIGHTLY LESS	Same	MORE

* When present, indicates forecast of a new regime


Angola
Real GDP Growth Under Alternative Regimes
MPLA
Divided Government
Military
(percent)
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
2018
2019
2020
2021
2022e
2023f
2024-
2028f


Angola
Inflation Under Alternative Regimes
MPLA
Divided Government
Military
(percent)
28
26
24
22
20
18
16
14
12
10
2018
2019
2020
2021
2022e
2023f
2024-
2028f


Angola
Current Account Under Alternative Regimes
MPLA
Divided Government
Military
($billions)
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
2018
2019
2020
2021
2022e
2023f
2024-
2028f

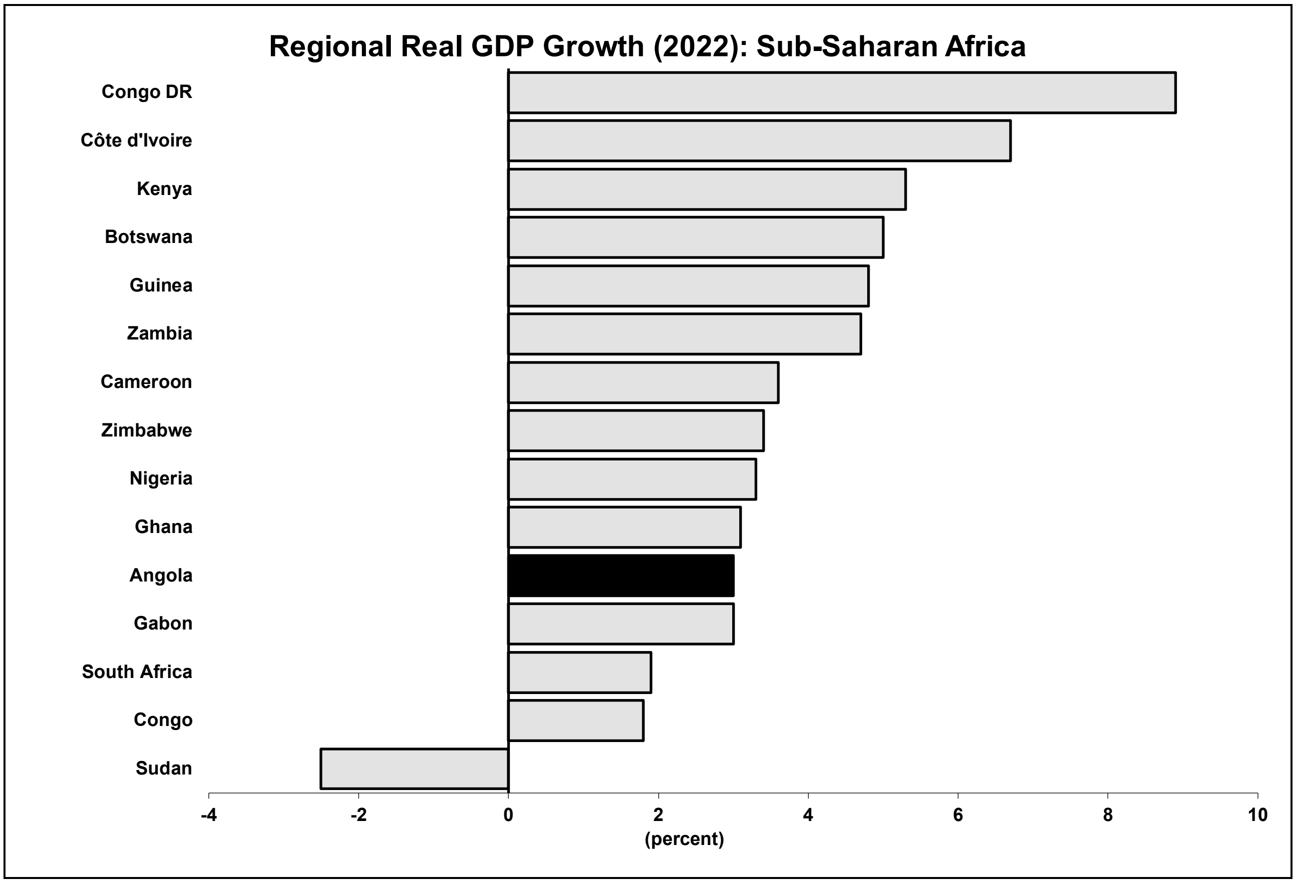
Angola
Econometric Data

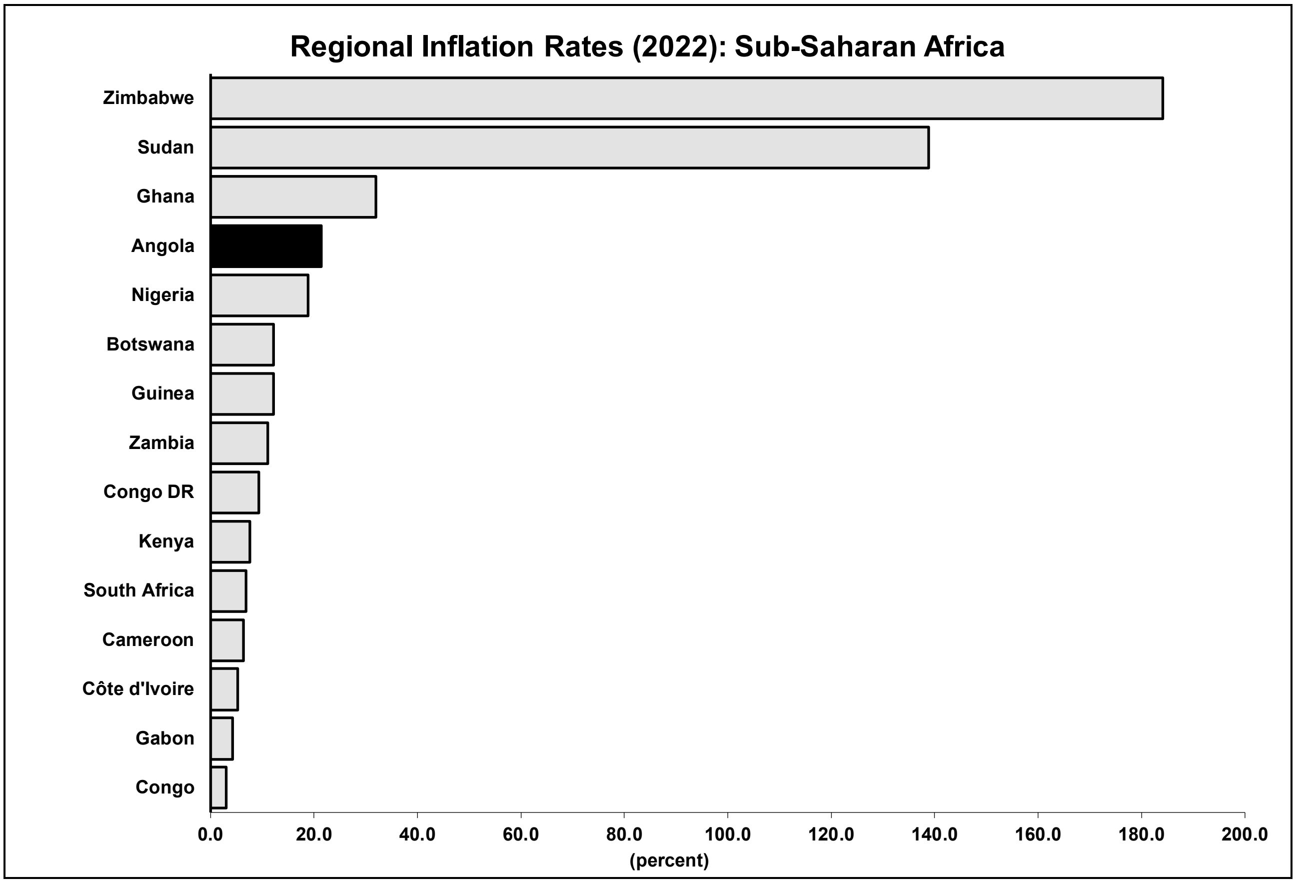
	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, $bn)	124.35	88.13	136.71	145.71	116.19	101.12	122.02
Per Capita GDP ($)	4490	2667	5258	5413	4170	3510	4097
Real GDP Growth Rate (%)	1.6	-0.7	5.0	4.8	0.9	-2.6	-0.2
Inflation Rate (%)	17.2	21.2	8.8	7.3	9.2	30.7	29.8
Capital Investment ($bn)	32.69	15.26	35.76	40.04	32.78	26.51	28.38
Capital Investment/GDP (%)	26.3	16.8	26.2	27.5	28.2	26.2	23.3
Budget Revenues ($bn)	32.39	19.39	50.17	44.73	28.00	17.70	21.35
Budget Revenues/GDP (%)	25.3	22.0	36.7	30.7	24.1	17.5	17.5
Budget Expenditures ($bn)	37.41	18.29	50.72	53.18	31.49	22.25	29.41
Budget Expenditures/GDP (%)	29.4	20.9	37.1	36.5	27.1	22.0	24.1
Budget Balance ($bn)	-5.02	1.10	-0.55	-8.45	-3.49	-4.55	-8.06
Budget Balance/GDP (%)	-4.1	1.1	-0.4	-5.8	-3.0	-4.5	-6.6
Money Supply (M1, $bn)	26.69	12.24	26.86	31.59	28.67	23.70	22.61
Change in Real Wages (%)	-0.5	0.0	0.7	0.1	-0.2	-2.4	-0.5
Unemployment Rate (%)	26.1	30.5	26.0	26.0	26.0	26.4	26.3
International Economic Indicators							
Foreign Direct Investment ($bn)	-0.20	-4.68	-7.12	3.66	10.03	-0.18	-7.40
Forex Reserves ($bn)	20.23	13.28	26.59	22.96	19.84	19.04	12.71
Gross Reserves (ex gold, $bn)	24.69	14.70	31.50	27.03	23.79	23.67	17.46
