

Angolan Middle Class Drives Economic Expansion, Eaglestone Says

By Colin McClelland - Dec 1, 2013

Bloomberg

Angola's growing middle class will help expand the banking, retail and communications industries in Africa's second-largest oil producer, according to Eaglestone Securities BV.

The economy will grow by 5 percent to 7 percent this year and next, led by an 8.3 percent increase in non-oil sectors, Tiago Dionisio, a Lisbon-based analyst at Eaglestone, wrote in a note published today. Oil's contribution to gross domestic product fell to 46 percent from 56 percent in 2002, he said.

"Angola has been successful in using the windfall from high oil prices to diversify its economy," Dionisio said. "The country's petrodollars have led to the rapid development of other sectors, reinforced by the process of urbanization and the growing aspirations of the middle class."

The government is promoting investment in agriculture, mining, retail and services as alternatives to petroleum, which accounts for almost all of the country's exports and 80 percent of tax revenue. President Jose Eduardo dos Santos lowered this year's growth forecast to 5.1 percent from 7.1 percent in an Oct. 15 speech, citing slower-than-expected oil spending, lower electricity production after drought cut output from hydropower plants and mismanagement of public debt.

Foreign oil companies, including Total SA (FP), Chevron Corp. and Exxon Mobil Corp. (XOM), helped Angola pump 1.7 million barrels a day in November, according to data compiled by Bloomberg.

Construction Spending

Infrastructure and construction spending has doubled to 14 percent of gross domestic product in the past decade, Dionisio said, while retail grew to 20 percent from 15 percent over the same period. There is potential for investment in agriculture, with only 30 percent of the nation's arable land farmed, and communications, where just 12 percent of the population has Internet access, he said.

"The country has a positive fiscal balance, low public debt, a more comfortable level of international reserves and single-digit inflation," Dionisio said. "Angola is well on track to fulfilling its promise to be one of the strongest economic success stories in sub-Saharan Africa."

Eaglestone, based in London, was founded in 2011 with a focus on sub-Saharan Africa. It has 25 employees and offices in Amsterdam, Cape Town, Luanda, Lisbon, New York and Maputo.

To contact the reporter on this story: Colin McClelland in Luanda at cmcclelland1@bloomberg.net

To contact the editor responsible for this story: Antony Sguazzin at asguazzin@bloomberg.net