

COUNTRY PROFILE:**REPUBLIC OF ANGOLA****DATED:****JANUARY 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	Case-by-case

Recent Political Highlights

- ❑ Chief of state since September 1979 is President Jose Eduardo Santos. The president is elected by universal ballot for a five-year term and is eligible for a second term;
- ❑ President Santos has announced that Parliamentary elections will take place in September this year, stating that going to the ballots will deepen the democratic system in Angola. Presidential election is likely to take place in 2009.

Recent Economic Highlights

- ❑ Angola has a population of 12.3m people that was expected to have grown at a rate of 2.2% in 2007;
- ❑ Oil production has supported strong GDP growth of 12% in 2004, 19% in 2005, 14% in 2006 and an expected 16% in 2007. Economic growth forecasts range from 21% for 2008, 13% for 2009 before declining to 5%, 7.7% and 11.5% in 2010, 2011 and 2012 as oil output falls;
- ❑ Government has severed negotiation talks with the IMF on an economic programme, as it believes its own programme is sufficient to maintain macroeconomic stability, stimulate private-sector growth and reduce poverty. The IMF will continue to monitor the country's economic progress. In the absence of an IMF programme, Government will continue to contract expensive oil-backed loans and further extending credit lines with China, Brazil, Portugal and other partners in order to invest heavily in the rehabilitation of infrastructure;
- ❑ Owing to its relatively loose monetary policy, strong economic expansion and continuing growth in money supply, the central bank will find it difficult to reduce inflation to single-digit figures during 2008-2012. CPI is forecast by The Economist to average 13.2% in 2008, 14.7% in 2009, 11.9% in 2010, 11.2% in 2011 and 12.2% in 2012 from 12.5% in 2007;
- ❑ Government has announced plans to reform the state oil company Sonangol, by transferring its quasi-fiscal operations to the finance ministry and the central bank and its regulatory functions to the petroleum ministry;
- ❑ Angola's National Criminal Investigation Police recently seized \$3.2m in counterfeit bills in Cabinda city that were intended to be released into the market by a gang of forgers from the DRC;
- ❑ The new Angola Nocal brewery will begin operations in June. A sum of \$200m is being invested by the group Brewery International Holding. The new plant Noca II, will provide jobs for 300 locals and produce about 120 hectolitres of beer per month. The beer will only be supplied to the local market;
- ❑ Angola entered a new era in 2007 when it became the 12th member of OPEC. It will be subjected to the organisation's production quotas, which was expected to be increased to 2m bpd by the end of last year;
- ❑ Cotton production is to resume on a large scale in the Kwanza Sul Province, Serafim do Prado this year. The outline for the project was signed in Luanda in June 2005, the financing memorandum between the Angolan Ministry of Agriculture and Rural Development and China's EximBank. It costs about \$40m to establish the necessary production facilities. The last cotton production in the area transpired between 1999 and 2000 during which about 500 tonnes of cotton was produced. The project will employ 1.914 families and will include the construction of irrigation infrastructures.

Latest Trade Developments

- ❑ Major exports: crude oil, diamonds, refined petroleum products, gas, coffee, sisal, fish and fish products, timber and cotton;
- ❑ Major imports: machinery and electrical equipment, vehicles and spare parts, medicines, food, textiles and military goods;
- ❑ Main trading partners: US, China, Taiwan, France, Chile, SA, South Korea, Portugal and Brazil;
- ❑ The Japanese Government has commenced discussions with Angola to get involved in the \$3.5bn Lobito refinery project called Sonaref in return for crude oil supplies;
- ❑ President Santos confirmed that his country is open to cooperation with the world's top industrialised countries and emerging nations such as Brazil, China, India and fellow African states. It recently approved accords with Israel concentrating on health and medicines. Zambia is interested in the rehabilitating of Angola's Benguela Railway, as the speedy and cheap access to the sea will assist its mineral exports to Europe;
- ❑ SA exports to Angola totaled R4.7bn in 2006 from R3.5bn in 2005 and R4.5bn in the year to October 2007.

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