Gold Reserves ($bn)	0.70	0.99	0.71	0.70	0.63	0.68	0.77
Gross reserves (inc gold, $bn)	25.39	15.68	32.21	27.73	24.42	24.35	18.23
Total Foreign Debt ($bn)	53.00	62.61	44.84	48.38	51.62	60.36	59.80
Total Foreign Debt/GDP (%)	43.8	76.3	32.8	33.2	44.4	59.7	49.0
Debt Service ($bn)	7.34	7.11	5.71	7.20	7.41	8.31	8.07
Debt Service/XGS (%)	18.5	19.7	8.1	11.7	21.4	29.0	22.5
Current Account ($bn)	-1.92	6.71	8.15	-3.75	-10.27	-3.09	-0.63
Current Account/GDP (%)	-1.8	7.1	6.0	-2.6	-8.8	-3.1	-0.5
Current Account/XGS (%)	-7.3	16.8	11.6	-6.1	-29.6	-10.8	-1.8
Exports ($bn)	44.56	36.01	68.25	59.17	33.18	27.59	34.61
Imports ($bn)	20.62	13.71	26.33	28.58	20.69	13.04	14.46
Trade Balance ($bn)	23.94	22.30	41.92	30.59	12.49	14.55	20.15
Exports of Services ($bn)	1.19	0.26	1.32	1.68	1.26	0.71	0.98
Income, credit ($bn)	0.44	0.44	0.82	0.65	0.17	0.34	0.24
Transfers, credit ($bn)	0.04	0.03	0.07	0.05	0.03	0.03	0.04
Exports G&S ($bn)	46.24	36.74	70.46	61.55	34.64	28.67	35.87
Liabilities ($bn)	2.58	6.91	1.50	0.96	1.04	4.28	5.14
Net Reserves ($bn)	22.80	8.78	30.71	26.77	23.38	20.07	13.09
Liquidity (months import cover)	13.6	8.0	14.0	11.2	13.6	18.5	10.9
Currency Exchange Rate	128.891	457.957	96.518	98.303	120.060	163.656	165.916
Currency Change (%)	-9.8	-14.8	-1.1	-1.8	-18.1	-26.6	-1.4
Social Indicators							
Population (million)	27.87	33.02	26.00	26.92	27.86	28.81	29.78
Population Growth (%)	3.5	3.7	3.6	3.5	3.5	3.4	3.4
Infant Deaths/1000	72	58	78	75	72	68	65
Persons under Age 15 (%)	43	45	43	43	43	43	44
Urban Population (%)	65	67	65	65	65	66	66
Urban Growth (%)	4.1	3.9	5.2	3.5	3.5	5.0	3.4
Literacy % pop.	71	71	70	71	71	71	71
Agricultural Work Force (%)	53	55	53	53	53	54	54
Industry-Commerce Work Force (%)	7	8	8	8	7	7	7
Services Work Force (%)	39	37	39	39	40	39	39
Unionized Work Force (%)	11	11	11	11	11	11	11
Energy - total consumption (10^{15} Btu)	0.36	0.34	0.35	0.37	0.38	0.36	0.36
Energy - consumption/head (10^{9} Btu)	0.01	0.01	0.01	0.01	0.01	0.01	0.01

