

Angola, in Crisis, Awaits New Leadership

Long-serving president's announcement that he won't seek re-election adds uncertainty to economic woes

By GABRIELE STEINHAUSER

TALATONA, Angola—This upmarket new suburb on the edge of Angola's capital stands as a ghostly monument to the challenges facing one of Africa's biggest oil producers as it braces for its first political transition in almost four decades.

Dozens of gated communities sit mostly empty. They were built during the first half of this decade for a middle class that never materialized and a foreign elite that largely packed up and left when a dizzying oil-price boom went bust in 2014.

In glitzy shopping malls, stores struggle to stock their shelves, as a free-falling local currency and dollar shortages batter imports.

Now, in its worst economic crisis since emerging from civil war in 2002, Angola is gearing up for its first leadership change in 37 years following the announcement in December that José Eduardo dos Santos won't seek another term as president in elections scheduled for August.

Whether the change will bring fresh remedies to the southern African country's economic woes is open to question. The ruling Popular Movement for the Liberation of Angola, or MPLA, has tapped João Lourenço, the current defense minister, as Mr. Santos's successor, and authorities have stepped up pressure on journalists and antigovernment activists.

The deep stake that Mr. Dos Santos's family holds in the economy also is likely to remain undiminished.

Angola's second-highest



Fisherwoman Maria Antonia Jorge struggles to pay her sons' tuition.

court ruled last week that the president had acted legally when he appointed his daughter Isabel chief executive of the state oil company Sonangol, the centerpiece of an economy that derives 96% of its exports from the sale of crude.

The president's daughter presides over a business empire, while her brother, Filomeno, heads Angola's sovereign-wealth fund.

"There is a lot of discontent with dos Santos and above all his family," said Filomeno Vieira Lopes, an economist and senior member of the Democratic Bloc, a small opposition party.

A closer look at Luanda's sparkling skyline, with its unfinished skyscrapers, reveals how sharply the country's economy has plummeted. In the streets below, ordinary citizens wrestle with 41% inflation and chronic shortages of staples.

The International Monetary Fund expects that Angola's economy will have zero growth in 2016, marking its worst peacetime performance on record—a disaster for a country whose population of 26 million is growing 3.2% annually.

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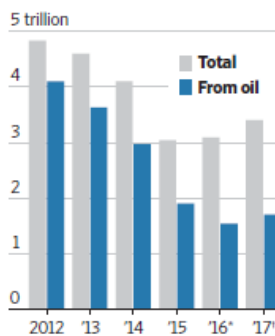
Meanwhile, government debt has jumped to 78% of gross domestic product, according to IMF estimates, from just 41% when oil prices plummeted in 2014.

Little is known about where or from whom the government is borrowing—let

Crude Awakening

The decline in oil prices has pummeled Angola's tax revenue and driven up government debt.

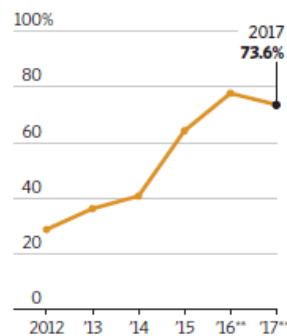
Tax revenue
in Angolan kwanza



*Revised budget; *Budget proposal; **Estimates

Sources: Eaglestone Securities (tax); IMF (debt)

Government debt
as a percentage of GDP



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alone at what rate—so analysts warn about the difficulty of predicting its ability to pay back what it owes. In April, the government entered bailout negotiations with the IMF and abandoned them three months later. Since then, the central bank has used 18% of its foreign-currency reserves to keep some imports flowing into the country.

It is a far cry from the fast-charging economy that enabled Angola to buy huge stakes in Portugal's banking and energy sectors over the past decade and help its former colonial ruler avoid bankruptcy.

Now, layoffs at oil and construction companies have stopped the beginnings of a middle class. Angola's currency, the kwanza, has dropped to an official rate of 165 to the dollar from around 97 in 2014. On the black market, a dollar

fetches about 485 kwanza.

Still, the announcement that Mr. dos Santos won't run for president again surprised many. In the capital Luanda, banners still celebrate his August re-election as leader of the MPLA, with 99.6% of the vote.

For many Angolans, however, Mr. Santos's rule has taken a turn for the worse in recent years.

Maria Antonia Jorge, president of a cooperative of fisherwomen on the narrow peninsula facing downtown Luanda, has sent two sons to university with her earnings from selling salted sardines and mackerel.

Today, the 45-year-old Ms. Jorge worries that her boys may never graduate because the rising cost of salt and declining demand for her fish mean she is straining to pay her sons' tuition. "There is this fear," she said.