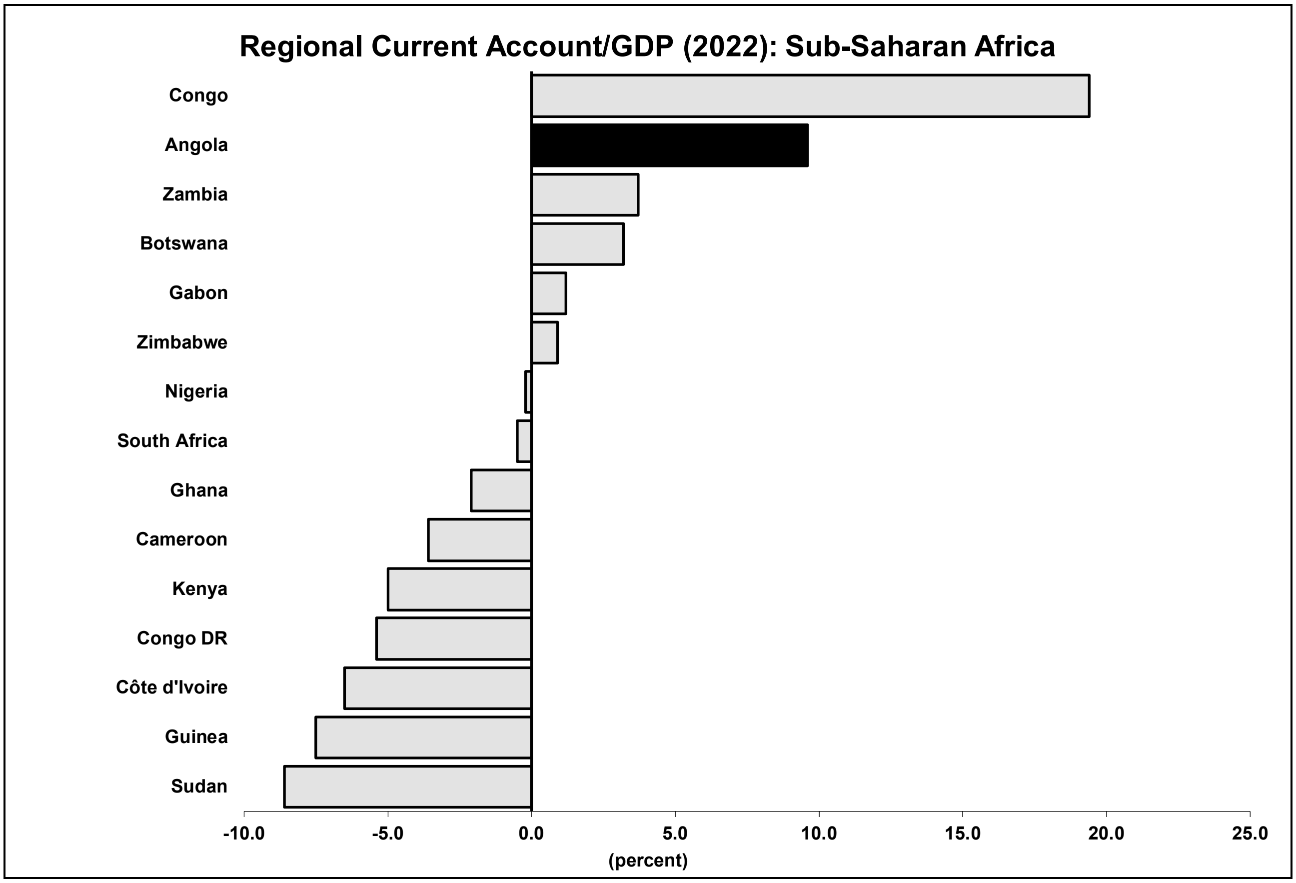
Angola
Econometric Data

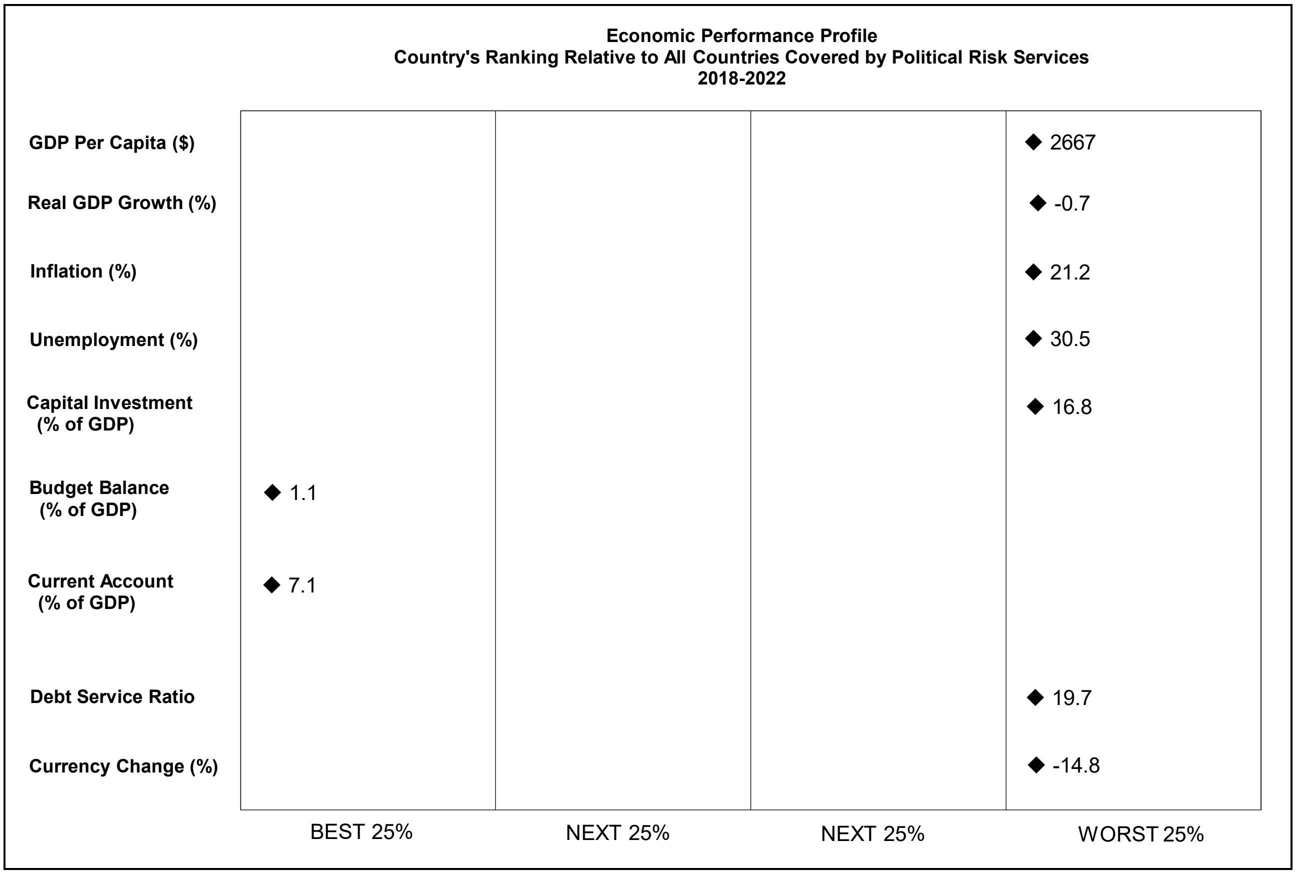
	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, $bn)	124.35	88.13	101.35	84.52	57.14	74.86	122.79
Per Capita GDP ($)	4490	2667	3292	2655	1738	2206	3444
Real GDP Growth Rate (%)	1.6	-0.7	-1.3	-0.7	-5.6	1.2	3.0
Inflation Rate (%)	17.2	21.2	19.6	17.1	22.3	25.8	21.4
Capital Investment ($bn)	32.69	15.26	17.43	13.50	6.98	13.60	24.77
Capital Investment/GDP (%)	26.3	16.8	17.2	16.0	12.2	18.2	20.2
Budget Revenues ($bn)	32.39	19.39	23.21	17.92	12.17	17.43	26.20
Budget Revenues/GDP (%)	25.3	22.0	22.9	21.2	21.3	23.3	21.3
Budget Expenditures ($bn)	37.41	18.29	20.88	17.24	13.31	14.58	25.44
Budget Expenditures/GDP (%)	29.4	20.9	20.6	20.4	23.3	19.5	20.7
Budget Balance ($bn)	-5.02	1.10	2.33	0.68	-1.14	2.85	0.76
Budget Balance/GDP (%)	-4.1	1.1	2.3	0.8	-2.0	3.8	0.6
Money Supply (M1, $bn)	26.69	12.24	16.19	13.94	10.16	9.24	11.66
Change in Real Wages (%)	-0.5	0.0	-19.7	45.4	-14.2	-6.6	-5.1
Unemployment Rate (%)	26.1	30.5	27.2	28.8	32.3	32.3	32.0
International Economic Indicators							
Foreign Direct Investment ($bn)	-0.20	-4.68	-6.46	-4.10	-1.87	-4.36	-6.60
Forex Reserves ($bn)	20.23	13.28	14.06	15.33	12.78	12.53	11.71
Gross Reserves (ex gold, $bn)	24.69	14.70	15.41	16.31	13.76	14.42	13.58
Gold Reserves ($bn)	0.70	0.99	0.76	0.90	1.12	1.08	1.08
Gross reserves (inc gold, $bn)	25.39	15.68	16.17	17.21	14.88	15.50	14.66
Total Foreign Debt ($bn)	53.00	62.61	60.30	62.58	63.62	64.43	62.11
Total Foreign Debt/GDP (%)	43.8	76.3	59.5	74.0	111.3	86.1	50.6
Debt Service ($bn)	7.34	7.11	7.91	8.22	5.01	4.94	9.46
Debt Service/XGS (%)	18.5	19.7	18.9	22.9	23.2	14.5	18.8
Current Account ($bn)	-1.92	6.71	7.40	5.14	0.87	8.40	11.76
Current Account/GDP (%)	-1.8	7.1	7.3	6.1	1.5	11.2	9.6
Current Account/XGS (%)	-7.3	16.8	17.7	14.3	4.0	24.7	23.4
Exports ($bn)	44.56	36.01	40.76	34.73	20.94	33.58	50.04
Imports ($bn)	20.62	13.71	15.80	14.13	9.54	11.79	17.27
Trade Balance ($bn)	23.94	22.30	24.96	20.60	11.40	21.79	32.77
Exports of Services ($bn)	1.19	0.26	0.63	0.45	0.07	0.09	0.08
Income, credit ($bn)	0.44	0.44	0.45	0.69	0.54	0.35	0.18
Transfers, credit ($bn)	0.04	0.03	0.01	0.01	0.06	0.03	0.03
Exports G&S ($bn)	46.24	36.74	41.85	35.88	21.61	34.05	50.33
Liabilities ($bn)	2.58	6.91	7.21	7.77	7.31	6.17	6.08
Net Reserves ($bn)	22.80	8.78	8.96	9.44	7.57	9.33	8.58
Liquidity (months import cover)	13.6	8.0	6.8	8.0	9.5	9.5	6.0
Currency Exchange Rate	128.891	457.957	252.856	364.824	578.257	631.438	462.410
Currency Change (%)	-9.8	-14.8	-34.4	-30.7	-36.9	-8.4	36.6
Social Indicators							
Population (million)	27.87	33.02	30.79	31.84	32.87	33.93	35.65
Population Growth (%)	3.5	3.7	3.4	3.4	3.2	3.2	5.1
Infant Deaths/1000	72	58	61	60	58	57	55
Persons under Age 15 (%)	43	45	44	45	45	45	45
Urban Population (%)	65	67	67	67	67	67	68
Urban Growth (%)	4.1	3.9	5.0	3.4	3.2	3.2	4.8
Literacy % pop.	71	71	71	71	71	72	72
Agricultural Work Force (%)	53	55	55	55	55	56	56
Industry-Commerce Work Force (%)	7	8	7	8	8	8	8
Services Work Force (%)	39	37	38	37	37	36	36
Unionized Work Force (%)	11	11	11	11	11	11	11
Energy - total consumption (10^{15} Btu)	0.36	0.34	0.35	0.35	0.34	0.33	0.33
Energy - consumption/head (10^{9} Btu)	0.01	0.01	0.01	0.01	0.01	0.01	0.01

INTRA-REGIONAL COMPARISONS






Regional Current Account/GDP (2022): Sub-Saharan Africa
Congo
Angola
Zambia
Botswana
Gabon
Zimbabwe
Nigeria
South Africa
Ghana
Cameroon
Kenya
Congo DR
Côte d'Ivoire
Guinea
Sudan
-10.0
-5.0
0.0
5.0
10.0
15.0
20.0
25.0
(percent)


Economic Performance Profile
Country's Ranking Relative to All Countries Covered by Political Risk Services
2018-2022
GDP Per Capita ($)
2667
Real GDP Growth (%)
-0.7
Inflation (%)
21.2
Unemployment (%)
30.5
Capital Investment (% of GDP)
16.8
Budget Balance (% of GDP)
1.1
Current Account (% of GDP)
7.1
Debt Service Ratio
19.7
Currency Change (%)
-14.8
BEST 25%
NEXT 25%
NEXT 25%
WORST 25%

GEOPOLITICAL & ECONOMIC ANALYSIS

OPPOSITION TESTING MPLA'S COHESION

The long-ruling People's Movement for the Liberation of Angola (MPLA) won a majority of seats at legislative elections held in August 2022, clearing the way for the re-election of the party's leader, João Manuel Gonçalves Lourenço, to a second five-year term as president. However, the election result was the closest ever, and confirmed the steady erosion of support for the MPLA, which garnered just 51.2% of the vote, despite credible claims of voting irregularities and assistance from compliant state institutions, and the low turnout of just 45% provided additional evidence of widespread dissatisfaction with the regime.

Lourenço came to power in 2017 pledging to end the corruption that was rampant during the 38-year reign of his predecessor, José Eduardo dos Santos. To his credit, the incumbent has gone beyond merely targeting members and close associates of the dos Santos clan, and key improvements have included the establishment of independent institutions responsible for combatting corruption. Under his leadership, Angola has also made considerable efforts to woo foreign investors by reducing bureaucratic obstacles, liberalizing exchange controls, and undertaking fiscal reforms (notably the introduction of a value-added tax) that have helped to slash a non-oil fiscal deficit that exceeded 50% of GDP a decade ago.

However, reform efforts have remained narrowly focused, with little attention devoted to reducing inequality or addressing the limitations of what passes for democracy in Angola. Lourenço has failed to deliver on promised elections for sub-national government posts, which continue to be filled by appointment from the center, and public disappointment has been compounded by evidence of Lourenço's own authoritarian inclinations. Likewise, recent scandals involving alleged embezzlement and extortion by top members of the judiciary—including Chief Justice Joel Leonardo, who remains in his post, despite being expelled from the Angolan Bar Association—have reinforced public skepticism about the depth of Lourenço's commitment to rooting out corruption.

The main opposition National Union for the Total Independence of Angola (UNITA) controls 90 seats in the 220-member National Assembly and has limited ability to influence policy as long as the MPLA remains united. UNITA leader Adalberto Costa Júnior has adopted a strategy of applying continuous pressure on the government with the aim of testing its cohesion and widening any cracks that might appear.

Toward that end, UNITA recently made a push to impeach Lourenço for alleged undemocratic behavior, corruption, and violations of budget rules. The move came on the heels of an upsurge in popular protests triggered by cuts to fuel subsidies that went into effect in June.

While there was never a realistic chance of achieving the two-thirds majority required to remove Lourenço from office, UNITA was counting on discontent in the ranks of the MPLA to ensure enough votes to approve an official impeachment inquiry. However, the plan was thwarted in mid-October, when the MPLA approved the use of a public vote, rather than a secret ballot, to decide the question of whether to establish an investigation committee, and the motion was rejected in a party-line vote.

The opposition staged a walkout of the National Assembly to protest the rules change, denouncing Lourenço as a dictator. In a similar vein, UNITA has pointed to the president's aggressive pursuit of closer relations with the US, which has been accompanied by overt moves to distance Luanda from its long-time ally Russia, as evidence that he is laying the ground for a third-term bid in 2027 (which presumably will require changes to the constitution) and is hoping to blunt western criticism of his plans by becoming an asset to Washington in a troubled region of the world.

If Lourenço harbors ambitions to extend his tenure beyond the next elections, he will need to at least halt the erosion of popular support for the MPLA, which will be a challenge for his administration as it grapples with implementing sometimes unpopular structural reforms aimed at addressing the key sources of political and social discontent. In the meantime, the president will continue to rely on a strong state security apparatus to ensure domestic order as he attempts to balance demands for rapid improvements in education, infrastructure, and living standards and pressure to diversify an economy that overly dependent on hydrocarbons production.

MORE WORK TO DO TO IMPROVE CLIMATE FOR INVESTMENT

Lourenço has promised further action to root out corruption, including an increase in civil-service wages designed to reduce the temptation of graft. The president has also assured that he will use his second term to address impediments to broader prosperity, including high youth unemployment, which will necessarily entail attracting stronger inflows of foreign direct investment (FDI), which decreased in net terms by $6.6 billion last year, despite a surge in global energy prices.

In addition to the reforms already mentioned, Lourenço has sought to win the confidence of investors by restoring relations with the IMF and bolstering constitutional protections for the independence of the central bank. Other improvements include the creation of a court dedicated to the resolution of commercial disputes, the establishment of a one-stop window for starting a business, approval of a bankruptcy law, and the creation of a credit bureau.

However, the IMF has highlighted key weaknesses of the business climate, including impediments to private-sector access to credit (in part, a reflection of the political influence over access to state guarantees), the persistence of bureaucratic roadblocks for investors, and prolonged delays in crossborder trade. Other challenges include an inadequate energy supply and a mostly unskilled workforce, neither of which will be easily overcome.

Responsibility for tackling those shortcomings and producing results on the diversification front has been handed to José de Lima Massano, who gained praise for overseeing reform of the banking system as governor of the National Bank of Angola (BNA), the position he held prior to his appointment as minister of state for economic coordination in early June. Massano replaced Manuel Nunes Júnior, who took the blame for a botched program to distribute cards that would enable transportation professionals to continue obtaining fuel at subsidized prices, which led to clashes with police who were already struggling to contain the unrest triggered by a near doubling of retail fuel prices.

Massano is respected at home and abroad as a highly capable manager, but he is not a politician, and there are doubts about how much he and the other members of Lourenço's so-called "dream team," which includes Finance Minister Vera Daves and Transport Minister Ricardo Viegas D'Abreu, can actually accomplish. Some observers have suggested that Massano's transfer to the Economy super-ministry barely six months after he was reappointed as governor of the BNA (for a six-year term) is an act of desperation by a president who is feeling pressure to deliver results and has a limited pool of talent from which to draw candidates for key posts.

HIGHER INFLATION, LOWER OIL PRICES WEIGHING ON GROWTH

Real GDP growth slowed to just 0.3% (year-on-year) in the first quarter of 2023, as lower oil prices and reduced crude output due to planned maintenance in the Dalia field contributed to an 8% contraction in the oil sector. Production increased in the second quarter, but the oil sector registered another year-on-year decline in April-June, and slower growth of manufacturing and transportation held the headline growth rate for the period to 0.01%. Conditions are forecast to improve in the oil sector in the second half of the year, but a combination of high inflation and reduced availability of foreign exchange will dampen activity in the non-oil economy, holding overall annual real GDP growth to 1%-1.5%, with risks to the forecast tilted toward the downside.

The kwanza depreciated by close to 40% between mid-May and the end of June 2023, as a combination of reduced oil income (the result of lower prices and decreased production) and higher debt-service payments depleted the supply of dollars available in the domestic market. The exchange rate has remained stable at around AOA830 to the dollar in the second half of the year, but dependence on oil sales as a source of hard currency creates an ever-present risk of renewed volatility.

The steady easing of year-on-year inflation was reversed in June, as currency depreciation reinforced the inflationary effect of increased fuel prices with the phasing out of fuel subsidies. The monthly rate hit a 10-month high of 15% in September, prompting hints from the Finance Ministry of a possible readjustment of the timeline for eliminating subsidies. In any case, inflation will remain in double digits through the end of the year, pushing the annual average for 2023 above 14%.

Around 90% of Angola's export earnings and one-half of its government revenue are derived from oil sales. Based on prevailing oil prices, the fiscal balance is forecast to move back into deficit this year after showing a small surplus in 2022. The positive impact of reduced spending on subsidies will be partially offset by outlays for the clearance of arrears, but the shortfall will be held to no more than 1% of GDP in 2023. The steep depreciation of the kwanza will disrupt the downward trajectory of the debt-to-GDP ratio in the near term, but the reversal will be temporary.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk clams and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have "predictive power for both political risk insurance claims as well as political risk events measured by news coverage."

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
OCTOBER 2023 VERSUS NOVEMBER 2022

RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
	Very Low Risk				
1	Norway	86.0	87.0	-1.0	2
1	Switzerland	86.0	87.3	-1.3	1
3	Luxembourg	85.8	86.0	-0.3	3
4	Denmark	84.8	84.3	0.5	6
5	Taiwan	84.5	84.3	0.3	6
6	Singapore	84.3	85.8	-1.5	4
7	Ireland	83.8	82.3	1.5	8
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.8	79.5	2.3	16
10	Canada	80.8	82.0	-1.3	10
10	Iceland	80.8	80.5	0.3	14
10	Qatar	80.8	78.8	2.0	17

* C Harvey, et al., "Political Risk Spreads," Journal of International Business Studies, (2014), 471-493.

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
13	United Arab Emirates	80.5	82.3	-1.8	8
14	Netherlands	80.3	79.8	0.5	15
15	Kuwait	80.0	80.8	-0.8	13
	Low Risk				
16	Japan	79.8	76.3	3.5	26
16	Sweden	79.8	81.0	-1.3	12
18	Korea, Republic	79.5	77.8	1.8	22
19	Australia	79.3	81.3	-2.0	11
19	Botswana	79.3	77.0	2.3	24
21	Finland	78.8	78.3	0.5	20
21	New Zealand	78.8	76.0	2.8	27
23	Germany	78.5	78.8	-0.3	17
24	Hong Kong	78.0	74.0	4.0	36
25	Trinidad & Tobago	77.0	77.5	-0.5	23
26	Bahamas	76.8	71.0	5.8	55
26	Portugal	76.8	75.5	1.3	31
28	Austria	76.5	78.5	-2.0	19
28	Oman	76.5	78.3	-1.8	20
30	Czech Republic	75.8	75.5	0.3	31
31	Kazakhstan	75.5	76.0	-0.5	27
32	Guyana	75.3	75.8	-0.5	30
33	Uzbekistan	74.8	73	2.3	43
34	Belgium	74.5	74.5	0.0	35
34	Italy	74.5	73.5	1.0	38
36	Malaysia	74.3	73.5	0.8	38
37	Croatia	73.8	73.8	0.0	37
37	Libya	73.8	70.8	3.0	59
37	Malta	73.8	74.8	-1.0	34

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
37	Panama	73.8	73.5	0.3	38
37	Slovenia	73.8	73.0	0.8	41
37	United Kingdom	73.8	76.8	-3.0	25
37	Uruguay	73.8	75.3	-1.5	33
44	Azerbaijan	73.3	72.5	0.8	43
45	Costa Rica	73.0	72.0	1.0	48
46	Latvia	72.8	71.5	1.3	52
47	Jamaica	72.5	72.3	0.3	46
47	Spain	72.5	72.8	-0.3	42
49	Dominican Republic	72.3	72.5	-0.3	43
50	Brazil	71.8	70.0	1.8	65
50	Chile	71.8	71.8	0.0	49
50	France	71.8	72.3	-0.5	46
50	Israel	71.8	76.0	-4.3	27
54	Bulgaria	71.5	70.8	0.8	59
54	Philippines	71.5	70.8	0.8	59
54	Poland	71.5	71.0	0.5	55
54	Vietnam	71.5	70.8	0.8	59
58	Hungary	71.0	71.5	-0.5	52
58	India	71.0	70.3	0.8	63
60	Guatemala	70.8	71.0	-0.3	55
60	Thailand	70.8	65.0	5.8	88
62	United States	70.5	71.8	-1.3	49
63	China, Peoples' Rep.	70.0	69.5	0.5	67
Moderate Risk					
64	Cyprus	69.8	70.0	-0.3	65
64	Gabon	69.8	66.5	3.3	84
64	Lithuania	69.8	70.3	-0.5	63

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
67	Bahrain	69.3	68.8	0.5	71
68	Estonia	69.0	71.5	-2.5	52
68	Indonesia	69.0	68.3	0.8	73
68	Papua New Guinea	69.0	69.3	-0.3	68
71	Greece	68.8	68.0	0.8	76
71	Mexico	68.8	68.3	0.5	73
73	Congo, Republic	68.5	64.3	4.3	94
73	Iraq	68.5	71.0	-2.5	55
73	Peru	68.5	68.0	0.5	76
76	Namibia	68.3	71.8	-3.5	49
76	Slovakia	68.3	68.8	-0.5	71
78	Algeria	67.8	69.3	-1.5	68
79	Romania	67.3	66.8	0.5	82
80	Ecuador	67.0	68.3	-1.3	73
80	Gambia	67.0	65.0	2.0	88
80	Honduras	67.0	66.8	0.3	82
83	Morocco	66.8	64.5	2.3	92
83	Russia	66.8	66.0	0.8	87
85	El Salvador	66.5	63.8	2.8	98
85	Mongolia	66.5	65.0	1.5	88
85	South Africa	66.5	67.3	-0.8	80
88	Tanzania	66.3	65.0	1.3	88
89	Armenia	66.0	60.0	6.0	110
90	Serbia	65.8	67.3	-1.5	80
91	Guinea-Bissau	65.3	64.0	1.3	96
91	Paraguay	65.3	64.3	1.0	94
93	Jordan	65.0	64.5	0.5	92
94	Albania	64.8	67.8	-3.0	79

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
95	Iran	64.3	66.5	-2.3	84
96	Bolivia	64.0	66.5	-2.5	84
96	Cote d'Ivoire	64.0	62.3	1.8	105
98	Colombia	63.8	64.0	-0.3	96
98	Nicaragua	63.8	62.8	1.0	101
100	Bangladesh	63.5	62.5	1.0	103
100	Togo	63.5	63.3	0.3	100
102	Madagascar	63.0	62.5	0.5	3
103	Zambia	62.3	62.8	-0.5	101
104	Ghana	62.0	58.8	3.3	115
105	Cuba	61.8	69.3	-7.5	68
106	Cameroon	61.5	60.3	1.3	108
107	Moldova	61.3	59.0	2.3	114
107	Ukraine	61.3	51.8	9.5	133
109	Angola	60.5	68.0	-7.5	76
110	Mozambique	60.0	54.5	5.5	128
110	Uganda	60.0	59.3	0.8	113
		High Risk			
112	Guinea	59.8	57.3	2.5	124
112	Tunisia	59.8	61.3	-1.5	107
114	Belarus	59.3	57.0	2.3	126
114	Senegal	59.3	58.3	1.0	119
114	Suriname	59.3	58.5	0.8	117
117	Burkina Faso	59.0	59.5	-0.5	111
118	Myanmar	58.3	55.8	2.5	127
119	Ethiopia	58.0	58.5	-0.5	117
120	Mali	57.8	58.8	-1.0	115
121	Zimbabwe	57.5	61.5	-4.0	106

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
122	Egypt	57.3	57.8	-0.5	123
123	Congo, Dem. Republic	57.0	60.3	-3.3	108
123	Sierra Leone	57.0	53.5	3.5	131
125	Haiti	56.8	54.3	2.5	129
125	Kenya	56.8	58.3	-1.5	119
127	Argentina	56.3	63.8	-7.5	98
128	Nigeria	56.0	59.5	-3.5	111
129	Yemen, Republic	55.8	48.3	7.5	138
130	Turkey	55.5	54.3	1.3	129
131	Liberia	55.0	58.0	-3.0	121
131	Venezuela	55.0	58.0	-3.0	121
133	Sri Lanka	54.5	48.5	6.0	137
134	Malawi	52.3	51.0	1.3	134
135	Somalia	51.8	52.0	-0.3	132
	Very High Risk				
136	Korea, D.P.R.	49.3	51.0	-1.8	134
136	Pakistan	49.3	51.0	-1.8	134
138	Niger	47.8	57.3	-9.5	124
139	Syria	44.5	43.8	0.8	139
140	Sudan	43.5	43.0	0.5	140
141	Lebanon	34.8	41.3	-6.5	141